LEXINGTON REALTY TRUST
Form 424B3
December 10, 2008

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Registration Statement No. 333-155634

LEXINGTON REALTY TRUST

SPECIAL MEETING OF LIMITED PARTNERS OF
THE LEXINGTON MASTER LIMITED PARTNERSHIP

To be held on December 29, 2008

This proxy statement/prospectus and the enclosed proxy card are being furnished in connection with the solicitation of proxies by The Lexington Master Limited Partnership, which we refer to as the Partnership, to be voted at a special meeting of limited partners to be held at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, NY 10119-4015, on Monday, December 29, 2008, at 10:00 A.M., New York City Time, and at any adjournments for the purposes set forth in the accompanying Notice of Special Meeting of Limited Partners and in this proxy statement/prospectus.

A proxy, in the accompanying form, which is properly executed, duly returned to the Partnership and not revoked, will be voted in accordance with the instructions contained therein and, in the absence of specific instructions, will be voted FOR each of the proposals, including FOR the merger of the Partnership with and into Lexington Realty Trust, which we refer to as the MLP merger, pursuant to the Agreement and Plan of Merger by and between Lexington Realty Trust and the Partnership, dated as of November 24, 2008, which we refer to as the merger agreement. Each proxy granted may be revoked at any time thereafter by writing to the Partnership prior to the meeting, or by execution and delivery prior to the meeting of a subsequent proxy or by attendance and voting in person at the meeting.

Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust, which we refer to as the General Partner, in its capacity as general partner of the Partnership, has approved the MLP merger. The General Partner has determined in its business judgment that the MLP merger is in the best interest of the Partnership and its partners.

Under Delaware law and the Second Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of December 31, 2006, which we refer to as the Partnership Agreement, the MLP merger may be approved by at least 50% of each class of units of limited partner interests in the Partnership, which we refer to as MLP Units, but the General Partner does not believe such approval is required for the MLP Merger. We have two classes of MLP Units outstanding: (1) Special Voting Partnership Units, which we refer to as Special Voting Units, and (2) Class A Partnership Common Units, which we refer to as Class A Units. Approval of a majority of each class is a condition to the consummation of the MLP merger under the merger agreement.

Holders of record of MLP Units at the close of business on November 24, 2008, which we refer to as the Record Date, are entitled to notice of, and to vote at, the special meeting or any adjournment. As of the record date, 72,027,245 MLP Units were issued and outstanding, including 15,535,535 Class A Units and 56,491,710 Special Voting Units.

As of the Record Date, Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust, holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust and the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.

Approval of the shareholders of Lexington Realty Trust is not required for the approval of the MLP merger. The MLP merger is only subject to the approval of the limited partners, as discussed above.

In the MLP merger, you will be entitled to receive, for (1) each whole MLP Unit, one share of beneficial interest classified as common stock of Lexington Realty Trust, par value $0.0001 per share, which is referred to herein as Common Shares, and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger.

If the closing of the MLP merger occurs on or prior to December 31, 2008, as expected, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends on the Common Shares you receive in the MLP merger, when and if authorized by Lexington Realty Trust s board of trustees.

In general, under applicable U.S. federal income tax laws and regulations, you will recognize gain or loss for federal income tax purposes when you receive Common Shares in exchange for your existing MLP Units. **We urge you to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

Questions may be directed to the Partnership at the address set forth above.

More information about Lexington Realty Trust, the Partnership and the MLP merger is contained in this proxy statement/prospectus. We urge you to read this proxy statement/prospectus carefully, including Risk Factors on page 8 of this proxy statement/prospectus for a discussion of the risks relating to the MLP merger.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated December 9, 2008, and will first be mailed to limited partners on or about December 12, 2008.

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THE LEXINGTON MASTER LIMITED PARTNERSHIP
NOTICE OF SPECIAL MEETING OF LIMITED PARTNERS
TO BE HELD ON DECEMBER 29, 2008

NOTICE IS HEREBY GIVEN that a special meeting of limited partners of The Lexington Master Limited Partnership, a Delaware limited partnership, will be held at the offices of Paul, Hastings, Janofsky & Walker LLP, 75 East 55th Street, New York, NY 10022, on Monday, December 29, 2008, at 10:00 A.M., New York City Time, to consider and act upon the following:

(1) To consider and vote on the approval of the Agreement and Plan of Merger, dated as of November 24, 2008, by and among Lexington Realty Trust and The Lexington Master Limited Partnership, a copy of which is attached as Annex A to the accompanying proxy statement/prospectus and the transactions contemplated thereby, including the merger of The Lexington Master Limited Partnership with and into Lexington Realty Trust; and

(2) To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Limited partners of record at the close of business on November 24, 2008 are entitled to receive notice of, and to vote at, the meeting and at any adjournments.

All limited partners are cordially invited to attend the meeting. Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy, which is solicited by our general partner, and mail it promptly in the enclosed envelope to make sure that the limited partner interests are represented at the meeting. In the event you decide to attend the meeting in person, you may, if you desire, revoke your proxy and vote your interests in person.

Approval of the shareholders of Lexington Realty Trust is not required for the consummation of the merger of The Lexington Master Limited Partnership with and into Lexington Realty Trust.

Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust and our general partner, has approved and recommends the merger. Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Realty Trust and the holder of approximately 91.1% of the outstanding units of limited partner interest (including a majority of both classes of units limited partner interests) intends to vote its units of limited partner interest in favor of the proposals. Accordingly, unless Lex GP-1 Trust, as our general partner, withdraws its recommendation to approve, and votes against, the merger, approval of the proposals is assured.

Very truly yours,
THE LEXINGTON MASTER LIMITED PARTNERSHIP
By: Lex GP-1 Trust, General Partner
/s/ Joseph S. Bonventre
By: Joseph S. Bonventre
Secretary
New York, NY
December 12, 2008

IMPORTANT: The prompt return of proxies will ensure that the limited partner interests will be voted. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed within the United States.

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QUESTIONS AND ANSWERS ABOUT THE MLP MERGER AND THE SPECIAL MEETING

About the MLP Merger

Q: Why am I receiving this proxy statement/prospectus?

A: The General Partner and the board of trustees (including all of the independent trustees) of Lexington Realty Trust, which we refer to as Lexington Trust, have each approved an agreement and plan of merger, or merger agreement, between Lexington Trust and the Partnership. The merger agreement provides for the merger of the Partnership with and into Lexington Trust, or the MLP merger.

The Lexington Trust shares of beneficial interest classified as common stock, or Common Shares, to be issued in the MLP merger can be issued without the approval of the shareholders of Lexington Trust pursuant to a registration statement, which this proxy statement/prospectus is a part of, on Form S-4 filed with the Securities and Exchange Commission, which we refer to as the SEC.

This proxy statement/prospectus is being furnished to the limited partners of record as of November 24, 2008, or the Record Date, for the purpose of voting on the following proposals:

(1) To consider and vote on the approval of the merger agreement and the transactions contemplated thereby, including the MLP merger; and

(2) To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.

This proxy statement/prospectus contains important information about the proposed MLP merger and the special meeting, and you should read it carefully.

Q: Why has the MLP merger been proposed?

A: The General Partner and Lexington Trust s board of trustees, which we refer to as the LXP board, have each proposed the MLP merger and determined in their respective business judgment that the MLP merger is advisable and in the best interests of the Partnership, the holders of MLP Units, Lexington Trust and the holders of Common Shares. For a description of factors considered by the General Partner and the LXP board, please see Proposal No. 1 Reasons for the MLP Merger, below.

Q: Are there any conflicts of interest related to the MLP merger?

A: Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other holders of MLP Units generally. These interests are discussed under Interests of Lexington Trust, below.

Q: What will I receive in the MLP merger?

A: In the MLP merger, you will be entitled to receive, for (1) each whole MLP Unit, one Common Share, and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, Lexington Trust will forward payments to such holders of fractional interests.

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Q: What will holders of Lexington Trust Common Shares receive in the MLP merger?
A: Holders of Lexington Trust Common Shares will not receive any additional shares or other consideration in connection with the MLP merger. Each Common Share will continue to represent one Common Share after the consummation of the MLP merger.
Q: Will I continue to receive distributions prior to the MLP merger?
A: If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of the LXP board and the General Partner, as applicable.
Q: What will happen to the Partnership if the MLP merger is not completed?
A: If Lexington Trust determines that it is no longer advisable to complete the MLP merger, the merger agreement will terminate and the MLP merger will not be completed. In such event, you will remain a holder of MLP Units entitled to the rights and benefits under the Partnership Agreement.
Q: Do I have appraisal rights in connection with the MLP merger?
A: No. The Partnership was formed under Delaware law. Under Delaware law, a partnership agreement or an agreement of merger or consolidation may provide that contractual appraisal rights with respect to a partnership interest or another interest in a limited partnership will be available for any class or group or series of partners or partnership interests in connection with any merger or consolidation in which the limited partnership is a party to the merger or consolidation. Neither the Partnership Agreement, nor the merger agreement, provides for contractual appraisal rights.
Q: Will I recognize taxable gain or loss for U.S. federal income tax purposes as a result of the MLP merger?
A: Yes. In general, applicable U.S. federal income tax laws and regulations, you will recognize a gain or loss for federal income tax purposes upon exchange of your MLP Units for Common Shares. **We urge you to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

About the Special Meeting

Q: Where and when is the special meeting?
A: The special meeting will take place at the New York offices of Paul, Hastings, Janofsky & Walker LLP, located at 75 East 55th Street, New York, New York 10022, on Monday, December 29, 2008, at 10:00 a.m. local time.
Q: Who is entitled to vote?
A: Holders of record of MLP Units at the close of business on November 24, 2008, the Record Date, are entitled to vote at the special meeting. As of the Record Date, there were 15,535,535 Class A Units outstanding and 56,491,710 Special Voting Units outstanding. Lex LP-1 Trust held a majority of both classes and intends to vote in favor of all proposals. Accordingly, unless the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.
Q: How do I cast my vote?

A: You may vote as follows:
Mail: Vote, sign, date your proxy card and mail it in the postage-paid envelope.
In Person: Vote at the Annual Meeting.
By Telephone: Call toll-free 1-866-540-5760 and follow the instructions. You will be prompted for certain information that can be found on your proxy card.
Via Internet: Log on to *www.proxyvoting.com/lxp* and follow the on-screen instructions. You will be prompted for certain information that can be found on your proxy card.

Q: What vote is required?

A: Under Delaware law, unless otherwise provided in the partnership agreement, a merger or consolidation must be approved (1) by all general partners and (2) by the limited partners or, if there is more than one class or group of limited partners, then by each class or group of limited partners, in either case, by limited partners who own more than 50 percent of the then current percentage or other interest in the profits of the limited partnership owned by all of the limited partners or by the limited partners in each class or group, as appropriate.

The Partnership Agreement provides the General Partner with full power and authority to merge the Partnership into another entity, but the General Partner may not permit the Partnership to be a party to a merger pursuant to which the MLP Units are converted or changed into or exchanged for securities of another operating partnership in an UPREIT or similar structure without the affirmative vote of the holders of at least a majority-in-interest of the limited partners, unless upon consummation of such merger, the holders of MLP Units will receive shares of stock or beneficial interest or other equity securities of the parent REIT of such operating partnership with preferences, rights and privileges not materially inferior to the preferences, rights and privileges of Common Shares. In the MLP merger, the holders of MLP Units will receive Common Shares; therefore, we do not believe that approval by the limited partners is required under the Partnership Agreement or Delaware law.

Nonetheless, the General Partner is soliciting your vote because the merger agreement requires that the General Partner obtain the approval of the holders of at least a majority of each class of the MLP Units.

As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner publicly withdraws its recommendation of the MLP merger, approval of the proposals is assured.

Q: Can I change my vote after I have granted my proxy?

A: Yes. You may revoke your proxy and change your vote at any time before your proxy is voted at the special meeting. To revoke your proxy instructions, you must: (i) so advise the General Partner s Secretary, Joseph S. Bonventre, c/o The Lexington Master Limited Partnership, One Penn Plaza, Suite 4015, New York, NY 10119-4015 in writing before your MLP Units have been voted by the proxy holders at the meeting; (ii) execute and deliver a subsequently dated proxy; or (iii) attend the meeting and vote your MLP Units in person.

Q: What happens if I hold MLP Units and I do not indicate how I want to vote, do not vote or abstain from voting on the proposals?

A: If you sign and send in your proxy but do not indicate how you want to vote on the proposals, your proxy will be voted in favor of all of the proposals on which a vote will take place at the special meeting. If you do not submit your proxy and do not attend the special meeting, your MLP Units will count as a vote against the proposals.

Q: Will anyone contact me regarding this vote?

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A: In addition to the solicitation of proxies by use of the mails, the General Partner and officers and regular employees of Lexington Trust may solicit proxies by telephone, facsimile, e-mail, or personal interviews without additional compensation. We reserve the right to engage solicitors and pay compensation to them for the solicitation of proxies.

Q: Who has paid for this proxy solicitation?

A: The Partnership and Lexington Trust will share the cost of preparing, printing, assembling and mailing the proxy card, the proxy statement/prospectus and other materials that may be sent to limited partners in connection with this solicitation.

How to Get More Information

Q: Who can answer my questions?

A: If you have questions about the MLP merger or want additional copies of this proxy statement/prospectus or additional proxy cards should contact: Investor Relations, The Lexington Master Limited Partnership, One Penn Plaza, Suite 4015, New York, NY 10119-4015, Telephone (212) 692-7200.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. You should carefully read this entire proxy statement/prospectus and the other documents to which this proxy statement/prospectus refers for a more complete understanding of the matters being considered at the special meeting. In addition, we incorporate important business and financial information about the Partnership and Lexington Trust set forth in Annexes B and C to this proxy statement/prospectus. For more information about the Partnership and Lexington Trust, including where you can find the incorporated information, see the section of this proxy statement/prospectus entitled Where You Can Find More Information, below.

Special Meeting

This proxy statement/prospectus is being furnished to the limited partners of record as of November 24, 2008, or the Record Date, for the purpose of voting on the following proposals:

(1) To consider and vote on the approval of the merger agreement and the transactions contemplated thereby, including the MLP merger; and

(2) To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The special meeting will take place at the New York offices of Paul, Hastings, Janofsky & Walker LLP, located at 75 East 55th Street, New York, New York 10022, on Monday, December 29, 2008, at 10:00 a.m. local time.

Parties to the MLP Merger

Lexington Realty Trust, or Lexington Trust, is a self-managed and self-administered real estate investment trust, or a REIT, formed under the laws of the State of Maryland. Lexington Trust s primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial properties. The principal executive offices of Lexington Trust are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015, and its telephone number is (212) 692-7200.

The Partnership was organized in October 2001 as a Delaware limited partnership to facilitate the January 2002 exchange transaction in which 90 limited partnerships were merged into the Partnership and the Partnership acquired various other assets related to its management and capital structure. The Partnership owns commercial properties, most of which are leased to investment grade corporate tenants, as well as other real estate assets. Lexington Trust is the parent of the General Partner and the holder of approximately 91.1% of the outstanding MLP Units. The Partnership s principal executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015, and its telephone number is (212) 692-7200.

MLP Merger

The merger agreement provides for the merger of the Partnership with and into Lexington Trust, with Lexington Trust as the surviving entity.

MLP Merger Approval Requirement

The merger agreement requires that the General Partner obtain the approval of the holders of at least a majority of each class of MLP Units. The approval of Lexington Trust shareholders is not required for the consummation of the MLP merger.

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As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner withdraws its recommendation of, and votes against, the MLP merger, approval of the proposals is assured.

Record Date

The General Partner has set the close of business on November 24, 2008 as the Record Date for limited partners who are entitled to notice of the action to be taken at the special meeting.

MLP Merger Consideration

In the MLP merger, holders of MLP Units will be entitled to receive, for (1) each whole MLP Unit, one Common Share and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger.

Distributions

If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of the LXP board and the General Partner, as applicable.

Conflicts of Interest

Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other holders of MLP Units generally. These interests are discussed under Interests of Lexington Trust, below.

Material Tax Consequences of the MLP Merger

The MLP merger will have tax consequences for holders of MLP Units. The receipt of Common Shares in exchange for existing MLP Units and cash in exchange for fractional MLP Units generally will be taxable for federal income tax purposes. See United States Federal Income Tax Considerations, below. **Your tax consequences will depend on your personal situation. You are urged to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

Recommendation of the General Partner

The General Partner and the LXP board (including all of the independent trustees) have each approved the merger agreement, the MLP merger and the related transactions. The General Partner has declared that the merger agreement, the MLP merger and the related transactions are advisable and fair to, and in the best interests of, the Partnership and its partners.

The General Partner recommends that holders of MLP Units vote FOR the approval of the merger agreement, the MLP merger and the related transactions.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following information is provided to assist you in your analysis of the financial aspects of the MLP merger. This information has been derived from the audited consolidated financial statements for the years ended December 31, 2003 through 2007 of each of Lexington Trust and the Partnership and from the unaudited condensed consolidated financial statements for the nine months ended September 30, 2007 and 2008 of each of Lexington Trust and the Partnership.

This information is only a summary. You should read it along with, as applicable, Lexington Trust s or the Partnership s historical financial statements and related notes and the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in the periodic reports filed by Lexington Trust and the Partnership with the SEC. Please see Where You Can Find More Information, below. Historical operating results are not necessarily indicative of future results. For a discussion of certain factors that may materially affect the comparability of the selected historical financial information or cause the data reflected herein not be indicative of future financial condition or results of operations, please see Risk Factors, below.

For Lexington Trust:

	Years Ended December 31,					Nine Months Ended September 30,	
	2007	**2006**	**2005**	**2004**	**2003**	**2008**	**2007**
	(in thousands, except per share data)					(in thousands, except per share data)	
Total gross revenues	$ 431,747	$ 186,693	$162,383	$109,901	$ 73,999	$ 340,632	$ 304,099
Expenses applicable to revenues	(297,139)	(106,796)	(81,645)	(37,581)	(24,568)	(252,400)	(206,767)
Interest and amortization expense	(163,628)	(65,097)	(56,177)	(36,448)	(25,609)	(120,519)	(114,747)
Income (loss) from continuing operations	(10,783)	(7,909)	17,606	27,021	15,873	15,235	1,272
Total discontinued operations	87,634	15,662	15,089	17,786	17,776	4,585	44,345
Net income	76,851	7,753	32,695	44,807	33,649	19,820	45,617
Net income (loss) allocable to common shareholders	50,118	(8,682)	16,260	37,862	30,257	5,211	25,919
Income (loss) from continuing operations per common share basic	(0.58)	(0.47)	0.03	0.43	0.37	0.01	(0.28)
Income (loss) from	(0.58)	(0.47)	0.03	0.41	0.36	(0.14)	(0.28)

continuing operations per common share diluted							
Income from discontinued operations per common share basic	1.35	0.30	0.30	0.38	0.52	0.07	0.67
Income from discontinued operations per common share diluted	1.35	0.30	0.30	0.39	0.52	0.07	0.67
Net income (loss) per common share basic	0.77	(0.17)	0.33	0.81	0.89	0.08	0.39
Net income (loss) per common share diluted	0.77	(0.17)	0.33	0.80	0.88	(0.07)	0.39

(Continues)

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	Years Ended December 31, 2007	2006	2005	2004	2003	Nine Months Ended September 30, 2008	2007
	(in thousands, except per share data)					(in thousands, except per share data)	
Cash dividends declared per common share	$ 3.60	$ 2.0575	$ 1.445	$ 1.41	$ 1.355	$ 0.99	$ 1.125
Net cash provided by operating activities	287,651	108,020	105,457	90,736	68,883	187,412	235,893
Net cash provided by (used in) investing activities	(31,490)	(154,080)	(643,777)	(202,425)	(295,621)	200,751	(316,419)
Net cash (used in) provided by financing activities	38,973	483	444,878	242,723	228,986	(692,230)	224,041
Real estate assets, net	3,729,266	3,475,073	1,651,200	1,240,479	1,001,772	3,396,790	4,257,884
Investments in non-consolidated entities	226,476	247,045	191,146	132,738	69,225	205,021	173,742
Total assets	5,265,163	4,624,857	2,160,232	1,697,086	1,207,441	4,294,332	5,667,491
Mortgages, notes payable and credit facility, including discontinued operations	3,047,550	2,132,661	1,170,560	765,909	551,385	2,481,575	3,320,264
Shareholders equity	939,071	1,122,444	891,310	847,290	579,848	924,002	1,110,607
Preferred share liquidation preference	389,000	234,000	234,000	214,000	79,000	363,915	389,000

For the Partnership:

	Years Ended December 31, 2007	2006	2005	2004	2003	Nine Months Ended September 30, 2008	2007
	(in thousands, except per unit data)					(in thousands, except per unit data)	
Operating Data							
	$ 207,804	$ 160,306	$ 144,879	$ 147,816	$ 161,492	$ 186,158	$ 143,879

Total gross revenues							
Income from continuing operations	85,232	32,735	24,437	44,641	51,021	2,429	72,530
Net income	151,450	129,342	49,295	137,808	145,164	39,551	109,947
Net income per unit (1) (2)	2.71	2.51	1.23	3.60	3.78	0.56	2.01
Cash distributions per unit (1) (2)	3.60	2.06	1.33	1.20	0.91	0.99	1.13
Weighted average units outstanding (1) (2)	55,923	51,519	40,081	38,311	38,381	70,923	54,742
Balance Sheet Data							
Real estate investments, at cost	1,829,478	1,452,851	1,457,603	1,578,182	1,655,430	1,790,167	1,859,791
Real estate investments, net of accumulated depreciation	1,409,819	977,625	913,518	1,032,797	1,129,237	1,363,809	1,377,390
Total assets	2,342,944	1,396,272	1,306,953	1,237,129	1,384,094	1,924,087	2,123,901
Total debt	1,446,622	838,734	770,786	907,339	1,104,231	1,250,103	1,407,322
Partners equity	564,401	491,474	461,184	203,785	98,864	562,352	616,348

(1) Adjusted to reflect the 7.5801 to 1 unit split of the outstanding units on November 7, 2005.

(2) Adjusted to reflect the 0.80 to 1 unit split of outstanding units on December 31, 2006.

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SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL AND OTHER DATA

The following table shows information about Lexington Trust s financial condition and results of operations, including per share data, after giving effect to the consummation of the MLP merger. The table sets forth the information as if the MLP merger had become effective on September 30, 2008, with respect to the balance sheet information, and as of January 1, 2007, with respect to the income statement information. The pro forma financial data presented were prepared in accordance with Article 11 of SEC Regulation S-X. The MLP merger will be accounted for as a redemption of the minority interest s MLP Units in the MLP merger using the carrying value of the MLP Units.

The information is based on, and should be read together with, the historical financial statements, including the notes thereto, of each of Lexington Trust and the Partnership included in Annexes B and C, respectively, and the more detailed unaudited pro forma financial information, including the notes thereto, appearing elsewhere in this proxy statement/prospectus. See Where You Can Find More Information and Unaudited Pro Forma Combined Condensed Consolidated Financial Statements.

We anticipate the MLP merger to provide the combined company with financial benefits that include cost savings opportunities. The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect benefits of expected cost savings opportunities and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.

	Pro Forma Combined (Unaudited, dollars in thousands)	
	Year ended December 31, 2007	Nine months ended September 30, 2008
Total gross revenues	$ 431,747	$ 340,632
Interest and amortization expense	(163,628)	(120,519)
Loss from continuing operations	(13,376)	(67)
Loss from continuing operations per common share basic	(0.40)	(0.15)
Loss from continuing operations per common share diluted	(0.40)	(0.15)
Real estate assets, net		3,396,790
Investments in non-consolidated entities		205,021
Total assets		4,294,332
Mortgages and notes payable		2,052,955
Shareholders equity		1,453,094

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COMPARATIVE PER SHARE/UNIT DATA

The following table presents, for the periods indicated, selected historical per share/unit data for Common Shares and MLP Units. You should read this information in conjunction with, and the information is qualified in its entirety by, the consolidated financial statements and accompanying notes of Lexington Trust and the Partnership contained in periodic reports filed by Lexington Trust and the Partnership. Please see Where You Can Find More Information, below.

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
Lexington Trust Historical		
Income (loss) from continuing operations per common share basic	$ 0.01	$ (0.58)
Loss from continuing operations per common share diluted	$ (0.14)	$ (0.58)
Book value per share at period end	$ 14.07	$ 15.38
The Partnership Historical		
Income per basic unit from continuing operations	$ 0.04	$ 1.53
Income per diluted unit from continuing operations	$ 0.04	$ 1.53
Book value per unit at period end	$ 7.81	$ 8.25
Unaudited Pro Forma Combined		
Loss from continuing operations per common share basic	$ (0.15)	$ (0.40)
Loss from continuing operations per common share diluted	$ (0.15)	$ (0.40)
Book value per share at period end	$ 14.57	N/A

MARKET PRICES AND DIVIDEND INFORMATION

Common Shares are traded on the New York Stock Exchange under the symbol LXP . MLP Units are not traded on any exchange. The following table shows, for the periods indicated: (i) the high and low sales prices per Common Share as reported on the New York Stock Exchange and (ii) the cash dividends paid per Common Share and the distributions paid per MLP Unit. There is no trading market for the MLP Units.

	Common Shares			MLP Units		
	High	Low	Dividends	High	Low	Distributions
2007						
First Quarter	$22.42	$20.02	$0.5975			$0.5625(1)
Second Quarter	$21.65	$20.38	$ 0.375			$ 0.375
Third Quarter	$21.54	$18.78	$ 0.375			$ 0.375
Fourth Quarter	$20.90	$14.52	$ 0.375			$ 0.375
2008						
First Quarter	$16.11	$12.40	$ 2.475			$ 2.475
Second Quarter	$15.77	$13.55	$ 0.33			$ 0.33
Third Quarter	$17.24	$11.82	$ 0.33			$ 0.33
Fourth Quarter (through December 8, 2008)	$16.85	$ 2.99	$ 0.33			$ 0.33

(1) Represents final distribution by the Partnership

(then known as The Newkirk Master Limited Partnership) prior to Lexington Trust s merger with Newkirk Realty Trust, Inc.

DIVIDEND POLICY

The LXP board determines the time and amount of dividends to holders of Common Shares. Generally, distributions to holders of MLP Units are made at the same time and in the same amount as distributions to holders of Common Shares. Future Lexington Trust dividends will be authorized at the discretion of the LXP board and will depend on Lexington Trust s actual cash flow, its financial condition, its capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and such other factors as the LXP board may deem relevant.

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If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of the LXP board and the General Partner, as applicable.

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RISK FACTORS

The MLP merger involves certain risks and other adverse factors. You are urged to read this proxy statement/prospectus carefully in its entirety, including all annexes and supplements hereto and including the matters addressed in Warning About Forward-Looking Statements, and should carefully consider the following risk factors in evaluating the MLP merger.

The risks below relate primarily to the MLP merger and the combined company resulting from the MLP merger. This section does not review risks relating to the existing businesses of Lexington Trust, which risks will also affect the combined entity, and which are set forth in Lexington Trust s Current Report on Form 8-K filed with the SEC on June 25, 2008 and Quarterly Report on Form 10-Q filed with the SEC on November 10, 2008, both of which are included as part of Annex B to this proxy statement/prospectus.

After the MLP merger is completed, holders of MLP Units will become shareholders of Lexington Trust and will have different rights that may be less advantageous than their current rights.

After the closing of the MLP merger, holders of MLP Units will become holders of Common Shares. Lexington Trust is a Maryland real estate investment trust and the Partnership is a Delaware limited partnership. Differences in Lexington Trust s Amended and Restated Declaration of Trust, which we refer to as the LXP declaration, and Lexington Trust s By-laws, which we refer to as the LXP bylaws, and the Partnership s Partnership Agreement and Certificate of Limited Partnership will result in changes to the rights of holders of MLP Units when they become holders of Common Shares. A holder of MLP Units may conclude that its current rights under the Partnership s Partnership Agreement and Certificate of Limited Partnership are more advantageous than the rights they may have under the LXP declaration and the LXP bylaws. See Comparison of Ownership of MLP Units and Common Shares, below.

You generally will recognize taxable gain or loss for U.S. federal income tax purposes as a result of the MLP merger.

In general, under applicable U.S. federal income tax laws and regulations, you will recognize a gain or loss for federal income tax purposes upon exchange of your MLP Units for Common Shares. **We urge you to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

Lexington Trust has interests in the merger that may be different from, or in addition to, the interests of other holders of MLP Units generally.

Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other holders of MLP Units generally. The General Partner and the LXP board were aware of these interests and considered them, among other matters, in approving the MLP merger. These interests are discussed under Interests of Lexington Trust, below.

Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Trust and the holder of approximately 91.1% of the outstanding MLP Units (including a majority of the Class A Units and the Special Voting Units) intends to vote its MLP Units in favor of the proposals.

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BACKGROUND OF THE ACTIONS

Background of Lexington Trust s Acquisition of MLP Units

The Partnership was formed in October 2001 and commenced operations on January 1, 2002 following the completion of a transaction that we refer to as the exchange, involving the merger into the Partnership s wholly-owned subsidiaries of 90 limited partnerships, each of which owned commercial properties, and the acquisition by the Partnership of various assets, including those related to the management or capital structure of those partnerships. In connection with the exchange, limited partners of the merged partnerships and equity owners of the entities that contributed other assets in the exchange received MLP Units in consideration of the merger and contributions. From January 1, 2002 to November 7, 2005, the General Partner was MLP GP LLC, an entity effectively controlled by affiliates of Apollo Real Estate Fund III, L.P., Winthrop Realty Partners L.P. (formerly known as Winthrop Financial Associates), executive officers, and affiliates of Vornado Realty Trust.

In connection with the exchange and because there were existing tax protection agreements with respect to certain of the 90 limited partnerships, MLP GP LLC agreed not to sell any of the Partnership s properties prior to January 15, 2004 (the latest expiration date of the existing tax protection agreements) or, if earlier, the expiration of the initial lease term, unless (1) the property was sold pursuant to an exercise of a purchase option, an economic discontinuance right by a tenant under an existing lease or a lease termination, or (2) MLP GP LLC determined that a sale is necessary in order to avoid the loss of the Partnership s investment in a property. No tax protection agreements were entered into between the Partnership or the General Partner, on the one hand, and any limited partner on the other hand, that expired after January 15, 2004.

Effective November 7, 2005, (1) Newkirk Realty Trust, Inc., or Newkirk, became the General Partner and, in connection with its initial public offering, or the Newkirk IPO, acquired MLP Units in exchange for a contribution to the Partnership of cash and certain exclusivity rights with respect to net-lease business opportunities and (2) NKT Advisors LLC was retained as the Partnership s external advisor pursuant to an Advisory Agreement among Newkirk, the Partnership and NKT Advisors LLC. Upon completion of the Newkirk IPO and related transactions, Newkirk held 30.1% of the then total outstanding MLP Units.

Effective December 31, 2006, Newkirk was merged into Lexington Corporate Properties Trust. In connection with this merger, (1) the Advisory Agreement was terminated, (2) Lexington Corporate Properties Trust changed its name to Lexington Realty Trust, or Lexington Trust, (3) Lex GP-1 Trust became the Partnership s sole general partner and Lex LP-1 Trust acquired 31.0% of the then outstanding MLP Units, and (4) the Partnership effected a reverse MLP Unit split in which each MLP Unit then outstanding was converted into 0.8 MLP Units.

In June 2007, the Partnership entered into purchase agreements with Lexington Trust and the Common Retirement Fund of the State of New York, which we refer to as NYCRF, Lexington Trust s 66.67% partner in one of its co-investment programs, whereby, after certain assets were distributed to Lexington Trust and NYCRF, the Partnership acquired 100% of the interests in the co-investment program. Accordingly, the Partnership became the owner of ten primarily single tenant net leased real estate properties. The Partnership acquired the properties through (1) a cash payment of approximately \$117.8 million, (2) an issuance of approximately 3.1 million MLP Units to Lexington Trust, and (3) the assumption of approximately \$169.2 million in non-recourse mortgage debt.

Also in June 2007, the Partnership entered into a transaction with Lexington Trust and affiliates of Clarion Lion Properties Fund, Lexington Trust s 70% partner in another one of its co-investment programs, whereby the Partnership acquired a 100% interest in six primarily single tenant net leased real estate properties held by the co-investment program. The acquisition was effected through (1) a cash payment of \$6.6 million, (2) an issuance of 4.1 million MLP Units to Lexington Trust, and (3) the assumption of approximately \$94.2 million of non-recourse mortgage debt.

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On December 20, 2007, in connection with the formation of Net Lease Strategic Assets Fund L.P., one of the Partnership s co-investment programs which we refer to as NLS, Lexington Trust contributed eight properties to the Partnership in exchange for approximately 5.1 million MLP Units and the assumption of approximately $77.3 million in non-recourse mortgage debt. Following this transaction, the eight properties were immediately contributed to NLS.

On December 31, 2007, Lexington Trust also contributed two properties to the Partnership in exchange for approximately 4.6 million MLP Units and the assumption of $136.3 million in non-recourse mortgage debt.

On March 25, 2008, Lexington Trust contributed four properties to the Partnership in exchange for approximately 3.6 million MLP Units and the assumption of $51.0 million in non-recourse mortgage debt. These properties were immediately contributed to NLS.

During October 2008, the Partnership s then three largest MLP Unitholders (other than Lexington Trust) redeemed a total of approximately 27.6 million MLP Units for Common Shares pursuant to the redemption right under the Partnership Agreement.

As a result of these contributions and redemptions and the redemptions of MLP Units by other limited partners, Lexington Trust, through Lex LP-1 Trust, holds 65,633,979 MLP Units, representing 91.1% of the MLP Units outstanding as of the date of this proxy statement/prospectus.

Background of the MLP Merger

At a meeting of the LXP board on May 20, 2008, the LXP board and Lexington Trust s management discussed the costs associated with maintaining the Partnership, including the costs related to the Partnership s status as a public reporting entity. The LXP board requested that Lexington Trust s management explore ways to reduce the costs associated with maintaining the MLP.

After reviewing alternatives, on October 14, 2008, Paul, Hastings, Janofsky & Walker LLP, as counsel for the Partnership and Lexington Trust, made an application on behalf of the Partnership and Lexington Trust with the SEC for (1) an exemption for the Partnership from certain reporting requirements or, in the alternative, (2) confirmation from the staff of the Division of Corporation Finance of the SEC that it will not recommend to the SEC any enforcement action if the Partnership does not comply with certain reporting requirements.

After discussions with the staff of the Division of Corporation Finance of the SEC regarding the likelihood of receiving such exemption or confirmation, the Partnership and Lexington Trust withdrew the application.

Following the redemptions during October 2008, Lexington Trust, through Lex LP-1 Trust, obtained approximately 91.1% of the MLP Units outstanding.

At a meeting of the LXP board on November 11, 2008, management of Lexington Trust proposed the MLP merger to the LXP board and reported to the LXP board on the estimated cost savings. The LXP board authorized Lexington Trust s management to explore the feasibility of the MLP merger.

Over the next two weeks, Lexington Trust s management explored the feasibility of the MLP merger and prepared the merger agreement and this proxy statement/prospectus. On November 24, 2008, the LXP Board and the General Partner approved the merger agreement, the MLP merger and the related transactions.

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PROPOSAL NO. 1 MLP MERGER

Parties to the MLP Merger

Lexington Realty Trust. Lexington Trust is a self-managed and self-administered real estate investment trust, or a REIT, formed under the laws of the State of Maryland. Lexington Trust s primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial properties. As of September 30, 2008, Lexington Trust owned or had interests in approximately 240 consolidated properties in 42 states and the Netherlands.

In addition to its Common Shares, Lexington Trust has four outstanding series of shares of beneficial interest classified as preferred stock, which we refer to as its preferred shares: its 8.05% Series B Cumulative Redeemable Preferred Stock, or Series B Preferred Shares, its 6.50% Series C Cumulative Convertible Preferred Stock, or Series C Preferred Shares, its 7.55% Series D Cumulative Redeemable Preferred Stock, or Series D Preferred Shares, and its special voting preferred stock. Lexington Trust s common shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares are traded on the New York Stock Exchange, which we refer to as the NYSE, under the symbols LXP , LXP_pb , LXP_pc , and LXP_pd , respectively. See Annex B for more information concerning Lexington Trust and its business and assets.

For information with respect to Lexington Trust please see the pages of this proxy statement/prospectus or annex to this proxy statement/prospectus set forth opposite the applicable item in the table below for the relevant period.

Item	As of December 31, 2007	As of September 30, 2008
Description of Business	B-1 B-89	B-131 (The Company); B-136 - B-137 (Investments in Real Estate and Intangibles); B-137 - B-140 (Investments in Non-Consolidated Entities); B-146 (Subsequent Events); and B-147 - B-152 (Management s Discussion and Analysis of Financial Condition and Results of Operations)
Description of Property	B-21 B-33	B-198 B-208
Legal Proceedings	B-34	B-154
Market Price of and Dividends on Common Shares	6	6
Securities Authorized for Issuance Under Equity Compensation Plans	B-38	B-38
Financial Statements and Supplementary Financial Data	B-60 B-111	B-127 B-146
Selected Financial Data	3 4	3 4
Management s Discussion and Analysis of Financial Condition and Results of Operations	B-40 B-58	B-147 B-152
Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	N/A	N/A
Quantitative and Qualitative Disclosures about Market Risk	B-58	B-153
Executive Officers who are not Trustees	B-35	B-35
Trustees	B-254 - B-255	B-254 - B-255
Executive Compensation	B-263 - B-286	B-263 - B-286

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The Lexington Master Limited Partnership. The Partnership was organized in October 2001 as a Delaware limited partnership to facilitate the January 2002 exchange transaction in which 90 limited partnerships were merged into the Partnership and the Partnership acquired various other assets related to its management and capital structure.

Lex GP-1 Trust, a wholly-owned subsidiary of Lexington Trust, is the General Partner, and Lex LP-1 Trust, a wholly-owned subsidiary of Lexington Trust, owns 65,633,979 MLP Units, representing approximately 91.1% of the outstanding MLP Units as of the date of this proxy statement/prospectus.

The Partnership owns commercial properties, most of which are leased to investment grade corporate tenants, as well as other real estate assets. As of September 30, 2008, the Partnership owned interests in approximately 130 consolidated properties located in 33 states. See Annex C for more information concerning the Partnership and its business and assets.

For information with respect to the Partnership please see the pages of this proxy statement/prospectus or annex to this proxy statement/prospectus set forth opposite the applicable item in the table below for the relevant period.

Item	**As of December 31, 2007**	**As of September 30, 2008**
Description of Business	C-3 C-9	C-103 (Organization and Business); C-106 - C-107 (Real Estate Investments and Lease Intangibles); C-108 - C-111 (Investments in Non-Consolidated Entities); C-116 (Subsequent Events); and C-117 - C-124 (Management s Discussion and Analysis of Financial Condition and Results of Operations)
Description of Property	C-20 C-24	C-179 C-181
Legal Proceedings	C-24	C-127
Market Price of and Distributions on MLP Units	6	6
Financial Statements and Supplementary Financial Data	C-49 C-84	C-99 C-116
Selected Financial Data	4	4
Management s Discussion and Analysis of Financial Condition and Results of Operations	C-26 C-43	C-117 C-124
Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	C-44	N/A
Quantitative and Qualitative Disclosures about Market Risk	C-43 C-44	C-124 C-125

MLP Merger Approval Requirement

The merger agreement requires that the Partnership obtain the approval of the holders of at least a majority of each class of MLP Units.

As of the Record Date, Lex LP-1 Trust holds 15,500,000 Class A Units, or 99.8% of the Class A Units outstanding, and 50,133,979 Special Voting Units, or 88.8% of the Special Voting Units outstanding. Lex LP-1 Trust currently intends to vote its 65,633,979 MLP Units in favor of the proposals. Accordingly, unless the General Partner withdraws its recommendation of, or votes against, the MLP merger, approval of the proposals is assured.

Record Date

The General Partner has set the close of business on November 24, 2008 as the Record Date for limited partners who are entitled to notice of the action to be taken at the special meeting.

MLP Merger Consideration

In the MLP merger, you will be entitled to receive, for (1) each whole MLP Unit, one Common Share and (2) any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, Lexington Trust will forward payments to such holders of fractional interests.

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Distributions

If the MLP merger closes, as expected, on December 31, 2008, no distributions will be made on your existing MLP Units. However, you will be entitled to receive dividends made on the Common Shares you receive in exchange for your MLP Units beginning with the dividend expected to be paid on January 15, 2009 with a record date of December 31, 2008. If the MLP merger does not close prior to December 31, 2008, the Partnership expects to make a distribution on January 14, 2009 to holders of MLP Units as of December 31, 2008. The timing and amount of any dividend and/or distribution is subject to the approval of LXP s board and the General Partner, as applicable.

Conditions to the MLP Merger

The consummation of the MLP merger is subject to the approval of the limited partners as described in this proxy statement/prospectus. This condition is in favor of, and may be waived by, Lexington Trust.

Reasons for and Consequences of the MLP Merger

In deciding to approve the MLP merger and the merger agreement, the General Partner and Lexington Trust considered a number of factors, both potentially positive and potentially negative, with respect to the MLP merger:

Administrative Cost Savings The MLP merger is expected to result in administrative and operational economies of scale and cost savings for the benefit of both holders of MLP Units and holders of Common Shares. The Partnership is required to file periodic reports with the SEC because of the number of holders of MLP Units and the value of the Partnership s assets. As a result, the Partnership has separate financial and tax accounting, reporting and disclosure requirements, which are estimated to cost in excess of $1.0 million annually. These requirements are different from and in addition to those required for Lexington Trust and its other subsidiaries, including its three other operating partnerships.

Tax Consequences The MLP merger will be a taxable transaction for the holders of MLP Units. No tax protection agreements were entered into between the Partnership or the General Partner, on the one hand, and any limited partner on the other hand, that expired after January 15, 2004. Section 7.6.B of the Partnership Agreement provides that the General Partner is under no obligation to give priority to the separate interests of the limited partners (including, without limitation, the tax consequences to limited partners) in deciding whether to cause the Partnership to take (or decline to take) any actions. The General Partner believes that the tax consequences to the limited partners will be mitigated by Common Shares trading at historic lows. In addition, U.S. federal tax rates on capital gains are currently scheduled to increase for taxable years beginning after December 31, 2010. It is possible that Congress could increase such rates sooner.

Liquidity for Limited Partners Except for certain transfers to family members and charitable organizations, holders of MLP Units may not transfer their MLP Units without the General Partner s consent. However, holders of MLP Units have the right to tender their MLP Units for redemption by the MLP at certain times, as specified in the Partnership Agreement. Lexington Trust s Common Shares issued in exchange for MLP Units upon a redemption or pursuant to the MLP merger will be freely transferable as registered securities under the Securities Act. Lexington Trust s Common Shares are listed on the NYSE under the symbol LXP . Therefore, when a holder of MLP Units receives Common Shares upon a redemption or in the MLP merger he or she will have the same liquidity.

Avoidance of Conflicts of Interest Lexington Trust and its other operating partnerships conduct businesses similar to that of the Partnership. The conduct of these businesses and the allocation of business opportunities and investments between the Partnership and Lexington Trust s other subsidiaries, may give rise to conflicts of interests. In addition, there are complexities in allocating resources and costs for overhead, personnel and other matters between the Partnership and Lexington Trust and its other subsidiaries. These conflict situations will be eliminated through the MLP merger.

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Greater Capital Resources While the General Partner believes that cash flows from operations will continue to provide adequate capital to fund the Partnership s operating and administrative expenses, regular debt service obligations and all distribution payments in accordance with Lexington Trust s REIT requirements in both the short-term and long-term, Lexington Trust, as a publicly traded company, has access to greater capital resources.

Future Investment Opportunities Lexington Trust s greater capital resources will also enable it to take advantage of investment opportunities, which will further diversify the investment risk.

Elimination of dependency on Lexington Trust and its personnel The Partnership is not self-administered or self-managed and is dependent upon Lexington Trust and its personnel whose continued service is not guaranteed. The Partnership s inability to continue to retain the services of Lexington Trust and its personnel or the Partnership s loss of any of their services could adversely impact the Partnership s operations. The MLP merger would ensure the continued service of Lexington Trust and its personnel because Lexington Trust is a self-administered and self-managed real estate investment trust.

In view of the wide variety of factors considered by the Partnership and Lexington Trust, neither the Partnership nor Lexington Trust found it practicable to quantify or otherwise attempt to assign relative weights to the specific factors considered.

Alternatives Considered

Lexington Trust considered several alternatives to the MLP merger, including the contribution of its other operating partnerships to the Partnership and relief from certain reporting requirements. However, none of the alternatives considered would have resulted in the cost savings described above or been as efficient as the MLP merger.

Appraisal Rights

The Partnership was formed under Delaware law. Under Delaware law, a partnership agreement or an agreement of merger or consolidation may provide that contractual appraisal rights with respect to a partnership interest or another interest in a limited partnership will be available for any class or group or series of partners or partnership interests in connection with any merger or consolidation in which the limited partnership is a constituent party to the merger or consolidation. Neither the Partnership Agreement nor the merger agreement provides for contractual appraisal rights.

Terms of the Merger Agreement

Structure of the Merger. The merger agreement provides for the merger of the Partnership with and into Lexington Trust, with Lexington Trust as the surviving company.

Merger Consideration. At the effective time of the MLP merger, each issued and outstanding MLP Unit (other than units held by Lex LP-1 Trust) shall be exchanged for one Common Share and each fractional MLP Unit will be exchanged for cash as described below.

Closing and Effective Time of the Merger. The closing of the MLP merger is expected to occur on or about December 31, 2008 and the effective time of the MLP merger will be 11:59 p.m. on December 31, 2008.

Exchange of Securities; No Fractional Shares; Withholding Rights.

Exchange of Securities. Lexington Trust will deposit with BNY Mellon Shareowner Services, cash and certificates evidencing Common Shares to be paid or issued to the holders of MLP Units under and as contemplated by the merger agreement. Promptly after the MLP merger, each record holder of MLP Units will receive a certificate or certificates evidencing the number of full Common Shares for which the aggregate number of MLP Units owned by such holder have been exchanged pursuant to the merger agreement, plus any cash that such holder is entitled to in lieu of fractional MLP Units.

No Fractional Shares. Each holder of a fractional MLP Unit exchanged in the merger will receive cash in an amount equal to the product of (i) such fractional part of an MLP Unit multiplied by (ii) the average closing price of Common Shares quoted on the NYSE for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of fractional interests, the exchange agent will so notify Lexington Trust, and Lexington Trust will cause the exchange agent to forward payments to such holders of fractional interests.

Withholding Rights. Lexington Trust will be entitled to deduct and withhold from the consideration otherwise payable pursuant to the merger agreement to any holder of MLP Units such amounts as they are required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law.

Representations and Warranties. The merger agreement contains limited customary representations and warranties made by Lexington Trust to the Partnership and the Partnership to Lexington Trust. These representations and warranties relate to, among other things:

- existence, good standing, authority and compliance with law;
- authority to enter into the MLP merger agreement and related agreements and to consummate the MLP merger;
- no conflicts, required filings or consents;
- neither the merger agreement nor the consummation of the MLP merger will breach organizational documents or material agreements;
- neither the merger agreement nor the consummation of the MLP merger requires any governmental consents;
- no material undisclosed liabilities;
- compliance with requirements of governmental authorities; and
- tax matters, including qualification as a REIT and tax protection agreements.

Certain of these representations and warranties are qualified as to materiality or material adverse effect. For purposes of the merger agreement, material adverse effect means any event, circumstance, change or effect that is materially adverse to the financial condition or results of operations of Lexington Trust and its subsidiaries, taken as a whole, or the Partnership and its subsidiaries, taken as a whole, as applicable.

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The representations and warranties in the merger agreement do not survive the effective time of the merger and if the agreement is validly terminated, neither party will have any liability or obligation for its representations and warranties, or otherwise under the merger agreement, unless the party has willfully breached any representation, warranty or covenant contained therein.

Conditions to the Merger. The completion of the MLP merger is only subject to the approval of the holders of at least a majority of each class of MLP Units. Lex LP-1 Trust, holder of approximately 91.1% of the MLP Units has indicated its intention to approve the MLP merger.

Termination of the Merger Agreement. The merger agreement may be terminated at any time prior to the effective time of the merger in writing by the mutual written consent of the Partnership and Lexington Trust.

Effect of Termination. If the merger agreement is terminated, the merger agreement will be void and have no effect, and there will be no liability or obligation of the Partnership or Lexington Trust, or their respective officers, directors, trustees, subsidiaries or partners, as applicable, except for willful breaches of the merger agreement.

Termination Fee and Expenses.

Expenses. The merger agreement provides that each party will pay its own costs and expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement, whether or not the transactions contemplated by the merger agreement are consummated.

Termination Fee. There is no termination fee payable by any party if the merger agreement is terminated.

The foregoing summary of the merger agreement is qualified in its entirety by the merger agreement, a copy of which is attached as Annex A to this proxy statement/prospectus and incorporated into this proxy statement/prospectus.

Material Tax Consequences of the MLP Merger

The MLP merger will have tax consequences for holders of MLP Units. The receipt of Common Shares in exchange for existing MLP Units and cash in exchange for fractional MLP Units generally will be taxable for federal income tax purposes. See United States Federal Income Tax Considerations, below. **Your tax consequences will depend on your personal situation. You are urged to consult your own tax advisor for a full understanding of the tax consequences of the MLP merger to you.**

Regulatory Approvals

No material federal or state regulatory approvals are required to be obtained by Lexington Trust or the Partnership in connection with the MLP merger.

Conduct of Lexington Trust and the Partnership s Businesses in the Event the MLP Merger is not Consummated

In the event that the MLP merger is not consummated for any reason, the General Partner will continue to operate the Partnership s business in accordance with Lexington Trust s strategic business plan.

Accounting Treatment

The MLP merger will be accounted for as a redemption of the minority interest s MLP Units in the MLP merger using the carrying value of the MLP Units.

Restrictions on Resale of Lexington Common Shares Issued in the Merger

Common Shares issued in the MLP merger will be freely transferable under the Securities Act of 1933, as amended, referred to herein as the Securities Act, except for shares issued to any person who may be deemed to be an affiliate of the Partnership within the meaning of Rule 145 under the Securities Act or who will become an affiliate of Lexington Trust within the meaning of Rule 144 under the Securities Act after the MLP merger. Common Shares received by persons who are deemed to be Partnership affiliates or who will become Lexington Trust affiliates may be resold by these persons only in transactions permitted by the limited resale provisions of Rule 145 or as otherwise permitted under the Securities Act. Persons who may be deemed to be affiliates of the Partnership generally include individuals or entities that, directly or indirectly through one or more intermediaries, control, are controlled by or are under common control with the Partnership and may include certain partnerships in which the Partnership controls the general partner.

Trustees and Executive Officers of the Combined Company

The composition of Lexington Trust s board will remain the same after the effective time of the MLP merger, until Lexington Trust s next annual meeting of shareholders or a trustee s earlier resignation or removal.

Lexington Trust s current executive officers are expected to continue to hold office after the effective time of the MLP merger in their current capacities, until their successors are duly elected and qualified or until their earlier resignations or removals.

Who Can Answer Other Questions

If you have any questions about the MLP merger or would like additional copies of this proxy statement/prospectus, you should contact:

The Lexington Master Limited Partnership
One Penn Plaza, Suite 4015
New York, NY 10119-4015
212-692-7200
Attention: Investor Relations

THE GENERAL PARTNER RECOMMENDS A VOTE FOR THE APPROVAL OF THE MERGER AGREEMENT, THE MLP MERGER AND THE RELATED TRANSACTIONS

It is important that proxies be returned promptly. Limited partners are, therefore, urged to fill in, date, sign and return the enclosed proxy card immediately. No postage need be affixed if mailed in the enclosed envelope in the United States.

INTERESTS OF LEXINGTON TRUST

Lexington Trust may have interests in the MLP merger that may be different from, or in addition to, the interests of other limited partners generally. The General Partner and the LXP board were aware of these interests and considered them, among other matters, in approving the MLP merger. These interests include:

Stepped up basis. Upon consummation of the MLP merger, Lexington Trust will receive a stepped-up tax basis on its additional investment in the Partnership s assets to the extent of the MLP Units it acquires in the MLP merger.

Intercompany advances. The Partnership advanced $39.4 million, net, to Lexington Trust as of September 30, 2008. The advances are payable on demand and bear interest at the rate charged by KeyBank N.A. under the Partnership s $225.0 million original principal amount secured term loan

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originated in June 2007. This inter-company advance will be extinguished upon the consummation of the MLP merger, but Lexington Trust will assume all of the Partnership s indebtedness, including the KeyBank N.A. secured term loan.

Reimbursement to Lexington Trust. Lexington Trust pays for certain general, administrative and other costs on the Partnership s behalf from time to time. These costs are reimbursable by the Partnership. These costs were approximately $8.7 million for the nine months ended September 30, 2008. The Partnership owed $3.1 million of these costs to Lexington Trust as of September 30, 2008. The reimbursement obligation will be extinguished upon consummation of the MLP merger.

Management fees. Lexington Realty Advisors, Inc., a taxable REIT subsidiary of Lexington Trust, earned management fees of approximately $0.2 million during the nine months ended September 30, 2008 for managing four consolidated properties. Lexington Realty Advisors, Inc. also earned a fee of $0.6 million during the nine months ended September 30, 2008 under the management agreement with NLS.

DESCRIPTION OF LEXINGTON TRUST S COMMON SHARES

The following summary of the material terms and provisions of Lexington Trust s Common Shares does not purport to be complete and is subject to the detailed provisions of the LXP declaration and the LXP bylaws, each as supplemented, amended or restated, copies of which are attached to this proxy statement/prospectus as part of Annex B. You should carefully read each of these documents in order to fully understand the terms and provisions of Lexington Trust s Common shares. For information on incorporation by reference, and how to obtain copies of these documents, see the section entitled Where You Can Find More Information, below.

General

Under the LXP declaration, Lexington Trust has the authority to issue up to 1,000,000,000 shares of beneficial interest, par value $0.0001 per share, of which 400,000,000 shares are classified as Common Shares, 500,000,000 are classified as excess stock, or excess shares, and 100,000,000 shares are classified as preferred shares.

Terms

Subject to the preferential rights of any other shares or series of equity securities and to the provisions of the LXP declaration regarding excess shares, holders of Common Shares are entitled to receive dividends on Common Shares if, as and when authorized by the LXP board and declared by Lexington Trust out of assets legally available therefor and to share ratably in those of Lexington Trust s assets legally available for distribution to its shareholders in the event that it liquidates, dissolves or winds up, after payment of, or adequate provision for, all of its known debts and liabilities and the amount to which holders of any class of shares classified or reclassified or having a preference on distributions in liquidation, dissolution or winding up have a right.

Subject to the provisions of the LXP declaration regarding excess shares, each outstanding Common Share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees and, except as otherwise required by law or except as otherwise provided in the LXP declaration with respect to any other class or series of shares, the holders of Common Shares will possess exclusive voting power. There is no cumulative voting in the election of trustees, which means that the holders of a majority of outstanding Common Shares can elect all of the trustees then standing for election, and the holders of the remaining Common Shares will not be able to elect any trustees.

Holders of Common Shares have no conversion, sinking fund, redemption rights or preemptive rights to subscribe for any of Lexington Trust s securities.

Lexington Trust furnishes its shareholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm.

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Subject to the provisions of the LXP declaration regarding excess shares, all Common Shares will have equal dividend, distribution, liquidation and other rights and will generally have no preference, appraisal or exchange rights.

Pursuant to Maryland statutory law governing real estate investment trusts organized under Maryland law, a real estate investment trust generally cannot amend its declaration of trust or merge unless approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the LXP declaration. The LXP declaration provides that those actions, with the exception of certain amendments to the LXP declaration for which a higher vote requirement has been set, will be valid and effective if authorized by holders of a majority of the total number of shares of all classes outstanding and entitled to vote thereon.

Restrictions on Ownership

For Lexington Trust to qualify as a REIT under the Code, not more than 50% in value of its outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. To assist Lexington Trust in meeting this requirement, Lexington Trust may take certain actions to limit the beneficial ownership, directly or indirectly, by a single person of Lexington Trust s outstanding equity securities. See Certain Provisions of Maryland Law and of the LXP Declaration and Bylaws, below.

Transfer Agent

The transfer agent and registrar for the Partnership s common shares is BNY Mellon Shareowner Services.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF THE LXP DECLARATION AND BYLAWS

Restrictions Relating To REIT Status

For Lexington Trust to qualify as a REIT under the Code, among other things, not more than 50% in value of Lexington Trust s outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (defined in the Code to include certain entities) during the last half of a taxable year, and such capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year). The LXP declaration, subject to certain exceptions, provides that no holder may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% of Lexington Trust s equity shares, defined as Common Shares or preferred shares. We refer to this restriction as the Ownership Limit. The LXP board may exempt a person from the Ownership Limit if evidence satisfactory to the LXP board is presented that the changes in ownership will not then or in the future jeopardize Lexington Trust s status as a REIT. The LXP board has granted waivers of the Ownership Limit to certain holders of the Partnership s capital stock, including Vornado Realty, L.P. Any transfer of equity shares or any security convertible into equity shares that would create a direct or indirect ownership of equity shares in excess of the Ownership Limit or that would result in the Partnership s disqualification as a REIT, including any transfer that results in the equity shares being owned by fewer than 100 persons or results in Lexington Trust being closely held within the meaning of Section 856(h) of the Code, will be null and void, and the intended transferee will acquire no rights to such equity shares. The foregoing restrictions on transferability and ownership will not apply if the LXP board determines that it is no longer in Lexington Trust s best interests to attempt to qualify, or to continue to qualify, as a REIT.

Equity shares owned, or deemed to be owned, or transferred to a shareholder in excess of the Ownership Limit, or that would result in Lexington Trust being closely held (within the meaning of Section 856(h) of the Code), will automatically be exchanged for an equal number of shares of beneficial interest classified as excess stock, which we refer to as excess shares, that will be transferred, by operation of law, to the Partnership as trustee of a trust for the exclusive benefit of the transferees to whom such capital shares may be ultimately transferred without violating the Ownership Limit. The excess shares are not entitled to be voted, be considered for purposes of any shareholder vote or the determination of a quorum for such vote and, except upon liquidation, entitled to participate in dividends or other distributions. Any dividend or distribution paid to a proposed transferee of excess shares prior to Lexington Trust s discovery that equity shares have been transferred in violation of the provisions of the LXP declaration will be repaid to Lexington Trust upon demand. The excess shares are not treasury shares, but

rather constitute a separate class of Lexington Trust s issued and outstanding shares. The original transferee-shareholder may, at any time the excess shares are held by Lexington Trust in trust, transfer the interest in the trust representing the excess shares to any individual whose ownership of the equity shares exchanged into such excess shares would be permitted under the LXP declaration, at a price not in excess of the price paid by the original transferee-shareholder for the equity shares that were exchanged into excess shares, or, if the transferee-shareholder did not give value for such shares, a price not in excess of the market price (as determined in the manner set forth in the LXP declaration) on the date of the purported transfer. Immediately upon the transfer to the permitted transferee, the excess shares will automatically be exchanged for equity shares of the class from which they were converted. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the intended transferee of any excess shares may be deemed, at Lexington Trust s option, to have acted as an agent on Lexington Trust s behalf in acquiring the excess shares and to hold the excess shares on Lexington Trust s behalf.

In addition to the foregoing transfer restrictions, Lexington Trust will have the right, for a period of 90 days, after the later of the day Lexington Trust receives written notice of a transfer or other event, or the LXP board determines in good faith that a transfer or other event has occurred, resulting in excess shares, to purchase all or any portion of the excess shares from the original transferee-shareholder for the lesser of the price paid for the equity shares by the original transferee-shareholder or the market price (as determined in the manner set forth in the LXP declaration) of the equity shares on the date Lexington Trust exercises its option to purchase. The 90-day period begins on the date on which we receive written notice of the transfer or other event resulting in the exchange of equity shares for excess shares.

Each shareholder will be required, upon demand, to disclose to Lexington Trust in writing any information with respect to the direct, indirect and constructive ownership of capital shares as the LXP board deems necessary to comply with the provisions of the Code applicable to REITs, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

This Ownership Limit may have the effect of precluding an acquisition of control unless the LXP board determines that maintenance of REIT status is no longer in Lexington Trust s best interest.

Maryland Law

Business Combinations. Under Maryland law, business combinations between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested shareholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the trust s shares; or

- an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of the trust.

A person is not an interested shareholder under the statute if the board of trustees approved in advance the transaction by which he otherwise would have become an interested shareholder. However, in approving a transaction, the board of trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms or conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland real estate investment trust and an interested shareholder generally must be recommended by the board of trustees of the trust and approved by the affirmative vote of at least:

- eighty percent of the votes entitled to be cast by holders of outstanding voting shares of the trust; and

- two-thirds of the votes entitled to be cast by holders of voting shares of the trust other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested shareholder.

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These super-majority vote requirements do not apply if the trust s common shareholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of trustees prior to the time that the interested shareholder becomes an interested shareholder.

In connection with its approval of the December 31, 2006 merger with Newkirk, the LXP board has exempted from these restrictions, to a limited extent, certain holders of Newkirk stock and MLP Units who received Common Shares in that merger.

The business combination statute may discourage others from trying to acquire control of Lexington Trust and increase the difficulty of consummating any offer.

Control Share Acquisitions. Maryland law provides that control shares of a Maryland real estate investment trust acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by employees who are trustees of the trust are excluded from shares entitled to vote on the matter. Control Shares are voting shares which, if aggregated with all other shares owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of trustees of the trust to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the trust may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the trust may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the trust to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the trust is a party to the transaction or (b) to acquisitions approved or exempted by the declaration of trust or by-laws of the trust.

The LXP bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of Lexington Trust s shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

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Certain Elective Provisions of Maryland Law. Publicly-held Maryland statutory real estate investment trusts (Maryland REITs) may elect to be governed by all or any part of Maryland law provisions relating to extraordinary actions and unsolicited takeovers. The election to be governed by one or more of these provisions can be made by a Maryland REIT in its declaration of trust or bylaws (charter documents) or by resolution adopted by its board of trustees so long as the Maryland REIT has at least three trustees who, at the time of electing to be subject to the provisions, are not:

officers or employees of the Maryland REIT;

persons seeking to acquire control of the Maryland REIT;

trustees, officers, affiliates or associates of any person seeking to acquire control; or

nominated or designated as trustees by a person seeking to acquire control.

Articles supplementary must be filed with the Maryland State Department of Assessments and Taxation if a Maryland REIT elects to be subject to any or all of the provisions by board resolution or bylaw amendment. Shareholder approval is not required for the filing of these articles supplementary.

The Maryland law provides that a Maryland REIT can elect to be subject to all or any portion of the following provisions, notwithstanding any contrary provisions contained in that Maryland REIT s existing charter documents:

Classified Board: The Maryland REIT may divide its board into three classes which, to the extent possible, will have the same number of trustees, the terms of which will expire at the third annual meeting of shareholders after the election of each class;

Two-thirds Shareholder Vote to Remove Trustees: The shareholders may remove any trustee only by the affirmative vote of at least two-thirds of all votes entitled to be cast by the shareholders generally in the election of trustees;

Size of Board Fixed by Vote of Board: The number of trustees will be fixed only by resolution of the board;

Board Vacancies Filled by the Board for the Remaining Term: Vacancies that result from an increase in the size of the board, or the death, resignation, or removal of a trustee, may be filled only by the affirmative vote of a majority of the remaining trustees even if they do not constitute a quorum. Trustees elected to fill vacancies will hold office for the remainder of the full term of the class of trustees in which the vacancy occurred, as opposed to until the next annual meeting of shareholders, and until a successor is elected and qualified; and

Shareholder Calls of Special Meetings: Special meetings of shareholders may be called by the secretary of the Maryland REIT only upon the written request of shareholders entitled to cast at least a majority of all votes entitled to be cast at the meeting and only in accordance with procedures set out in the Maryland General Corporation Law.

Lexington Trust has not elected to be governed by these specific provisions. However, the LXP declaration and/or the LXP bylaws, as applicable, already provide for an 80% shareholder vote to remove trustees and then only for cause, and that the number of trustees may be determined by a resolution of the LXP board, subject to a minimum number. In addition, Lexington Trust can elect to be governed by any or all of the provisions of the Maryland law at any time in the future.

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THE PARTNERSHIP S SECOND AMENDED AND RESTATED PARTNERSHIP AGREEMENT; EXCHANGE OF MLP UNITS

The following summary of the material terms and provisions of the Partnership Agreement does not purport to be complete and is subject to the detailed provisions of the Partnership Agreement, each as supplemented, amended or restated, a copy of which is attached to this proxy statement/prospectus as part of Annex C.

Management

Pursuant to the Partnership Agreement, the General Partner generally has full, exclusive and complete responsibility and discretion in the management, operation and control of the Partnership, including the ability to cause the Partnership to enter into certain major transactions, including mergers and consolidations, acquisitions and dispositions of loans and other assets and refinancings of existing indebtedness. No limited partner may take part in the operation, management or control of the business of the Partnership by virtue of being a holder of MLP Units.

Lex GP-1 Trust may not be removed as general partner of the Partnership, except that upon its bankruptcy or dissolution, the limited partners may elect a successor general partner to continue the partnership.

Transferability of Interests

General Partner

The Partnership Agreement provides that Lex GP-1 Trust may not sell, assign, transfer, pledge or otherwise dispose of its general partner interest without the consent of the holders of a majority of the MLP Units, except for transfers to a subsidiary of Lexington Trust.

Limited Partners

Except for certain transfers and assignments to family members of individual limited partners, the Partnership Agreement prohibits the sale, assignment, transfer, pledge or disposition of all or any portion of the limited partners MLP Units without the general partner s consent, which consent may be withheld in the general partner s sole and absolute discretion. The Partnership Agreement also contains restrictions on transfers of MLP Units if, among other things, the general partner determines that such transfer:

- may require registration of the MLP Units under federal or state securities laws,
- may cause Lexington Trust to fail to comply with the REIT rules under the Code, or
- may cause the Partnership to be treated as a publicly traded partnership under the Code.

Capital Contributions and Borrowings

The Partnership Agreement provides that the General Partner may determine that the Partnership requires additional funds and that the general partner may:

- on the Partnership s behalf, accept additional capital contributions from existing partners or other persons,
- cause the Partnership to borrow funds from a financial institution or other person,
- borrow such funds from a lending institution or other person and subsequently lend such funds to the Partnership, or
- directly lend funds to the Partnership.

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While the limited partners have no preemptive right to make additional capital contributions, the Partnership Agreement provides that subject to certain limitations Lexington Trust, through the general partner, may make additional capital contributions to the Partnership, in exchange for additional MLP Units or additional assets, as the general partner determines in good faith to be desirable to further the Partnership s purposes or business. If Lexington Trust contributes additional capital to the Partnership and receives additional MLP Units for such capital contribution, Lexington Trust s percentage interests will be increased on a proportionate basis based on the amount of such additional capital contributions and the Partnership s value at the time of such contributions. Conversely, the percentage interests of the other limited partners will be decreased on a proportionate basis. In addition, if Lexington Trust contributes additional capital to the Partnership and receives additional MLP Units for such capital contribution, the general partner may revalue the Partnership s assets to their fair market value (as determined by the general partner) and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such assets (that has not been reflected in the capital accounts previously) would be allocated among the partners under the terms of the Partnership Agreement if there were a disposition of such assets for such fair market value on the date of the revaluation. The Partnership could also issue MLP Units to Lexington Trust s affiliates or third parties, in exchange for assets contributed to or services provided for the Partnership. Such transactions may give rise to a revaluation of the Partnership s assets and an adjustment to partners capital accounts.

The Partnership could also issue preferred MLP Units in connection with acquisitions of assets or otherwise. Any such preferred MLP Units would have priority over common MLP Units with respect to distributions from the Partnership, including the MLP Units that Lexington Trust owns directly or through subsidiaries. As of the date of this proxy statement/prospectus, there are two classes of MLP Units outstanding: the Class A Units and the Special Voting Units.

Redemption Rights under the Partnership Agreement

Each holder of MLP Units has the right under the Partnership Agreement to redeem its MLP Units. This right may be exercised at the election of holders of MLP Units by giving written notice, subject to some limitations. The purchase price for each of the MLP Units to be redeemed under the Partnership Agreement will equal the fair market value of a Common Share, calculated as the average of the daily closing prices on the New York Stock Exchange for the twenty consecutive business days immediately preceding the date of determination or, if no closing price is available, as provided in the Partnership Agreement. The purchase price for MLP Units may be paid in cash or, in the general partner s discretion, by the issuance of a number of Common Shares equal to the number of MLP Units with respect to which the rights are being exercised, subject to adjustment based on share splits, mergers, consolidations or similar pro rata transactions.

No holder of MLP Units may exercise its redemption rights under the Partnership Agreement if Lexington Trust could not issue Common Shares to the redeeming partner in satisfaction of the redemption (regardless of whether Lexington Trust would in fact do so instead of paying cash) because of the ownership limitations contained in the LXP declaration, or if the redemption would cause Lexington Trust to violate the REIT requirements. See Certain Provisions of Maryland Law and of the LXP Declaration and Bylaws Restrictions Relating to REIT Status above. In addition, no holder of MLP Units may exercise the redemption right under the Partnership Agreement:

- for fewer than 500 MLP Units or, if a limited partner holds fewer than 500 MLP Units, all of the MLP Units held by such limited partner; or
- if the general partner determines that allowing such redemption may cause the Partnership to be treated as a publicly traded partnership.

Lexington Trust guaranteed the performance of the redemption obligations of the Partnership under the Partnership Agreement.

Tax Treatment of Exchange of MLP Units in the MLP Merger

See United States Federal Income Tax Considerations for a summary of certain federal income tax considerations that may be relevant to a holder who exchanges its MLP Units for Common Shares and its fractional MLP Units, if any, for cash in the MLP merger.

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Each holder of MLP Units should consult its own tax advisor regarding the tax consequences to you of the exchange of your units in the MLP merger, including the federal, state, local and foreign tax consequences of the exchange of units in the MLP merger in your particular circumstances and potential changes in applicable laws.

Operations of the MLP

The Partnership Agreement allows Lexington Trust to operate the Partnership in a manner that permits Lexington Trust to qualify as a REIT at all times and to cause the Partnership not to take any action that would cause Lexington Trust to incur additional federal income or excise tax liability under the Code or that would cause the Partnership to be treated as a corporation for federal income tax purposes.

The Partnership must reimburse Lexington Trust for all amounts Lexington Trust spends in connection with the Partnership s business, including:

- expenses relating to Lexington Trust s ownership and management of the Partnership;
- the management fees owing to any advisors, and the fees or compensation owing to directors, officers and employees; and
- the expense of the Partnership s being a public company.

For the nine months ended September 30, 2008, these expenses equaled approximately $8.7 million.

Allocations

The Partnership s profits and losses (including depreciation and amortization deductions) for each fiscal year generally are allocated to Lexington Trust and the other limited partners in accordance with the respective percentage interests of the Partnership s partners. The number of MLP Units that Lexington Trust holds, together with the units that Lexington Trust holds in its three other operating partnerships, generally corresponds to the number of Common Shares outstanding. All of the foregoing allocations are subject to compliance with the provisions of Code sections 704(b) and 704(c) and the Treasury regulations promulgated thereunder, which may require allocations that are not in accordance with percentage interests in various circumstances.

Distributions

The Partnership Agreement provides that the Partnership will make cash distributions in amounts determined by the general partner in its sole discretion, to Lexington Trust and other limited partners generally in accordance with the respective percentage interests of the Partnership s partners.

Upon the Partnership s liquidation, after payment of, or adequate provisions for, the Partnership s debts and obligations, including any partner loans, any of the Partnership s remaining assets will be distributed to Lexington Trust and the other limited partners with positive capital accounts in accordance with the respective positive capital account balances of the partners.

Funding Agreement

In connection with the Newkirk Merger, Lexington Trust and its four operating partnerships, including the Partnership, entered into a funding agreement. Pursuant to the funding agreement, the parties agreed, jointly and severally, that, if any of the four operating partnerships does not have sufficient cash available to make a quarterly distribution to its limited partners in an amount equal to whichever is applicable of (i) a specified distribution set forth in its partnership agreement or (ii) the cash dividend payable with respect to a whole or fractional Common Shares into which such partnership s common units would be converted if they were redeemed for Common Shares in accordance with its partnership agreement, Lexington Trust and its four operating partnerships, including the Partnership, each a funding partnership , will fund their pro rata share of the shortfall. The pro rata share of each funding partnership and Lexington Trust s pro rata share, respectively, will be determined based on the number of units in each funding partnership and, for Lexington Trust, by the amount by which its total outstanding Common Shares exceeds the number of units in each funding partnership not owned by Lexington Trust, with appropriate adjustments being made if units are not redeemable on a one-for-one basis. Payments under the agreement will be

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made in the form of loans to the partnership experiencing a shortfall and will bear interest at prevailing rates as determined by Lexington Trust in its discretion but no less than the applicable federal rate. The Partnership s right to receive these loans will expire if Lexington Trust contributes to the Partnership all of its economic interests in the other operating partnerships, Lexington Trust s other subsidiaries that are partnerships, joint ventures or limited liability companies. However, thereafter the Partnership will remain obligated to continue to make these loans until there are no remaining units outstanding in the other operating partnerships and all loans have been repaid.

Amendments

Generally, the General Partner may not amend the Partnership Agreement without the consent of the holders of the majority of the MLP Units, except that without the consent of any limited partner the General Partner may amend the agreement to:

- add to its obligations or surrender its rights, as general partner, under the Partnership Agreement for the benefit of the limited partners;
- reflect the issuance of additional MLP Units or the admission, substitution, termination or withdrawal of partners in accordance with the Partnership Agreement;
- reflect inconsequential changes, cure any ambiguity, correct or supplement any provision not inconsistent with law or another provision of the Partnership Agreement, or make other changes concerning matters under the Partnership Agreement not otherwise inconsistent with the law or the Partnership Agreement;
- satisfy requirements or guidelines under federal or state law;
- reflect changes that are reasonably necessary for Lexington Trust, as parent of the general partner, to satisfy the REIT requirements or reflect the transfer of partnership interests from it, as the parent of the general partner, to its subsidiary;
- modify the manner in which capital accounts are computed but only to the extent set forth in the Partnership Agreement in order to comply with the requirements of the Code and the Treasury regulations promulgated thereunder; or
- issue additional MLP Units.

The General Partner may not, without the consent of each limited partner adversely affected, make any amendment to Partnership Agreement that would (1) convert a limited partner interest into a general partner interest or modify the limited liability of a limited partner, (2) alter the distribution rights or the allocations described in the Partnership Agreement or (3) modify the redemption rights.

Exculpation and Indemnification of the General Partner

The Partnership Agreement provides that neither the General Partner nor any of its trustees or officers are liable to the Partnership or to any of the Partnership s partners as a result of errors in judgment or mistakes of fact or law or of any act or omission, if the General Partner, its trustees or its officer acted in good faith.

In addition, the Partnership Agreement requires the Partnership to indemnify and hold harmless the General Partner, its trustees, officers and any other persons it designates, from and against any and all claims arising from the Partnership s operations in which any such indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that:

- the act or omission of the indemnitee was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty,
- the indemnitee actually received an improper personal benefit in money, property or services, or

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in the case of any criminal proceeding, the indemnitee had reasonable cause to believe that the act or omission was unlawful.

No indemnitee may subject any of the Partnership s partners to personal liability with respect to this indemnification obligation.

Term

The Partnership will continue until dissolved upon:

the General Partner s bankruptcy or dissolution or withdrawal (unless the limited partners elect to continue the Partnership) or a decree of judicial dissolution under Delaware law;

the sale or other disposition of all or substantially all of the Partnership s assets; or

the redemption of all MLP Units (other than those held by Lexington Trust or its subsidiaries).

Tax Matters Partner

The General Partner is the Partnership s tax matters partner, and it has the authority to make tax elections under the Code on the Partnership s behalf.

COMPARISON OF OWNERSHIP OF MLP UNITS AND COMMON SHARES

The information below highlights a number of the significant differences between the Partnership and Lexington Trust relating to, among other things, form of organization, permitted investments, policies and restrictions, management structure, compensation and fees, investor rights and federal income taxation, and compares certain legal rights associated with the ownership of MLP Units and Common Shares, respectively. These comparisons are intended to assist unitholders in understanding how their investment will be changed in the MLP merger when their MLP Units are exchanged for Common Shares. This discussion is summary in nature and does not constitute a complete discussion of these matters, and unitholders should carefully review the balance of this proxy statement/prospectus, the Partnership Agreement, the LXP declaration and the LXP bylaws for additional important information about the Partnership and/or Lexington Trust.

THE PARTNERSHIP	**LEXINGTON TRUST**
FORM OF ORGANIZATION AND ASSETS OWNED	
The Partnership is organized as a Delaware limited partnership. The Partnership owns interests (directly and indirectly through subsidiaries) in properties and assets.	Lexington Trust is a Maryland statutory real estate investment trust. Lexington Trust believes that it has operated so as to qualify as a REIT under the Code, commencing with the Partnership s taxable year ended December 31, 1993, and intends to continue to so operate. Lexington Trust s indirect interest in its operating partnerships, including the Partnership, gives Lexington Trust an indirect investment in the properties owned by its operating partnerships. In addition, Lexington Trust owns (either directly or indirectly through interests in subsidiaries other than its operating partnerships) interests in other properties and assets.

THE PARTNERSHIP	LEXINGTON TRUST
LENGTH OF INVESTMENT	
The Partnership has a perpetual term, unless sooner dissolved and terminated.	Lexington Trust has a perpetual term and intends to continue its operations for an indefinite time period.
PURPOSE AND PERMITTED INVESTMENTS	
The Partnership s purpose is to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Delaware Act, provided that such business is to be conducted in such a manner that permits Lexington Trust to be qualified as a REIT unless Lexington Trust ceases to qualify as a REIT for reasons other than the conduct of the Partnership s business. The Partnership may not take, or refrain from taking, any action which, in the judgment of Lexington Trust, in its sole and absolute discretion, (i) could adversely affect Lexington Trust s ability to continue to qualify as a REIT, (ii) could subject Lexington Trust to any additional taxes under any Section 857 or Section 4981, or any other section of the Code, or (iii) could violate any law or regulation of any governmental body (unless such action, or inaction, is specifically consented to by Lexington Trust in writing).	Lexington Trust s purposes are to engage in the real estate business and lawful activities incidental thereto, and to engage in any lawful act or activity for which real estate investment trusts may be organized under the applicable laws of the State of Maryland. Lexington Trust is permitted by the Partnership Agreement to engage in activities not related to the Partnership s business, including activities in direct or indirect competition with the Partnership, and may own assets other than its interests in the Partnership, and such other assets necessary to carry out the Partnership s responsibilities under the Partnership Agreement, and the LXP declaration. In addition, Lexington Trust has no obligation to present opportunities to the Partnership and the holders of MLP Units have no rights by virtue of the Partnership Agreement in any of Lexington Trust s outside business ventures.
ADDITIONAL EQUITY	
The Partnership is authorized to issue MLP Units and other partnership interests (including partnership interests of different series or classes that may be senior to MLP Units) as determined by the General Partner in its sole discretion.	The LXP board may cause Lexington Trust to issue, in its discretion, additional equity securities consisting of Common Shares and/or preferred shares. However, the total number of shares issued may not exceed the authorized number of capital shares set forth in the LXP declaration. The proceeds of equity capital raised by Lexington Trust are not required to be contributed to the Partnership; provided, however, that if Lexington Trust desires to increase its ownership of MLP Units, it may only do so by contributing the proceeds of equity capital raised by it.
BORROWING POLICIES	
The Partnership has no restrictions on borrowings, and the General Partner has full power and authority to borrow money on the Partnership s behalf.	Neither the LXP declaration nor the LXP bylaws impose any restrictions on its ability to borrow money. Lexington Trust is not required to incur its

indebtedness through the Partnership.

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THE PARTNERSHIP	LEXINGTON TRUST
OTHER INVESTMENT RESTRICTIONS	
Other than restrictions precluding investments by the Partnership that would adversely affect Lexington Trust s qualification as a REIT, there are no restrictions upon the Partnership s authority to enter into certain transactions, including among others, making investments, lending the Partnership s funds, or reinvesting the Partnership s cash flow and net sale or refinancing proceeds, except that, without the consent of the holders of a majority of the outstanding MLP Units (other than the MLP Units held by Lexington Trust), the General Partner may not utilize any of the Partnership s asset except (i) to reimburse Lexington Trust under the Partnership Agreement, (ii) to make distributions under the Partnership Agreement, or (iii) to acquire assets or make loans for the Partnership s exclusive benefit, with certain exceptions.	Neither the LXP declaration nor the LXP bylaws impose any restrictions upon the types of investments made by Lexington Trust. However, contractual obligations may inhibit Lexington Trust s ability to invest in certain asset types.
MANAGEMENT CONTROL	
All management powers over the Partnership s business and affairs are vested in the General Partner, and no limited partner has any right to participate in or exercise control or management power over the Partnership s business and affairs. See Voting Rights Vote Required to Dissolve The Partnership or Lexington Trust below. The General Partner may not be removed by the limited partners with or without cause.	The LXP board has exclusive control over Lexington Trust s business and affairs subject only to the restrictions in the LXP declaration and the LXP bylaws. The LXP board consists of 10 trustees, which number may be increased or decreased by vote of at least a majority of the entire LXP board pursuant to the LXP bylaws. The trustees are elected at each annual meeting of Lexington Trust s shareholders. The policies adopted by the LXP board may be altered or eliminated without a vote of the shareholders. Accordingly, except for their vote in the elections of trustees, shareholders have no control over Lexington Trust s ordinary business policies.
DUTIES	
Under Delaware law, except as provided in the Partnership Agreement, the General Partner is accountable to the Partnership as a fiduciary and, consequently, is required to exercise good faith and integrity in all of its dealings with respect to the Partnership s affairs. The General Partner has agreed to use reasonable efforts to allocate excess non-recourse liabilities in a manner that will avoid or	Under Maryland law, Lexington Trust s trustees must perform their duties in good faith, in a manner that they reasonably believe to be in Lexington Trust s best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Trustees who act in such a manner generally will not be liable to Lexington Trust for monetary damages arising from their

minimize any potential recapture tax liability of the partners.	activities.

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THE PARTNERSHIP	LEXINGTON TRUST
MANAGEMENT LIABILITY AND INDEMNIFICATION	
Under Delaware law, the General Partner has liability for the payment of the Partnership s obligations and debts unless limitations upon such liability are stated in the document or instrument evidencing the obligation. Under the Partnership Agreement, the Partnership agreed to indemnify the General Partner and Lexington Trust, and any director, trustee or officer of the Partnership, Lexington Trust or the majority limited partner, to the fullest extent permitted under the Delaware Act. The reasonable expenses incurred by an indemnitee may be reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of a written affirmation by such indemnitee of his, her or its good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking by such indemnitee to repay the amount if it is ultimately determined that such standard was not met.	Under the LXP declaration, the liability of Lexington Trust s trustees and officers to Lexington Trust and its shareholders for money damages is limited to the fullest extent permitted under Maryland law. Under the LXP declaration, Lexington Trust is required to indemnify its trustees and officers to the fullest extent permitted under Maryland law and to indemnify its other employees and agents to such extent as authorized by the LXP board or the LXP bylaws, but only to the extent permitted under applicable law.
ANTI-TAKEOVER PROVISIONS	
Except in limited circumstances (see Voting Rights below), the General Partner has exclusive management power over the Partnership s business and affairs. The General Partner may not be removed by the limited partners. Without the consent of the General Partner, a transferee will not be (i) admitted to the Partnership as a substituted limited partner or (ii) entitled to the same rights as a substituted limited partner.	The LXP declaration and the LXP bylaws contain a number of provisions that may have the effect of delaying or discouraging an unsolicited proposal for the acquisition of Lexington Trust or the removal of incumbent management. These provisions include, among others: (1) authorized capital shares that may be issued as preferred shares in the discretion of the LXP board, with superior voting rights to the common shares; (2) a requirement that trustees may be removed only for cause and then only by the affirmative vote of the holders of at least 80% of the combined voting power of all classes of shares of beneficial interest entitled to vote in the election of trustees; and (3) provisions designed to, among other things, avoid concentration of share ownership in a manner that would jeopardize Lexington Trust s status as a REIT under the Code. Furthermore, under Maryland law, business combinations between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the

interested shareholder becomes an interested shareholder. See Certain Provisions of Maryland Law and the LXP Declaration and the LXP Bylaws Maryland Law, elsewhere in this proxy statement/prospectus.

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THE PARTNERSHIP	LEXINGTON TRUST

VOTING RIGHTS

All decisions relating to the Partnership s operation and management are made by the General Partner. See Description of the MLP Units elsewhere in this proxy statement/prospectus. As of the date of this proxy statement/prospectus, Lexington Trust held, through Lex GP-1 and Lex LP-1, the General Partner interest and 91.1% of the MLP Units. As MLP Units are redeemed under the Partnership Agreement or exchanged in the MLP merger, Lexington Trust s percentage ownership in the Partnership will increase.	Lexington Trust is managed and controlled by a board of trustees presently consisting of 10 members. Each trustee is elected by the shareholders at annual meetings of Lexington Trust s shareholders. Maryland law requires that certain major corporate transactions, including most amendments to the LXP declaration, may not be consummated without the approval of shareholders as set forth below. All Common Shares have one vote, and the LXP declaration permits the LXP board to classify and issue preferred shares in one or more series having voting power which may differ from that of the Common Shares. See Description of Common Shares elsewhere in this proxy statement/prospectus.

The following is a comparison of the voting rights of the limited partners and Lexington Trust s shareholders as they relate to certain major transactions:

A. AMENDMENT OF THE PARTNERSHIP AGREEMENT OR THE LXP DECLARATION.

Generally, the General Partner may not amend the Partnership Agreement without the consent of the holders of the majority of the MLP Units, except the General Partner may, without the consent of the limited partners, amend the Partnership Agreement as to certain ministerial matters and to cure ambiguities.	Amendments to the LXP declaration must be advised by the LXP board and approved generally by at least a majority of the votes entitled to be cast on that matter at a meeting of shareholders. Amendments to certain provisions on termination require the affirmative vote of two-thirds of the votes entitled to be cast and amendments to certain provisions in the LXP declaration relating to amendments to the LXP declaration or the LXP bylaws, relating to the LXP board or relating to obligations under written instruments, require the affirmative vote of 80% of the votes entitled to be cast. In addition, the LXP declaration may be amended by a two-thirds majority of its trustees, without shareholder approval, in order to preserve its qualification as a REIT under the Code.

B. VOTE REQUIRED TO DISSOLVE OR TERMINATE THE MLP OR THE PARTNERSHIP.

The Partnership may be dissolved upon the occurrence of certain events, none of which require the consent of the limited partners.	Lexington Trust may be terminated only upon the affirmative vote of the holders of two-thirds of the outstanding shares entitled to vote thereon.

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THE PARTNERSHIP	LEXINGTON TRUST
C. VOTE REQUIRED TO SELL ASSETS OR MERGE.	
Under the Partnership Agreement, the sale, exchange, transfer or other disposition of all or substantially all of the Partnership s assets does not require the consent the limited partners. However, a merger or consolidation of the Partnership pursuant to which the MLP Units are converted or exchanged for securities of another entity requires the consent of a majority in interest of the limited partners, except under certain circumstances. These circumstances include the MLP merger where MLP Units are being exchanged for securities with preferences, rights and privileges not materially inferior to the preferences, rights and privileges of Common Shares.	Under Maryland law and the LXP declaration, the sale of all or substantially all of Lexington Trust s assets, or a merger or consolidation of Lexington Trust, requires the approval of the LXP board and generally requires the approval of the holders of a majority of the outstanding shares entitled to vote thereon. No approval of the shareholders is required for the sale of less than all or substantially all of Lexington Trust s assets.

COMPENSATION, FEES AND DISTRIBUTIONS

The General Partner does not receive any compensation for its services as the General Partner. As partners in the Partnership, however, Lex GP-1 and Lex LP-1 have the same right to allocations and distributions as the Partnership s other partners. In addition, the Partnership will reimburse the General Partner (and Lexington Trust) for certain expenses incurred relating to the management of the Partnership.	Lexington Trust s non-employee trustees and officers receive compensation for their services.

LIABILITY OF INVESTORS

Under the Partnership Agreement and applicable state law, the liability of limited partners for the Partnership s debts and obligations is generally limited to the amount of their investment in the Partnership.	Under Maryland law, Lexington Trust s shareholders are generally not personally liable for its debts or obligations.

NATURE OF INVESTMENT

The MLP Units constitute equity interests in the Partnership. Generally, unitholders are allocated and distributed amounts in accordance with their respective percentage interest in the Partnership, from time to time, but not less than semi-annually, as determined in the manner provided in the Partnership Agreement and subject to certain restrictions and exceptions for certain limited partners. The Partnership generally intends to retain and reinvest proceeds of the sale of property or excess refinancing	Common Shares constitute equity interests in Lexington Trust. Lexington Trust is entitled to receive its pro rata share of distributions made by the Partnership with respect to the MLP Units held by it, and by its other direct subsidiaries. Each holder of Common Shares will be entitled to its pro rata share of any dividends or distributions paid with respect to the Common Shares. The dividends payable to holders of Common Shares are not fixed in amount and are only paid if, when and as authorized by the

proceeds in the Partnership s business.	LXP board and declared by Lexington Trust. In order to continue to qualify as a REIT, Lexington Trust generally must distribute at least 90% of its net taxable income (excluding capital gains), and any taxable income (including capital gains) not distributed will be subject to corporate income tax.

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THE PARTNERSHIP	LEXINGTON TRUST
POTENTIAL DILUTION OF RIGHTS	
The General Partner is authorized, in its sole discretion and without limited partner approval, to cause the Partnership to issue additional the MLP Units and other equity securities for any partnership purpose at any time to the limited partners or to other persons (including the General Partner or Lexington Trust under certain circumstances set forth in the Partnership Agreement).	The LXP board may authorize Lexington Trust to issue, in its discretion, additional shares, and has the authority to cause Lexington Trust to issue from authorized capital a variety of other equity securities with such powers, preferences and rights as it may designate at the time. The issuance of either additional Common Shares or other similar equity securities may result in the dilution of the interests of the shareholders.
LIQUIDITY	
Holders of MLP Units may not transfer their MLP Units without the General Partner s consent. Without the consent of the General Partner, a transferee will not be (i) admitted to the MLP as a substituted limited partner or (ii) entitled to the same rights as a substituted limited partner. Limited partners have the right to tender their MLP Units for redemption by the Partnership at certain times, as specified in the Partnership Agreement. See The Partnership s Second Amended and Restated Partnership Agreement; Redemption Rights Under the Partnership Agreement elsewhere in this proxy statement/prospectus.	The Common Shares are generally freely transferable as registered securities under the Securities Act. Common Shares are listed on the New York Stock Exchange. The breadth and strength of this secondary market will depend, among other things, upon the number of shares outstanding, Lexington Trust s financial results and prospects, the general interest in Lexington Trust and other real estate investments, and the Partnership s dividend yield compared to that of other debt and equity securities.
FEDERAL INCOME TAXATION	
The Partnership is not subject to federal income taxes. Instead, each unitholder includes its allocable share of the Partnership s taxable income or loss in determining its individual federal income tax liability. The maximum federal income tax rate for individuals under current law is 35%. A unitholder s share of income and loss generated by the Partnership generally is subject to the passive activity limitations. Under the passive activity rules, income and loss from the Partnership that are considered passive income generally can be offset against income and loss from other investments that constitute passive activities. Cash distributions from the Partnership are not taxable to a unitholder except to the extent such distributions exceed such unitholder s basis in its interest in the Partnership (which will include such holder s allocable share of	Lexington Trust has elected to be taxed as a REIT. So long as Lexington Trust qualifies as a REIT, it will be permitted to deduct distributions paid to it shareholders, which effectively will reduce the double taxation that typically results when a corporation earns income and distributes that income to its shareholders in the form of dividends. A qualified REIT, however, is subject to federal income tax on income that is not distributed and also may be subject to federal income and excise taxes in certain circumstances. The maximum federal income tax rate for corporations under current law is 35%. Dividends paid by Lexington Trust will be treated as portfolio income and cannot be offset with losses from passive activities. The maximum federal income tax rate for individuals under current law is 35%. Distributions made by Lexington Trust to its

the Partnership s taxable income and nonrecourse debt).

Each year, unitholders will receive a Schedule K-1 containing detailed tax information for inclusion in preparing their federal income tax returns.

taxable domestic shareholders out of current or accumulated earnings and profits will be taken into account by them as ordinary income. Distributions that are designated as capital gain dividends generally will be taxed as long-term capital gain, subject to certain limitations, but generally would not be eligible for certain recently-enacted reduced rates. Distributions in excess of current or accumulated earnings and profits

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THE PARTNERSHIP	LEXINGTON TRUST
Unitholders are required, in some cases, to file state income tax returns and/or pay state income taxes in the states in which the Partnership owns property, even if they are not residents of those states.	will be treated as a non-taxable return of basis to the extent of a shareholder s adjusted basis in its common shares, with the excess taxed as capital gain.
	Each year, shareholders will receive an IRS Form 1099 used by corporations to report dividends paid to their shareholders.
	Shareholders who are individuals generally will not be required to file state income tax returns and/or pay state income taxes outside of their state of residence with respect to Lexington Trust s operations and distributions. Lexington Trust may be required to pay state income taxes in certain states.
	Please see United States Federal Income Tax Consolidations, below.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The information in this section is based on the Code, existing, temporary and proposed regulations under the Code, the legislative history of the Code, current administrative rulings and practices of the Internal Revenue Service, or IRS, and court decisions, all as of the date hereof. No assurance can be given that future legislation, regulations, administrative interpretations and court decisions will not significantly change current law or adversely affect existing interpretations of current law. Any such change could apply retroactively to transactions preceding the date of the change. In addition, neither Lexington Trust nor the Partnership have received, and neither plan to request, any rulings from the IRS. Thus no assurance can be provided that the statements set forth herein (which do not bind the IRS or the courts) will not be challenged by the IRS or that such statements will be sustained by a court if so challenged.

Tax Treatment of Exchange of MLP Units in the MLP Merger

The following discussion summarizes certain federal income tax considerations that may be relevant to a holder whose MLP Units are exchanged with Common Shares and, if applicable, cash in connection with the MLP merger.

As described above, in the MLP merger holders of MLP Units will be entitled to receive (1) for each whole MLP Unit, one Common Share and (2) for any fractional MLP Unit, cash in an amount equal to the product of (i) such fractional MLP Unit multiplied by (ii) the average closing prices of Common Shares quoted on the New York Stock Exchange for the 20 trading day period immediately preceding the third trading day immediately prior to the closing date of the MLP merger. Such exchange of MLP Units and fractional MLP Units, if any, will be treated as a sale of such MLP Units and fractional MLP Units by the exchanging holder to Lexington Trust at the time such MLP Units and fractional MLP Units are exchanged. This sale will be fully taxable to the exchanging holder. The determination of gain or loss from the sale will be based on the difference between the holder s amount realized for tax purposes and its adjusted tax basis in such MLP Units and fractional MLP Units. The amount realized will be measured by the fair market value of property received (i.e., the Common Shares and cash, if any) plus the portion of the Partnership s liabilities allocable to the MLP Units and fractional MLP Units sold. The amount of MLP liabilities considered in this calculation will include the Partnership s share of the liabilities of some entities in which the Partnership owns an interest. In general, a holder s tax basis is based on the cost of the MLP Units, adjusted for the holder s allocable share of the Partnership s income, loss, distributions and liabilities, as applicable. To the extent that the amount realized exceeds the holder s basis for the MLP Units disposed of, such holder will recognize gain; to the extent that the holder s basis for the MLP Units disposed of exceeds the amount realized, such holder will recognize loss. It is possible that the amount of gain recognized or even the tax liability resulting from such gain could exceed the fair market value of Common Shares received upon such disposition.

Each holder of MLP Units should consult its own tax advisor regarding the tax consequences to you of the exchange of your units, including the federal, state, local and foreign tax consequences of the exchange of units in your particular circumstances and potential changes in applicable laws.

Generally, any gain recognized upon a sale or other disposition of MLP Units will be treated as gain attributable to the sale or disposition of a capital asset. To the extent, however, that the amount realized upon the sale of MLP Units attributable to a unitholder s share of the Partnership s unrealized receivables (as defined in Section 751 of the Code) exceeds the basis attributable to those assets, such excess will be treated as ordinary income. Unrealized receivables include, to the extent not previously included in the Partnership s income, any rights to payment for services rendered or to be rendered. Unrealized receivables also include amounts that would be subject to recapture as ordinary income if the Partnership had sold the its assets at their fair market value at the time of the transfer of MLP Units.

Generally, any loss recognized upon a sale or other disposition of MLP Units will be treated as loss attributable to the sale or disposition of a capital asset. Capital losses in any year are generally deductible only to the extent of capital gains plus, in the case of a non-corporate taxpayer, $3,000 of ordinary income ($1,500 for married individuals filing separately).

The passive activity loss rules of the Code limit the use of losses by individuals, estates, trusts and certain closely held corporations and personal service corporations derived from certain passive activities, which generally include investments in limited partnership interests such as the MLP Units. Previously-suspended and unused passive losses of a holder of MLP Units generally may be deducted in full in the taxable year when such holder completely disposes of its MLP Units. Each holder of MLP Units subject to the passive activity loss rules should consult its own tax advisor concerning whether, and the extent to which, it has available suspended passive activity losses that may be used to offset the gain, if any, resulting from the exchange of MLP Units in the MLP merger.

For noncorporate holders, the maximum rate of tax on the net capital gain (i.e., long-term capital gain less short-term capital loss) from a sale or exchange of a long-term capital asset (i.e., a capital asset held for more than 12 months) is 15% (through 2010). The maximum rate for net capital gains attributable to the sale of depreciable real property held for more than 12 months is 25% to the extent of the prior depreciation deductions for unrecaptured Section 1250 gain (that is, depreciation deductions not otherwise recaptured as ordinary income under the existing depreciation recapture rules). Treasury Regulations provide that individuals, trusts and estates are subject to a 25% tax to the extent of their allocable share of unrecaptured Section 1250 gain immediately prior to their sale or disposition of the MLP units (the 25% Amount). Provided that the MLP Units are held as a long-term capital asset, such holders would be subject to a maximum rate of tax of 15% on the difference, if any, between any gain on the sale or disposition of the MLP Units and the 25% Amount.

It is possible that the exchange by the Partnership in the MLP merger of MLP Units issued in connection with a contribution of property to the Partnership could cause the original transfer of property to the Partnership to be treated as a disguised sale of property. Section 707 of the Code and the Treasury Regulations thereunder (the Disguised Sale Regulations) generally provide that, unless one of the prescribed exceptions is applicable, a partner s contribution of property to a partnership and a simultaneous or subsequent transfer of money or other consideration (which may include the assumption of or taking subject to a liability) from the partnership to the partner will be presumed to be a sale, in whole or in part, of such property by the partner to the partnership. Further, the Disguised Sale Regulations provide generally that, in the absence of an applicable exception, if money or other consideration is transferred by a partnership to a partner within two years of the partner s contribution of property, the transactions are presumed to be a sale of the contributed property unless the facts and circumstances clearly establish that the transfers do not constitute a sale. The Disguised Sale Regulations also provide that if two years have passed between the transfer of money or other consideration and the contribution of property, the transactions will be presumed not to be a sale unless the facts and circumstances clearly establish that the transfers constitute a sale. Given the amount of time that has passed since the original transfers of properties to the Partnership by current holders of MLP Units other than Lexington Trust, it is unlikely, though still possible, that the exchange of MLP Units in connection with the MLP merger would cause such original transfers to be treated as disguised sales of property under the Disguised Sale Regulations.

Each holder of MLP Units should consult with its own tax advisor to determine whether the exchange of MLP Units could be subject to the Disguised Sale Regulations.

Federal Income Tax Considerations Relating to the REIT

The following discussion summarizes the material United States federal income tax considerations to you as a prospective holder of Common Shares and assumes that you will hold such shares as capital assets (within the meaning of Section 1221 of the Code). The following discussion is for general information purposes only, is not exhaustive of all possible tax considerations and is not intended to be and should not be construed as tax advice. For example, this summary does not give a detailed discussion of any state, local or foreign tax considerations. In addition, this discussion is intended to address only those federal income tax considerations that are generally applicable to all of Lexington Trust s shareholders. It does not discuss all of the aspects of federal income taxation that may be relevant to you in light of your particular circumstances or to certain types of shareholders who are subject to special treatment under the federal income tax laws including, without limitation, regulated investment companies, insurance companies, tax-exempt entities, financial institutions or broker-dealers, expatriates, persons subject to the alternative minimum tax and partnerships or other pass through entities.

PROSPECTIVE HOLDERS OF COMMON SHARES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF INVESTING IN COMMON SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Taxation of the Company

General. Lexington Trust elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 1993. Lexington Trust believes that it has been organized, and has operated, in such a manner so as to qualify for taxation as a REIT under the Code and intends to conduct its operations so as to continue to qualify for taxation as a REIT. No assurance, however, can be given that Lexington Trust has operated in a manner so as to qualify or will be able to operate in such a manner so as to remain qualified as a REIT. Qualification and taxation as a REIT depend upon Lexington Trust s ability to meet on a continuing basis, through actual annual operating results, the required distribution levels, diversity of share ownership and the various qualification tests imposed under the Code discussed below, the results of which will not be reviewed by counsel. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in Lexington Trust s circumstances, no assurance can be given that the actual results of Lexington Trust s operations for any one taxable year have satisfied or will continue to satisfy such requirements.

In the opinion of Paul, Hastings, Janofsky & Walker LLP, based on certain assumptions and factual representations that are described in this section and in officer s certificates provided by Lexington Trust, Concord Debt Holdings LLC and Concord Debt Funding Trust (both subsidiaries in which we indirectly hold interests), commencing with Lexington Trust s taxable year ended December 31, 1993, Lexington Trust has been organized and operated in conformity with the requirements for qualification as a REIT and its current and proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT. It must be emphasized that this opinion is based on various assumptions and is conditioned upon certain representations made by Lexington Trust, Concord Debt Holdings LLC and Concord Debt Funding Trust as to factual matters including, but not limited to, those set forth herein, and those concerning Lexington Trust s business and properties as set forth in this prospectus. An opinion of counsel is not binding on the IRS or the courts.

The following is a general summary of the Code provisions that govern the federal income tax treatment of a REIT and its shareholders. These provisions of the Code are highly technical and complex. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations and administrative and judicial interpretations thereof, all of which are subject to change prospectively or retroactively.

If Lexington Trust qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on its net income that is currently distributed to shareholders. This treatment substantially eliminates the double taxation (at the corporate and shareholder levels) that generally results from investment in a corporation. However, Lexington Trust will be subject to federal income tax as follows:

First, Lexington Trust will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

Second, under certain circumstances, Lexington Trust may be subject to the alternative minimum tax on its items of tax preference.

Third, if Lexington Trust has (a) net income from the sale or other disposition of foreclosure property, which is, in general, property acquired on foreclosure or otherwise on default on a loan secured by such real property or a lease of such property, which is held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income.

Fourth, if Lexington Trust has net income from prohibited transactions such income will be subject to a 100% tax. Prohibited transactions are, in general, certain sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.

Fifth, if Lexington Trust should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but nonetheless maintain its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which it fails the 75% gross income test or the amount by which 95% (90% for taxable years ending on or prior to December 31, 2004) of its gross income exceeds the amount of income qualifying under the 95% gross income test multiplied by (b) a fraction intended to reflect its profitability.

Sixth, if Lexington Trust should fail to satisfy the asset tests (as discussed below) but nonetheless maintain its qualification as a REIT because certain other requirements have been met and it does not qualify for a de minimis exception, it may be subject to a tax that would be the greater of (a) $50,000; or (b) an amount determined by multiplying the highest rate of tax for corporations by the net income generated by the assets for the period beginning on the first date of the failure and ending on the day it disposes of the nonqualifying assets (or otherwise satisfies the requirements for maintaining REIT qualification).

Seventh, if Lexington Trust should fail to satisfy one or more requirements for REIT qualification, other than the 95% and 75% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a REIT because certain other requirements have been met, it may be subject to a $50,000 penalty for each failure.

Eighth, if Lexington Trust should fail to distribute during each calendar year at least the sum of (a) 85% of its REIT ordinary income for such year, (b) 95% of its REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, Lexington Trust would be subject to a nondeductible 4% excise tax on the excess of such required distribution over the amounts actually distributed.

Ninth, if Lexington Trust acquires any asset from a C corporation (i.e., a corporation generally subject to full corporate level tax) in a transaction in which the basis of the asset in its hands is determined by reference to the basis of the asset (or any other property) in the hands of the C corporation and it does not elect to be taxed at the time of the acquisition, it would be subject to tax at the highest corporate rate if it disposes of such asset during the ten-year period beginning on the date that it acquired that asset, to the extent of such property s built-in gain (the excess of the fair market value of such property at the time of its acquisition over the adjusted basis of such property at such time) (we refer to this tax as the Built-in Gains Tax).

Tenth, Lexington Trust will incur a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm s-length basis.

Finally, if Lexington Trust owns a residual interest in a real estate mortgage investment conduit, or REMIC, it will be taxable at the highest corporate rate on the portion of any excess inclusion income that it derives from the REMIC residual interests equal to the percentage of its shares that is held in record name by disqualified organizations. Similar rules apply if Lexington Trust owns an equity interest in a taxable mortgage pool. A disqualified organization includes the United States, any state or political subdivision thereof, any foreign government or international organization, any agency or instrumentality of any of the foregoing, any rural electrical or telephone cooperative and any tax-exempt organization (other than a farmer s cooperative described in Section 521 of the Code) that is exempt from income taxation and from the unrelated business taxable income provisions of the Code. However, to the extent that Lexington Trust owns a REMIC residual interest or a taxable mortgage pool through a taxable REIT subsidiary, it will not be subject to this tax. See the heading Requirements for Qualification below.

Requirements for Qualification. A REIT is a corporation, trust or association (1) that is managed by one or more trustees or directors, (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest, (3) that would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code, (4) that is neither a financial institution nor an insurance company subject to certain provisions of the Code, (5) that has the calendar year as its taxable year, (6) the beneficial ownership of which is held by 100 or more persons, (7) during the last half of each taxable year, not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities), and (8) that meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (1) through (5), inclusive, must be met during the entire taxable year and that condition (6) must be met during at least 335 days of a taxable year of twelve (12) months, or during a proportionate part of a taxable year of less than twelve (12) months.

Lexington Trust may redeem, at its option, a sufficient number of shares or restrict the transfer thereof to bring or maintain the ownership of the shares in conformity with the requirements of the Code. In addition, the LXP declaration includes restrictions regarding the transfer of Lexington Trust s shares that are intended to assist it in continuing to satisfy requirements (6) and (7). Moreover, if Lexington Trust complies with regulatory rules pursuant to which it is required to send annual letters to its shareholders requesting information regarding the actual ownership of its shares, and it does not know, or exercising reasonable diligence would not have known, whether it failed to meet requirement (7) above, it will be treated as having met the requirement.

The Code allows a REIT to own wholly-owned corporate subsidiaries which are qualified REIT subsidiaries. The Code provides that a qualified REIT subsidiary is not treated as a separate corporation, and all of its assets, liabilities and items of income, deduction and credit are treated as assets, liabilities and items of income, deduction and credit of the REIT. Thus, in applying the requirements described herein, Lexington Trust s qualified REIT subsidiaries will be ignored, and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as Lexington Trust s assets, liabilities and items of income, deduction and credit.

For taxable years beginning on or after January 1, 2001, a REIT may also hold any direct or indirect interest in a corporation that qualifies as a taxable REIT subsidiary, as long as the REIT s aggregate holdings of taxable REIT subsidiary securities do not exceed 20% of the value of the REIT s total assets (for taxable years beginning after July 30, 2008, 25% of the value of the REIT s total assets) at the close of each quarter. A taxable REIT subsidiary is a fully taxable corporation that generally is permitted to engage in businesses (other than certain activities relating to lodging and health care facilities), own assets, and earn income that, if engaged in, owned, or earned by the REIT, might jeopardize REIT status or result in the imposition of penalty taxes on the REIT. To qualify as a taxable REIT subsidiary, the subsidiary and the REIT must make a joint election to treat the subsidiary as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation (other than a REIT or a qualified REIT subsidiary) in which a taxable REIT subsidiary directly or indirectly owns more than 35% of the total voting power or value. See Asset Tests below. A taxable REIT subsidiary will pay tax at regular corporate income rates on any taxable income it earns. Moreover, the Code contains rules, including rules requiring the imposition of taxes on a REIT at the rate of 100% on certain reallocated income and expenses, to ensure that contractual arrangements between a taxable REIT subsidiary and its parent REIT are at arm s-length.

In the case of a REIT which is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of each of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share for purposes of satisfying the gross income and assets tests (as discussed below). In addition, the character of the assets and items of gross income of the partnership will retain the same character in the hands of the REIT. Thus, Lexington Trust s proportionate share (based on equity capital) of the assets, liabilities, and items of gross income of the partnerships in which it owns an interest are treated as its assets, liabilities and items of gross income for purposes of applying the requirements described herein. The treatment described above also applies with respect to the ownership of interests in limited liability companies or other entities that are treated as partnerships for tax purposes.

A significant number of Lexington Trust s investments are held through partnerships. If any such partnerships were treated as an association, the entity would be taxable as a corporation and therefore would be subject to an entity level tax on its income. In such a situation, the character of Lexington Trust s assets and items of gross income would change and might preclude it from qualifying as a REIT. Lexington Trust believes that each partnership in which it holds a material interest (either directly or indirectly) is properly treated as a partnership for tax purposes (and not as an association taxable as a corporation).

Special rules apply to a REIT, a portion of a REIT, or a qualified REIT subsidiary that is a taxable mortgage pool. An entity or portion thereof may be classified as a taxable mortgage pool under the Code if:

- substantially all of the assets consist of debt obligations or interests in debt obligations;
- more than 50% of those debt obligations are real estate mortgage loans or interests in real estate mortgage loans as of specified testing dates;
- the entity has issued debt obligations that have two or more maturities; and
- the payments required to be made by the entity on its debt obligations bear a relationship to the payments to be received by the entity on the debt obligations that it holds as assets.

Under Treasury Regulations, if less than 80% of the assets of an entity (or the portion thereof) consist of debt obligations, these debt obligations are considered not to comprise substantially all of its assets, and therefore the entity would not be treated as a taxable mortgage pool.

An entity or portion thereof that is classified as a taxable mortgage pool is generally treated as a taxable corporation for federal income tax purposes. However, the portion of the REIT s assets, held directly or through a qualified REIT subsidiary, that qualifies as a taxable mortgage pool is treated as a qualified REIT subsidiary that is not subject to corporate income tax and therefore the taxable mortgage pool classification does not change that treatment. The classification of a REIT, qualified REIT subsidiary or portion thereof as a taxable mortgage pool could, however, result in taxation of a REIT and certain of its shareholders as described below.

IRS guidance indicates that a portion of income from a taxable mortgage pool arrangement, if any, could be treated as excess inclusion income. Excess inclusion income is an amount, with respect to any calendar quarter, equal to the excess, if any, of (i) income allocable to the holder of a REMIC residual interest or taxable mortgage pool interest over (ii) the sum of an amount for each day in the calendar quarter equal to the product of (a) the adjusted issue price at the beginning of the quarter multiplied by (b) 120% of the long-term federal rate (determined on the basis of compounding at the close of each calendar quarter and properly adjusted for the length of such quarter). Under the recent guidance, such income would be allocated among Lexington Trust s shareholders in proportion to dividends paid and, generally, may not be offset by net operating losses of the shareholder, would be taxable to tax exempt shareholders who are subject to the unrelated business income tax rules of the Code and would subject non-U.S. shareholders to a 30% withholding tax (without exemption or reduction of the withholding rate). To the extent that excess inclusion income is allocated from a taxable mortgage pool to any disqualified organizations that hold our shares, Lexington Trust may be taxable on this income at the highest applicable corporate tax rate (currently 35%). Because this tax would be imposed on the REIT, all of the REIT s shareholders, including shareholders that are not disqualified organizations, would bear a portion of the tax cost associated with the classification of any portion of Lexington Trust s assets as a taxable mortgage pool.

If Lexington Trust owns less than 100% of the ownership interests in a subsidiary that is a taxable mortgage pool, the foregoing rules would not apply. Rather, the subsidiary would be treated as a corporation for federal income tax purposes and would potentially be subject to corporate income tax. In addition, this characterization would affect Lexington Trust s REIT income and asset test calculations and could adversely affect its ability to qualify as a REIT.

Lexington Trust has made and in the future intends to make investments or enter into financing and securitization transactions that may give rise to its being considered to own an interest, directly or indirectly, in one or more taxable mortgage pools. Prospective holders are urged to consult their own tax advisors regarding the tax consequences of the taxable mortgage pool rules to them in light of their particular circumstances.

Income Tests. In order to maintain qualification as a REIT, Lexington Trust must satisfy annually certain gross income requirements. First, at least 75% of Lexington Trust s gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including rents from real property; gain from the sale of real property other than property held for sale to customers in the ordinary course of business; dividends from, and gain from the sale of shares of, other qualifying REITs; certain interest described further below; and certain income derived from a REMIC) or from certain types of qualified temporary investments. Second, at least 95% of Lexington Trust s gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from income that qualifies under the foregoing 75% gross income test, other types of dividends and interest, gain from the sale or disposition of stock or securities and certain other specified sources. Any income from a hedging transaction entered into after December 31, 2004 that is clearly and timely identified and hedges indebtedness incurred or to be incurred to acquire or carry real estate assets will not constitute gross income, rather than being treated as qualifying or nonqualifying income, for purposes of the 95% gross income test and, with respect to such hedging transactions entered into after July 30, 2008, for purposes of the 75% gross income test as well. For transactions entered into after July 30, 2008, a hedging transaction also includes a transaction entered into to manage foreign currency risks with respect to items of income and gain (or any property which generates such income or gain) that would be qualifying income under the 75% or 95% gross income tests, but only if such transaction is clearly identified before the close of the day it was acquired, originated or entered into. In addition, certain foreign currency gains recognized after July 30, 2008 will be excluded from gross income for purposes of one or both of the gross income tests.

Rents received by Lexington Trust will qualify as rents from real property in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as rents from real property in satisfying the gross income tests if Lexington Trust, or an owner of 10% or more of its shares, actually or constructively owns 10% or more of such tenant. Third, 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 (based on the ratio of fair market value of personal and real property) will not qualify as rents from real property. Finally, in order for rents received to qualify as rents from real property, Lexington Trust generally must not operate or manage the property (subject to a de minimis exception as described below) or furnish or render services to the tenants of such property, other than through an independent contractor from whom Lexington Trust derives no revenue or through a taxable REIT subsidiary. Lexington Trust may, however, directly perform certain services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property (Permissible Services).

For Lexington Trust s taxable years commencing on or after January 1, 1998, rents received generally will qualify as rents from real property notwithstanding the fact that it provides services that are not Permissible Services so long as the amount received for such services meets a de minimis standard. The amount received for impermissible services with respect to a property (or, if services are available only to certain tenants, possibly with respect to such tenants) cannot exceed one percent of all amounts received, directly or indirectly, by Lexington Trust with respect to such property (or, if services are available only to certain tenants, possibly with respect to such tenants). The amount that Lexington Trust will be deemed to have received for performing impermissible services will be the greater of the actual amounts so received or 150% of the direct cost to Lexington Trust of providing those services.

Lexington Trust believes that substantially all of its rental income will be qualifying income under the gross income tests, and that its provision of services will not cause the rental income to fail to be qualifying income under those tests.

Generally, interest on debt secured by a mortgage on real property or interests in real property qualifies for purposes of satisfying the 75% gross income test described above. However, if the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the REIT agreed to originate or acquire the loan, a proportionate amount of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. In addition, any interest amount that is based in whole or in part on the income or profits of any person does not qualify for purposes of the foregoing 75% and 95% income tests except (a) amounts that are based on a fixed percentage or percentages of receipts or sales and (b) amounts that are based on the income

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or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying rents from real property if received directly by the REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower s gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property s value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which is generally qualifying income for purposes of both gross income tests.

If Lexington Trust fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for such year if such failure was due to reasonable cause and not willful neglect and it files a schedule describing each item of its gross income for such taxable year in accordance with Treasury Regulations (and for taxable years beginning on or before October 22, 2004, any incorrect information on the schedule was not due to fraud with intent to evade tax). It is not possible, however, to state whether in all circumstances Lexington Trust would be entitled to the benefit of this relief provision. Even if this relief provision applied, a 100% penalty tax would be imposed on the amount by which it failed the 75% gross income test or the amount by which 95% (90% for taxable years ending on or prior to December 31, 2004) of its gross income exceeds the amount of income qualifying under the 95% gross income test (whichever amount is greater), multiplied by a fraction intended to reflect its profitability.

Subject to certain safe harbor exceptions, any gain (including certain foreign currency gain recognized after July 30, 2008) realized by Lexington Trust on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income may also have an adverse effect upon Lexington Trust s ability to qualify as a REIT. In June 2007, Lexington Trust announced a restructuring of its investment strategy, focusing on core and core plus assets. While Lexington Trust believes that the dispositions of our assets pursuant to the restructuring of its investment strategy should not be treated as prohibited transactions, and although it intends to conduct its operations so that it will not be treated as holding its properties for sale, whether a particular sale will be treated as a prohibited transaction depends on all the facts and circumstances with respect to the particular transaction. Lexington Trust has not sought and does not intend to seek a ruling from the IRS regarding any dispositions. Accordingly, there can be no assurance that the IRS will not successfully assert a contrary position with respect to Lexington Trust s dispositions. If all or a significant portion of Lexington Trust s dispositions were treated as prohibited transactions, it would incur a significant U.S. federal tax liability, which could have a material adverse effect on its results of operations.

Lexington Trust will be subject to tax at the maximum corporate rate on any income from foreclosure property (including certain foreign currency gains and related deductions recognized after July 30, 2008), other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property (1) that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured; (2) for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and (3) for which the REIT makes a proper election to treat the property as foreclosure property. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, unless a longer extension is granted by the Secretary of the Treasury or the grace period terminates earlier due to certain nonqualifying income or activities generated with respect to the property.

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Asset Tests. At the close of each quarter of Lexington Trust s taxable year, it must also satisfy the following tests relating to the nature of its assets. At least 75% of the value of Lexington Trust s total assets, including its allocable share of assets held by partnerships in which it owns an interest, must be represented by real estate assets, stock or debt instruments held for not more than one year purchased with the proceeds of an offering of equity securities or a long-term (at least five years) public debt offering by it, cash, cash items (including certain receivables) and government securities. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and certain kinds of mortgage-backed securities (including regular or residual interests in a REMIC to the extent provided in the Code) and mortgage loans. In addition, not more than 25% of Lexington Trust s total assets may be represented by securities other than those in the 75% asset class. Not more than 20% of the value of Lexington Trust s total assets (for taxable years beginning after July 30, 2008, 25% of the value of our total assets) may be represented by securities of one or more taxable REIT subsidiaries (as defined above under Requirements for Qualification). Except for investments included in the 75% asset class, securities in a taxable REIT subsidiary or qualified REIT subsidiary and certain partnership interests and debt obligations, (1) not more than 5% of the value of Lexington Trust s total assets may be represented by securities of any one issuer (the 5% asset test), (2) Lexington Trust may not hold securities that possess more than 10% of the total voting power of the outstanding securities of a single issuer (the 10% voting securities test) and (3) Lexington Trust may not hold securities that have a value of more than 10% of the total value of the outstanding securities of any one issuer (the 10% value test).

The following assets are not treated as securities held by Lexington Trust for purposes of the 10% value test (i) straight debt meeting certain requirements, unless Lexington Trust holds (either directly or through its controlled taxable REIT subsidiaries) certain other securities of the same corporate or partnership issuer that have an aggregate value greater than 1% of such issuer s outstanding securities; (ii) loans to individuals or estates; (iii) certain rental agreements calling for deferred rents or increasing rents that are subject to Section 467 of the Code, other than with certain related persons; (iv) obligations to pay Lexington Trust amounts qualifying as rents from real property under the 75% and 95% gross income tests; (v) securities issued by a state or any political subdivision of a state, the District of Columbia, a foreign government, any political subdivision of a foreign government, or the Commonwealth of Puerto Rico, but only if the determination of any payment received or accrued under the security does not depend in whole or in part on the profits of any person not described in this category, or payments on any obligation issued by such an entity; (vi) securities issued by another qualifying REIT; and (vii) other arrangements identified in Treasury Regulations (which have not yet been issued or proposed). In addition, any debt instrument issued by a partnership will not be treated as a security under the 10% value test if at least 75% of the partnership s gross income (excluding gross income from prohibited transactions) is derived from sources meeting the requirements of the 75% gross income test. If the partnership fails to meet the 75% gross income test, then the debt instrument issued by the partnership nevertheless will not be treated as a security to the extent of our interest as a partner in the partnership. Also, in looking through any partnership to determine Lexington Trust s allocable share of any securities owned by the partnership, Lexington Trust s share of the assets of the partnership, solely for purposes of applying the 10% value test in taxable years beginning on or after January 1, 2005, will correspond not only to its interest as a partner in the partnership but also to its proportionate interest in certain debt securities issued by the partnership.

Through Lexington Trust s investment in Concord Debt Holdings LLC, it may hold mezzanine loans that are secured by equity interests in a non-corporate entity that directly or indirectly owns real property. IRS Revenue Procedure 2003-65 provides a safe harbor pursuant to which a mezzanine loan to such a non-corporate entity, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from it will be treated as qualifying mortgage interest for purposes of the 75% gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Moreover, not all of the mezzanine loans that Lexington Trust holds meet all of the requirements for reliance on this safe harbor. Lexington Trust has invested, and intends to continue to invest, in mezzanine loans in a manner that will enable it to continue to satisfy the gross income and asset tests.

Lexington Trust may also hold through its investment in Concord Debt Holdings LLC certain participation interests, or B-Notes, in mortgage loans and mezzanine loans originated by other lenders. A B-Note is an interest created in an underlying loan by virtue of a participation or similar agreement, to which the originator of the loan is a party, along with one or more participants. The borrower on the underlying loan is typically not a party to the participation agreement. The performance of a participant s investment depends upon the performance of the underlying loan, and if the underlying borrower defaults, the participant typically has no recourse against the originator of the loan. The originator often retains a senior position in the underlying loan, and grants junior participations, which will be a first loss position in the event of a default by the borrower. The appropriate treatment of participation interests for federal income tax purposes is not entirely certain. Lexington Trust believes that it has invested, and intends to continue to invest, in participation interests that qualify as real estate assets for purposes of the asset tests, and that generate interest that will be treated as qualifying mortgage interest for purposes of the 75% gross income test, but no assurance can be given that the IRS will not challenge our treatment of these participation interests.

Lexington Trust believes that substantially all of its assets consist of (1) real properties, (2) stock or debt investments that earn qualified temporary investment income, (3) other qualified real estate assets, including qualifying REITs, and (4) cash, cash items and government securities. Lexington Trust also believes that the value of its securities in its taxable REIT subsidiaries will not exceed 20% of the value of its total assets (or, beginning with its 2009 taxable year, 25% of the value of its total assets). Lexington Trust may also invest in securities of other entities, provided that such investments will not prevent Lexington Trust from satisfying the asset and income tests for REIT qualification set forth above. If any interest Lexington Trust holds in any REIT (including Concord Debt Funding Trust) or other category of permissible investment described above does not qualify as such, Lexington Trust would be subject to the 5% asset test and the 10% voting securities and value tests with respect to such investment.

After initially meeting the asset tests at the close of any quarter, Lexington Trust will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values (including, for taxable years beginning after July 30, 2008, discrepancies caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If Lexington Trust inadvertently fails one or more of the asset tests at the end of a calendar quarter because it acquires securities or other property during the quarter, it can cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of the calendar quarter in which it arose. If Lexington Trust were to fail any of the asset tests at the end of any quarter without curing such failure within 30 days after the end of such quarter, it would fail to qualify as a REIT, unless it were to qualify under certain relief provisions enacted in 2004. Under one of these relief provisions, if Lexington Trust were to fail the 5% asset test, the 10% voting securities test, or the 10% value test, it nevertheless would continue to qualify as a REIT if the failure was due to the ownership of assets having a total value not exceeding the lesser of 1% of its assets at the end of the relevant quarter or $10,000,000, and it were to dispose of such assets (or otherwise meet such asset tests) within six months after the end of the quarter in which the failure was identified. If Lexington Trust were to fail to meet any of the REIT asset tests for a particular quarter, but it did not qualify for the relief for de minimis failures that is described in the preceding sentence, then it would be deemed to have satisfied the relevant asset test if: (i) following its identification of the failure, it was to file a schedule with a description of each asset that caused the failure; (ii) the failure was due to reasonable cause and not due to willful neglect; (iii) it was to dispose of the non-qualifying asset (or otherwise meet the relevant asset test) within six months after the last day of the quarter in which the failure was identified, and (iv) it was to pay a penalty tax equal to the greater of $50,000, or the highest corporate tax rate multiplied by the net income generated by the non-qualifying asset during the period beginning on the first date of the failure and ending on the date it disposes of the asset (or otherwise cures the asset test failure). These relief provisions will be available to Lexington Trust in its taxable years beginning on or after January 1, 2005, although it is not possible to predict whether in all circumstances it would be entitled to the benefit of these relief provisions.

Annual Distribution Requirement. With respect to each taxable year, Lexington Trust must distribute to its shareholders as dividends (other than capital gain dividends) at least 90% of its taxable income. Specifically, Lexington Trust must distribute an amount equal to (1) 90% of the sum of its REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain), and any after-tax net income from foreclosure property, minus (2) the sum of certain items of excess noncash income such as income attributable to leveled stepped rents, cancellation of indebtedness and original issue discount. REIT taxable income is generally computed in the same manner as taxable income of ordinary corporations, with several adjustments, such as a deduction allowed for dividends paid, but not for dividends received.

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Lexington Trust will be subject to tax on amounts not distributed at regular United States federal corporate income tax rates. In addition, a nondeductible 4% excise tax is imposed on the excess of (1) 85% of Lexington Trust s ordinary income for the year plus 95% of capital gain net income for the year and the undistributed portion of the required distribution for the prior year over (2) the actual distribution to shareholders during the year (if any). Net operating losses generated by Lexington Trust may be carried forward but not carried back and used by it for 15 years (or 20 years in the case of net operating losses generated in its tax years commencing on or after January 1, 1998) to reduce REIT taxable income and the amount that it will be required to distribute in order to remain qualified as a REIT. As a REIT, Lexington Trust s net capital losses may be carried forward for five years (but not carried back) and used to reduce capital gains.

In general, a distribution must be made during the taxable year to which it relates to satisfy the distribution test and to be deducted in computing REIT taxable income. However, Lexington Trust may elect to treat a dividend declared and paid after the end of the year (a subsequent declared dividend) as paid during such year for purposes of complying with the distribution test and computing REIT taxable income, if the dividend is (1) declared before the regular or extended due date of Lexington Trust s tax return for such year and (2) paid not later than the date of the first regular dividend payment made after the declaration, but in no case later than 12 months after the end of the year. For purposes of computing the nondeductible 4% excise tax, a subsequent declared dividend is considered paid when actually distributed. Furthermore, any dividend that is declared by Lexington Trust in October, November or December of a calendar year, and payable to shareholders of record as of a specified date in such quarter of such year will be deemed to have been paid by it (and received by shareholders) on December 31 of such calendar year, but only if such dividend is actually paid by it in January of the following calendar year.

For purposes of complying with the distribution test for a taxable year as a result of an adjustment in certain of our items of income, gain or deduction by the IRS or Lexington Trust, Lexington Trust may be permitted to remedy such failure by paying a deficiency dividend in a later year together with interest. Such deficiency dividend may be included in Lexington Trust s deduction of dividends paid for the earlier year for purposes of satisfying the distribution test. For purposes of the nondeductible 4% excise tax, the deficiency dividend is taken into account when paid, and any income giving rise to the deficiency adjustment is treated as arising when the deficiency dividend is paid.

Lexington Trust believes that it has distributed and intends to continue to distribute to its shareholders in a timely manner such amounts sufficient to satisfy the annual distribution requirements. However, it is possible that timing differences between the accrual of income and its actual collection, and the need to make nondeductible expenditures (such as capital improvements or principal payments on debt) may cause Lexington Trust to recognize taxable income in excess of its net cash receipts, thus increasing the difficulty of compliance with the distribution requirement. In addition, excess inclusion income might be non-cash accrued income, or phantom taxable income, which could therefore adversely affect Lexington Trust s ability to satisfy its distribution requirements. In order to meet the distribution requirement, Lexington Trust might find it necessary to arrange for short-term, or possibly long-term, borrowings.

Failure to Qualify. Commencing with Lexington Trust s taxable year beginning January 1, 2005, if it were to fail to satisfy one or more requirements for REIT qualification, other than an asset or income test violation of a type for which relief is otherwise available as described above, it would retain our REIT qualification if the failure was due to reasonable cause and not willful neglect, and if it were to pay a penalty of $50,000 for each such failure. It is not possible to predict whether in all circumstances Lexington Trust would be entitled to the benefit of this relief provision. If Lexington Trust fails to qualify as a REIT for any taxable year, and if certain relief provisions of the Code do not apply, Lexington Trust would be subject to federal income tax (including applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which Lexington Trust fails to qualify will not be deductible from its taxable income nor will they be required to be made. As a result, Lexington Trust s failure to qualify as a REIT would reduce the cash available for distribution by it to its shareholders. In addition, if Lexington Trust fails to qualify as a REIT, all distributions to shareholders will be taxable as ordinary income, to the extent of Lexington Trust s current and accumulated earnings and profits. Subject to certain limitations of the Code, corporate distributees may be eligible for the dividends-received deduction and shareholders taxed as individuals may be eligible for a reduced tax rate on qualified dividend income from regular C corporations.

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If Lexington Trust s failure to qualify as a REIT is not due to reasonable cause but results from willful neglect, it would not be permitted to elect REIT status for the four taxable years after the taxable year for which such disqualification is effective. In the event Lexington Trust was to fail to qualify as a REIT in one year and subsequently requalify in a later year, it may elect to recognize taxable income based on the net appreciation in value of its assets as a condition to requalification. In the alternative, Lexington Trust may be taxed on the net appreciation in value of its assets if it sells properties within ten years of the date it requalifies as a REIT under federal income tax laws.

Taxation of Shareholders

As used herein, the term U.S. shareholder means a beneficial owner of Common Shares who (for United States federal income tax purposes) (1) is a citizen or resident of the United States, (2) is a corporation or other entity treated as a corporation for federal income tax purposes created or organized in or under the laws of the United States or of any political subdivision thereof, (3) is an estate the income of which is subject to United States federal income taxation regardless of its source or (4) is a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or a trust that has a valid election to be treated as a U.S. person pursuant to applicable Treasury Regulations. As used herein, the term non U.S. shareholder means a beneficial owner of Common Shares who is not a U.S. shareholder or a partnership.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a shareholder, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A shareholder that is a partnership and the partners in such partnership should consult their own tax advisors concerning the U.S. federal income tax consequences of acquiring, owning and disposing of our common shares.

Taxation of Taxable U.S. Shareholders.

As long as Lexington Trust qualifies as a REIT, distributions made to its U.S. shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income and corporate shareholders will not be eligible for the dividends-received deduction as to such amounts. For purposes of computing Lexington Trust s earnings and profits, depreciation for depreciable real estate will be computed on a straight-line basis over a 40-year period. For purposes of determining whether distributions on the shares constitute dividends for tax purposes, Lexington Trust s earnings and profits will be allocated first to distributions with respect to the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and all other series of preferred shares that are equal in rank as to distributions and upon liquidation with the Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares, and second to distributions with respect to Common Shares. There can be no assurance that Lexington Trust will have sufficient earnings and profits to cover distributions on any Common Shares. Certain qualified dividend income received by domestic non-corporate shareholders in taxable years prior to 2011 is subject to tax at the same tax rates as long-term capital gain (generally a maximum rate of 15% for such taxable years). Dividends paid by a REIT generally do not qualify as qualified dividend income because a REIT is not generally subject to federal income tax on the portion of its REIT taxable income distributed to its shareholders. Therefore, Lexington Trust s dividends will continue to be subject to tax at ordinary income rates, subject to two narrow exceptions. Under the first exception, dividends received from a REIT may be treated as qualified dividend income eligible for the reduced tax rates to the extent that the REIT itself has received qualified dividend income from other corporations (such as taxable REIT subsidiaries) in which the REIT has invested. Under the second exception, dividends paid by a REIT in a taxable year may be treated as qualified dividend income in an amount equal to the sum of (i) the excess of the REIT s REIT taxable income for the preceding taxable year over the corporate-level federal income tax payable by the REIT for such preceding taxable year and (ii) the excess of the REIT s income that was subject to the Built-in Gains Tax (as described above) in the preceding taxable year over the tax payable by the REIT on such income for such preceding taxable year. Lexington Trust does not expect to distribute a material amount of qualified dividend income, if any.

Distributions that are properly designated as capital gain dividends will be taxed as gains from the sale or exchange of a capital asset held for more than one year (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its shares. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income under the

Code. Capital gain dividends, if any, will be allocated among different classes of shares in proportion to the allocation of earnings and profits discussed above.

Distributions in excess of Lexington Trust s current and accumulated earnings and profits will constitute a non-taxable return of capital to a shareholder to the extent that such distributions do not exceed the adjusted basis of the shareholder s shares, and will result in a corresponding reduction in the shareholder s basis in the shares. Any reduction in a shareholder s tax basis for its shares will increase the amount of taxable gain or decrease the deductible loss that will be realized upon the eventual disposition of the shares. Lexington Trust will notify shareholders at the end of each year as to the portions of the distributions which constitute ordinary income, capital gain or a return of capital. Any portion of such distributions that exceeds the adjusted basis of a U.S. shareholder s shares will be taxed as capital gain from the disposition of shares, provided that the shares are held as capital assets in the hands of the U.S. shareholder.

Aside from the different income tax rates applicable to ordinary income and capital gain dividends for noncorporate taxpayers, regular and capital gain dividends from Lexington Trust will be treated as dividend income for most other federal income tax purposes. In particular, such dividends will be treated as portfolio income for purposes of the passive activity loss limitation and shareholders generally will not be able to offset any passive losses against such dividends. Capital gain dividends and qualified dividend income may be treated as investment income for purposes of the investment interest limitation contained in Section 163(d) of the Code, which limits the deductibility of interest expense incurred by noncorporate taxpayers with respect to indebtedness attributable to certain investment assets.

In general, dividends paid by Lexington Trust will be taxable to shareholders in the year in which they are received, except in the case of dividends declared at the end of the year, but paid in the following January, as discussed above.

In general, a U.S. shareholder will realize capital gain or loss on the disposition of shares equal to the difference between (1) the amount of cash and the fair market value of any property received on such disposition and (2) the shareholder s adjusted basis of such shares. Such gain or loss will generally be short-term capital gain or loss if the shareholder has not held such shares for more than one year and will be long-term capital gain or loss if such shares have been held for more than one year. Loss upon the sale or exchange of shares by a shareholder who has held such shares for six months or less (after applying certain holding period rules) will be treated as long-term capital loss to the extent of distributions from us required to be treated by such shareholder as long-term capital gain.

Lexington Trust may elect to retain and pay income tax on net long-term capital gains. If Lexington Trust makes such an election, you, as a holder of shares, will (1) include in your income as long-term capital gains your proportionate share of such undistributed capital gains (2) be deemed to have paid your proportionate share of the tax paid by Lexington Trust on such undistributed capital gains and thereby receive a credit or refund for such amount and (3) in the case of a U.S. shareholder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS. As a holder of shares you will increase the basis in your shares by the difference between the amount of capital gain included in your income and the amount of tax you are deemed to have paid. Lexington Trust s earnings and profits will be adjusted appropriately.

Taxation of Non-U.S. Shareholders.

The following discussion is only a summary of the rules governing United States federal income taxation of non-U.S. shareholders such as nonresident alien individuals and foreign corporations. Prospective non-U.S. shareholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws with regard to an investment in shares, including any reporting requirements.

Distributions. Distributions that are not attributable to gain from sales or exchanges by Lexington Trust of United States real property interests or otherwise effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business and that are not designated by Lexington Trust as capital gain dividends will be treated as dividends of ordinary income to the extent that they are made out of Lexington Trust s current or accumulated earnings and profits. Such distributions ordinarily will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Certain tax treaties limit the extent to which dividends paid by a REIT can qualify for a reduction of the withholding tax on dividends. Lexington Trust s dividends that are attributable to excess inclusion income will be subject to 30% U.S. withholding tax without reduction under any otherwise applicable tax treaty. See Taxation of the Company Requirements for Qualification above. Distributions in excess of Lexington Trust s current and accumulated earnings and profits will not be taxable to a non-U.S. shareholder to the extent that they do not exceed the adjusted basis of the shareholder s shares, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a non-U.S. shareholder s shares, they will give rise to tax liability if the non-U.S. shareholder would otherwise be subject to tax on any gain from the sale or disposition of his shares, as described below. If a distribution is treated as effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such distribution, and a non-U.S. shareholder that is a corporation also may be subject to the 30% branch profits tax with respect to the distribution.

For withholding tax purposes, Lexington Trust is generally required to treat all distributions as if made out of its current or accumulated earnings and profits and thus intend to withhold at the rate of 30% (or a reduced treaty rate if applicable) on the amount of any distribution (other than distributions designated as capital gain dividends) made to a non-U.S. shareholder. Lexington Trust would not be required to withhold at the 30% rate on distributions it reasonably estimates to be in excess of our current and accumulated earnings and profits. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to ordinary dividends. However, the non-U.S. shareholder may seek a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of Lexington Trust s current or accumulated earnings and profits, and the amount withheld exceeded the non-U.S. shareholder s United States tax liability, if any, with respect to the distribution.

For any year in which Lexington Trust qualifies as a REIT, distributions to non-U.S. shareholders who own more than 5% of its shares and that are attributable to gain from sales or exchanges by us of United States real property interests will be taxed under the provisions of the Foreign Investment in Real Property Tax Act of 1980 (FIRPTA). Under FIRPTA, a non-U.S. shareholder is taxed as if such gain were effectively connected with a United States business. Non-U.S. shareholders who own more than 5% of Lexington Trust s shares would thus be taxed at the normal capital gain rates applicable to U.S. shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Also, distributions made to non-U.S. shareholders who own more than 5% of our shares may be subject to a 30% branch profits tax in the hands of a corporate non-U.S. shareholder not entitled to treaty relief or exemption. Lexington Trust is required by applicable regulations to withhold 35% of any distribution that could be designated by it as a capital gain dividend regardless of the amount actually designated as a capital gain dividend. This amount is creditable against the non-U.S. shareholder s FIRPTA tax liability.

Under the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), enacted on May 17, 2006, distributions, made to REIT or regulated investment company (RIC) shareholders, that are attributable to gain from sales or exchanges of United States real property interests will retain their character as gain subject to the rules of FIRPTA discussed above when distributed by such REIT or RIC shareholders to their respective shareholders. This provision is effective for taxable years beginning after December 31, 2005.

If a non-U.S. shareholder does not own more than 5% of Lexington Trust s shares during the one-year period prior to a distribution attributable to gain from sales or exchanges by Lexington Trust of United States real property interests, such distribution will not be considered to be gain effectively connected with a U.S. business as long as the class of shares continues to be regularly traded on an established securities market in the United States. As such, a non-U.S. shareholder who does not own more than 5% of Lexington Trust s shares would not be required to file a U.S. Federal income tax return by reason of receiving such a distribution. In this case, the distribution will be treated as a REIT dividend to that non-U.S. shareholder and taxed as a REIT dividend that is not a capital gain distribution as described above. In addition, the branch profits tax will not apply to such distributions. If Common Shares cease to be regularly traded on an established securities market in the United States, all non-U.S. shareholders of Common Shares would be subject to taxation under FIRPTA with respect to capital gain distributions attributable to gain from the sale or exchange of United States real property interests.

Dispositions. Gain recognized by a non-U.S. shareholder upon a sale or disposition of Common Shares generally will not be taxed under FIRPTA if Lexington Trust is a domestically controlled REIT, defined generally as a REIT in which at all times during a specified testing period less than 50% in value of our shares was held directly or indirectly by non-U.S. persons. Lexington Trust believes, but cannot guarantee, that it has been a domestically controlled REIT. However, because Lexington Trust s shares are publicly traded, no assurance can be given that it will continue to be a domestically controlled REIT.

Notwithstanding the general FIRPTA exception for sales of domestically controlled REIT stock discussed above, a disposition of domestically controlled REIT stock will be taxable if the disposition occurs in a wash sale transaction relating to a distribution on such stock. In addition, FIRPTA taxation will apply to substitute dividend payments received in securities lending transactions or sale-repurchase transactions of domestically controlled REIT stock to the extent such payments are made to shareholders in lieu of distributions that would have otherwise been subject to FIRPTA taxation. The foregoing rules regarding wash sales and substitute dividend payments with respect to domestically controlled REIT stock will not apply to stock that is regularly traded on an established securities market within the United States and held by a non-U.S. shareholder that held five percent or less of such stock during the one-year period prior to the related distribution. These rules are effective for distributions on and after June 16, 2006. Prospective purchasers are urged to consult their own tax advisors regarding the applicability of the new rules enacted under TIPRA to their particular circumstances.

In addition, a non-U.S. shareholder that owns, actually or constructively, 5% or less of a class of Lexington Trust s shares through a specified testing period, whether or not Lexington Trust s shares are domestically controlled, will not be subject to tax on the sale of its shares under FIRPTA if the shares are regularly traded on an established securities market. If the gain on the sale of shares were to be subject to taxation under FIRPTA, the non-U.S. shareholder would be subject to the same treatment as U.S. shareholders with respect to such gain (subject to applicable alternative minimum tax, special alternative minimum tax in the case of nonresident alien individuals and possible application of the 30% branch profits tax in the case of foreign corporations) and the purchaser would be required to withhold and remit to the IRS 10% of the purchase price.

Gain not subject to FIRPTA will be taxable to a non-U.S. shareholder if (1) investment in the shares is effectively connected with the non-U.S. shareholder s U.S. trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain, or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and such nonresident alien individual has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual s capital gain.

Taxation of Tax-Exempt Shareholders.

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts (Exempt Organizations), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income (UBTI). While investments in real estate may generate UBTI, the IRS has issued a published ruling to the effect that dividend distributions by a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of Lexington Trust shares with debt, a portion of its income from Lexington Trust, if any, will constitute UBTI pursuant to the debt-financed property rules under the Code. In addition, our dividends that are attributable to excess inclusion income will constitute UBTI for most Exempt Organizations. See Taxation of the Company Requirements for Qualification above. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under specified provisions of the Code are subject to different UBTI rules, which generally will require them to characterize distributions from Lexington Trust as UBTI.

In addition, a pension trust that owns more than 10% of Lexington Trust s shares is required to treat a percentage of the dividends from us as UBTI (the UBTI Percentage) in certain circumstances. The UBTI Percentage is Lexington Trust s gross income derived from an unrelated trade or business (determined as if Lexington Trust were a pension trust) divided by Lexington Trust s total gross income for the year in which the

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dividends are paid. The UBTI rule applies only if (i) the UBTI Percentage is at least 5%, (ii) Lexington Trust qualifies as a REIT by reason of the modification of the 5/50 Rule that allows the beneficiaries of the pension trust to be treated as holding Lexington Trust s shares in proportion to their actuarial interests in the pension trust, and (iii) either (A) one pension trust owns more than 25% of the value of Lexington Trust s shares or (B) a group of pension trusts individually holding more than 10% of the value of Lexington Trust s capital shares collectively owns more than 50% of the value of Lexington Trust s capital shares.

Information Reporting and Backup Withholding

U.S. Shareholders.

Lexington Trust will report to U.S. shareholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a U.S. shareholder may be subject to backup withholding, currently at a rate of 28%, with respect to dividends paid unless such holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. shareholder who does not provide Lexington Trust with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Amounts withheld as backup withholding will be creditable against the shareholder s income tax liability if proper documentation is supplied. In addition, Lexington Trust may be required to withhold a portion of capital gain distributions made to any shareholders who fail to certify their non-foreign status to us.

Non-U.S. Shareholders.

Generally, Lexington Trust must report annually to the IRS the amount of dividends paid to a non-U.S. shareholder, such holder s name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. shareholder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-U.S. shareholder s country of residence. Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. shareholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-United States status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either Lexington Trust has or its paying agent has actual knowledge, or reason to know, that a non-U.S. shareholder is a United States person.

Backup withholding is not an additional tax. Rather, the United States income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is furnished to the IRS.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of units held as of November 24, 2008 by each person that, to the Partnership s knowledge, beneficially owns more than 5% of the total number of MLP Units. No officer or trustee of Lexington Trust or the General Partner owns any MLP Units.

Name and Address of Beneficial Owner	Number of Units	Percent of Total Units
Lexington Realty Trust (1)	65,633,979	91.1%

(1) Beneficially owned through Lex LP-1 Trust, its wholly-owned subsidiary. The address for Lexington Trust

is One Penn Plaza, Suite 4015, New York, NY 10119-4015.

The following table indicates, as of November 24, 2008, (a) the number of Common Shares beneficially owned by each person known by Lexington Trust to own in excess of five percent of the outstanding Common Shares, and (b) the percentage such shares represent of the total outstanding Common Shares. All shares were owned directly on such date with sole voting and investment power unless otherwise indicated, calculated as set forth in footnotes 1 and 2 to the table.

Name of Beneficial Owner	**Beneficial Ownership of Common Shares (1)**	**Percentage of Class (2)**
Vornado Realty Trust (3)	16,149,592(3)	17.19%
Barclays Global Investors (Deutschland) AG (4)	4,786,072(3)	5.09%

(1) For purposes of this table, a person is deemed to beneficially own any shares as of a given date which such person owns or has the right to acquire within 60 days after such date.

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(2) For purposes of computing the percentage of outstanding shares held by each beneficial owner named above on a given date, any security owned by such person or persons is included in the total number of outstanding Common Shares but is not included in the total number of outstanding Common Shares for the purpose of computing the percentage ownership of any other beneficial owner. The number of Common Shares outstanding as of November 24, 2008 was

(3) Based on information contained in a Schedule 13D filed with the SEC on November 2, 2008. According to such Schedule 13D, Vornado Realty Trust and its subsidiaries,

Vornado Realty L.P., Vornado Newkirk LLC, VNK L.L.C. and Vornado LXP LLC collectively own 16,149,592 Common Shares. Vornado Realty Trust is located at 888 Seventh Avenue, New York, New York 10119 and Vornado Realty L.P. is located at 210 Route 4 East, Paramus, New Jersey 07652. MLP Units are presently redeemable for cash or, at the Company s option, common shares on a one-for-one basis. There is no expiration date on the redemption of MLP Units.

(4) Based on information contained in a Schedule 13G filed with the SEC on February 5, 2008. According to such Schedule 13G, Barclays Global Investors (Deutschland) AG has sole

dispositive power over 4,786,072 common shares, including 3,774,234 common shares over which it has sole voting power. The address of Barclays Global Investors (Deutschland) AG is Apianstrasse 6, D-85774, Uterfohring, Germany.

The following table indicates, as of November 24, 2008, (a) the number of Common Shares beneficially owned by each trustee and each executive officer of Lexington Trust, and by all trustees and executive officers of Lexington Trust as a group, and (b) the percentage such shares represent of the total outstanding Common Shares. All shares were owned directly on such date with sole voting and investment power unless otherwise indicated, calculated as set forth in footnotes 1 and 2 to the table. The address for each trustee and executive officer listed below is c/o Lexington Realty Trust, One Penn Plaza, Suite 4015, New York, NY 10119-4015.

Name of Beneficial Owner	Beneficial Ownership of Shares (1)	Percentage of Class (2)
E. Robert Roskind	2,407,427(3)	2.52%
Richard J. Rouse	512,753(4)	*
T. Wilson Eglin	470,117(5)	*
Patrick Carroll	294,676(6)	*
Paul R. Wood	31,245(7)	*
Clifford Broser	9,526	*
Geoffrey Dohrmann	32,544	*
Harold First	7,463	*
Richard Frary	18,762	*
Carl D. Glickman	202,410	*
James Grosfeld	25,924	*
Kevin W. Lynch	34,987	*
All trustees and executive officers as a group (12 persons)	4,047,834	4.24%

* Represents beneficial ownership of less than 1.0%

(1) For purposes of this table, a

person is deemed to beneficially own any shares as of a given date which such person owns or has the right to acquire within 60 days after such date.

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(2) For purposes of computing the percentage of outstanding shares held by each beneficial owner named above on a given date, any security (including, without limitation, limited partnership units redeemable into Common Shares) owned by such person or persons is included in the total number of outstanding Common Shares but is not included in the total number of outstanding Common Shares for the purpose of computing the percentage ownership of any other beneficial owner (with the exception of all trustees and executive officers as a group).

(3) Includes (i) 1,519,154 limited partnership units held directly by Mr. Roskind or indirectly by Mr. Roskind through his wife and entities controlled by Mr. Roskind, in

Lepercq Corporate Income Fund L.P., Lepercq Corporate Income Fund II L.P. and Net 3 Acquisition L.P., each of which is an operating partnership subsidiary of Lexington Trust, which are currently exchangeable, on a one-for-one basis, for Common Shares, (ii) 359,710 Common Shares held directly by Mr. Roskind, (iii) 117,768 Common Shares held directly by Mr. Roskind which are subject to performance or time-based vesting requirements or a lockup/claw-back agreement, (iv) 167,843 Common Shares held in trust in which Mr. Roskind is beneficiary, (v) 33,620 Common Shares owned of record by The LCP Group, L.P., an entity controlled by Mr. Roskind, which Mr. Roskind disclaims beneficial ownership of to the extent of his pecuniary interest, and (vi) 209,332 Common Shares held by The Roskind Family Foundation, Inc., over which Mr. Roskind shares voting and investment power. 1,460,000 operating partnership units are pledged by Mr. Roskind as security for a loan.

(4) Includes (i) 101,438 limited partnership units held by Mr. Rouse in Lepercq Corporate Income Fund L.P. and Lepercq Corporate Income Fund II L.P., which are currently exchangeable, on a one-for-one basis, for Common Shares, (ii) 141,925 Common Shares held directly by Mr. Rouse, (iii) 146,165 Common Shares held directly by Mr. Rouse which are subject to performance or time-based vesting requirements or a lockup/claw-back

agreement, and (iv) 123,225 Common Shares held in trust in which Mr. Rouse is beneficiary. 101,905 Common Shares and 86,402 operating partnership units are pledged by Mr. Rouse as security for loans or are held in margin accounts.

(5) Includes (i) 135,692 Common Shares held directly by Mr. Eglin, (ii) 203,562 Common Shares held directly by Mr. Eglin which are subject to performance or time-based vesting requirements or a lockup/claw-back agreement, and (iii) 130,863 Common Shares held in trust in which Mr. Eglin is beneficiary.

(6) Includes (i) 39,926 Common Shares held directly by Mr. Carroll, (ii) 115,530 Common Shares held directly by Mr. Carroll which are subject to performance or time-based vesting

requirements or a lockup/claw-back agreement, and (iii) 139,220 Common Shares owned of record by Mr. Carroll s wife, which Mr. Carroll disclaims beneficial ownership of.

(7) Includes (i) 23,091 Common Shares held directly by Mr. Wood, (ii) 2,554 Common Shares held directly by Mr. Wood which are subject to time-based vesting requirements, and (iii) 5,600 Common Shares held in trust in which Mr. Wood is a beneficiary.

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SECTION 16 COMPLIANCE

Based solely upon a review of the filings furnished to your Partnership pursuant to Rule 16a-3(e) promulgated under the Exchange Act and written representations from its executive officers, general partner and persons who own beneficially more than 10% of outstanding units, all filing requirements of Section 16(a) of the Exchange Act were timely complied with through the date hereof.

EXPENSES

The Partnership and Lexington Trust will bear the cost of preparing, printing, assembling and mailing the proxy card, proxy statement/prospectus and other materials that may be sent to Shareholders in connection with this solicitation.

WHERE YOU CAN FIND MORE INFORMATION

The Partnership and Lexington Trust file periodic reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. You may read and copy that information at the SEC s public reference room at the following location:

Public Reference Room
100 F Street, N.E., Room 1580
Washington, D.C. 20549
1-800-732-0330

You may also obtain copies of this information by mail from the Public Reference Section of the Securities and Exchange Commission, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-732-0330 for information on the operation of the public reference room.

The SEC also maintains an Internet world wide website that contains periodic reports, proxy statements and other information about issuers, including the Partnership and Lexington Trust, which file electronically with the SEC. The address of that site is *http://www.sec.gov.*

In addition, Lexington Trust s and the Partnership s SEC filings are available to the public on Lexington Trust s website, www.lxp.com. Information contained on Lexington Trust s website or the website of any other person is not incorporated by reference into this proxy statement/prospectus, and you should not consider information contained on those websites as part of this proxy statement/prospectus.

The following documents were previously filed or furnished with the SEC and are annexed to, and included in this proxy statement/prospectus (except for certain furnished portions). These documents contain important information about the Partnership and the Partnership s financial condition and Lexington Trust and its financial condition.

Description	Period	Annex Page Number
Lexington Trust Filings (File No. 1-12386):		
Annual Report on Form 10-K	Year ended December 31, 2007,	B-1
Quarterly Reports on Form 10-Q	Quarter ended September 30, 2008	B-127
Current Reports on Form 8-K	June 25, 2008	B-166
	September 30, 2008	B-181
Definitive Proxy Statement on Schedule 14A	May 20, 2008	B-246
The LXP Declaration		B-293
The LXP Bylaws		B-344
Partnership Filings (File No. 0-50268):		
Annual Report on Form 10-K	Year ended December 31, 2007,	C-1
Quarterly Reports on Form 10-Q	Quarter ended September 30, 2008	C-99
The Partnership Agreement		C-136
Description of Partnership Property		C-179

Quarter ended September 30, 2008

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The Partnership and Lexington Trust will provide you with copies of any filings with the SEC relating to the Partnership and Lexington Trust, without charge, if you request them in writing or by telephone from:

Lexington Realty Trust
One Penn Plaza, Suite 4015
New York, New York 10119-4015
Attention: Investor Relations
Telephone: (212) 692-7200

If you would like to request documents, please do so by December 22, 2008, in order to receive them before the anticipated date for taking action with respect to the MLP merger.

Lexington Trust has supplied all information contained in or incorporated by reference in this proxy statement/prospectus relating to Lexington Trust, and the Partnership has supplied all information contained in this proxy statement/prospectus relating to the Partnership.

LEGAL MATTERS

The validity of the Common Shares to be issued in the MLP merger will be opined upon for Lexington Trust by Venable LLP. Paul, Hastings, Janofsky & Walker LLP will deliver its opinion to Lexington Trust as to certain federal income tax matters.

EXPERTS

The consolidated financial statements and related financial statement schedule of Lexington Realty Trust and subsidiaries included in Lexington Trust s Annual Report on Form 10-K as of December 31, 2007 and 2006, and for each of the years in the three-year period ended December 31, 2007, and Management s Annual Report on Internal Controls over Financial Reporting as of December 31, 2007, have been included herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements and related financial statement schedule of The Lexington Master Limited Partnership and subsidiaries included in the Partnership s Annual Report on Form 10-K as of December 31, 2007 and for the year then ended, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of The Lexington Master Limited Partnership as of December 31, 2006 and for the years ended December 31, 2006 and 2005 and related financial statement schedule included in this proxy statement/prospectus as part of Annex C and in the registration statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such consolidated financial statements and financial statement schedule have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

SUBMISSION OF LIMITED PARTNER PROPOSALS

The Partnership does not hold annual meetings of limited partners. Management is not aware of any other matters to be brought before the special meeting.

WARNING ABOUT FORWARD LOOKING STATEMENTS

Lexington Trust and the Partnership have made forward-looking statements in this proxy statement/prospectus and in the documents annexed to this proxy statement/prospectus, which are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of Lexington Trust and the Partnership, as the case may be, and on the information currently available to them.

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When used or referred to in this proxy statement/prospectus or the documents annexed to this proxy statement/prospectus, these forward-looking statements may be preceded by, followed by or otherwise include the words believes, expects, anticipates, intends, plans, estimates, projects or similar expressions, or statement certain events or conditions will or may occur. Forward-looking statements in this joint proxy statement/prospectus also include:

- statements relating to the anticipated cost savings expected to result from the MLP merger;
- statements regarding other perceived benefits expected to result from the MLP merger;
- statements with respect to various actions to be taken or requirements to be met in connection with completing the MLP merger; and
- statements relating to revenue, income and operations of the combined company after the MLP merger is completed.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The following factors, among others, including those discussed in the section of this joint proxy statement/prospectus entitled Risk Factors, could cause actual results to differ materially from those described in the forward-looking statements:

- cost savings expected from the MLP merger may not be fully realized;
- revenue of the combined company following the MLP merger may be lower than expected;
- general economic conditions, either internationally or nationally or in the jurisdictions in which Lexington Trust or the Partnership are doing business, may be less favorable than expected;
- legislative or regulatory changes, including changes in environmental regulation, may adversely affect the businesses in which Lexington Trust and the Partnership are engaged;
- there may be environmental risks and liability under federal, state and foreign environmental laws and regulations; and
- changes may occur in the securities or capital markets.

Except for its ongoing obligations to disclose material information as required by the federal securities laws, neither Lexington Trust nor the Partnership has any intention or obligation to update these forward-looking statements after it distributes this proxy statement/prospectus.

WHAT INFORMATION YOU SHOULD RELY ON

No person has been authorized to give any information or to make any representation that differs from, or adds to, the information discussed in this proxy statement/prospectus or in the annexes attached hereto which are specifically incorporated into this proxy statement/prospectus. Therefore, if anyone gives you different or additional information, you should not rely on it.

This proxy statement/prospectus is dated December 9, 2008. The information contained in this proxy statement/prospectus speaks only as of its date unless the information specifically indicates that another date applies. This proxy statement/prospectus does not constitute an offer to exchange or sell, or a solicitation of an offer to exchange or purchase, Common Shares or to ask for proxies, to or from any person to whom it is unlawful to direct these activities.

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LEXINGTON REALTY TRUST
INDEX TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial statements were prepared in accordance with Article 11 of SEC Regulation S-X to reflect the MLP merger. The MLP merger will be accounted for as a redemption of the minority interest s MLP Units in the MLP merger using the carrying value of the MLP Units. The Partnership is currently consolidated into Lexington Trust on Lexington Trust s stepped-up basis from its acquisition of the Partnership in December 2006 in the merger of Newkirk Realty Trust, Inc. with and into Lexington Trust. The Partnership s historical financial statements, while presented in Annex C for informational purposes, are on a different (historical) basis.

The unaudited pro forma condensed consolidated balance sheet at September 30, 2008 has been prepared to reflect the MLP merger as if the MLP merger occurred on September 30, 2008. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2007 and the nine months ended September 30, 2008 have been prepared assuming the MLP merger occurred on January 1, 2007. The adjustments made in the pro forma condensed consolidated balance sheet have been made to reflect the MLP merger. The adjustments made to the pro forma condensed consolidated statements of operations have been made to reflect the effect of the MLP merger. The following unaudited pro forma condensed consolidated statements of operations do not purport to represent what Lexington Trust s results of operations would actually have been if the MLP merger had in fact occurred as of January 1, 2007 or to project Lexington Trust s results of operations for any future date or period.

The pro forma adjustments are based on available information and on certain assumptions as set forth in the notes to the pro forma condensed consolidated financial statements that we believe are reasonable in the circumstances. The pro forma condensed consolidated financial statements and accompanying notes should be read in conjunction with the historical financial statements and related notes of Lexington Trust and the Partnership, which are each annexed to this joint proxy statement/prospectus, and other documents filed by Lexington and the Partnership with the SEC from time to time. See *Where You Can Find More Information*.

In the opinion of Lexington Trust, all significant adjustments necessary to reflect the effects of the MLP merger that can be factually supported within the SEC regulations covering the preparation of unaudited pro forma financial statements have been made. The pro forma adjustments as presented are based on estimates and certain information that is currently available to management. No estimated overhead savings relating to the MLP merger are reflected in the unaudited pro forma condensed consolidated statements of operations.

Lexington Realty Trust
Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 30, 2008
(dollars in thousands)

	Lexington Trust (historical)	Pro Forma Merger Adjustments	Pro Forma Adjusted
Assets			
Real estate at cost, net	$ 3,396,790	$	$ 3,396,790
Properties held for sale discontinued operations	8,408		8,408
Intangible assets, net	375,212		375,212
Cash and cash equivalents	108,039		108,039
Investment in non-consolidated entities	205,021		205,021
Deferred expenses, net	37,329		37,329
Notes receivable	68,631		68,631
Restricted cash	27,481		27,481
Rent receivable current	16,630		16,630
Rent receivable deferred	16,967		16,967
Other assets	33,824		33,824
Total assets	$ 4,294,332	$	$ 4,294,332

See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

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Lexington Realty Trust
Unaudited Pro Forma Condensed Consolidated Balance Sheet (continued)
September 30, 2008
(dollars in thousands)

Liabilities and Shareholders Equity	Lexington Trust (historical)	Pro Forma Merger Adjustments	Pro Forma Adjusted
Mortgages and notes payable	$ 2,052,955	$	$ 2,052,955
Exchangeable notes payable	299,500		299,500
Trust preferred securities	129,120		129,120
Contract rights payable	14,435		14,435
Dividends payable	28,297		28,297
Liabilities discontinued operations	902		902
Accounts payable and other liabilities	33,974		33,974
Accrued interest payable	10,822		10,822
Deferred revenue below market leases, net	155,134		155,134
Prepaid rent	20,352		20,352
Total liabilities	2,745,491		2,745,491
Minority interests	624,839	(529,092) (B)	95,747
Shareholders equity (C)	924,002	529,092(A)	1,453,094
Total liabilities and shareholders equity	$ 4,294,332	$	$ 4,294,332

See accompanying notes to unaudited pro forma condensed consolidated balance sheet.

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Lexington Realty Trust
Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 30, 2008
(dollars in thousands, except share data)

In the proposed merger, each holder of a MLP Unit will receive a Common Share of Lexington Trust for each MLP Unit that the unitholder owns immediately prior to the effective date of the MLP merger. Lexington Trust will exchange cash in lieu of any partial shares resulting from the MLP merger. For purposes of the unaudited pro forma condensed consolidated balance sheet, it is assumed that no cash is paid for fractional shares and there are no issuance costs, as they are deemed immaterial.

(A) Shareholders equity

Minority interest related to MLP Units book value	$ 529,092

(B) Minority interests

Minority interest related to MLP Units book value	$ (529,092)

(C) Common Shares issued and outstanding

Lexington Trust (historical)	**Pro Forma Merger Adjustments**	**Pro Forma Adjusted**
65,666,569	34,043,454	99,710,023

The pro forma merger adjustment amount of 34,043,454 represents the Partnership s minority interest units outstanding as of September 30, 2008. Subsequent to September 30, 2008, and prior to the date of this proxy statement/prospectus, 27,650,188 of those MLP Units were redeemed by the holders for Common Shares.

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Lexington Realty Trust
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year ended December 31, 2007
(dollars in thousands, except share and per share data)

	Lexington Trust (historical)	Pro Forma Merger Adjustments	Pro Forma Adjusted
Gross revenues:			
Rental	$ 385,898	$	$ 385,898
Advisory and incentive fees	13,567		13,567
Tenant reimbursements	32,282		32,282
Total gross revenues	431,747		431,747
Expenses applicable to revenues:			
Depreciation and amortization	(236,044)		(236,044)
Property operating	(61,095)		(61,095)
General and administrative	(39,389)		(39,389)
Impairment charges	(15,500)		(15,500)
Non-operating income	10,726		10,726
Interest and amortization expense	(163,628)		(163,628)
Debt satisfaction charges, net	(1,209)		(1,209)
Loss before provision for income taxes, minority interests, equity in earnings of non-consolidated entities, gains on sale of properties-affiliates and discontinued operations	(74,392)		(74,392)
Provision for income taxes	(3,374)		(3,374)
Minority interests	2,652	(2,593) (A)	59
Equity in earnings of non-consolidated entities	46,467		46,467
Gains on sale of properties-affiliates	17,864		17,864

Loss from continuing operations		$ (10,783)	$ (2,593)	$ (13,376)
Loss from continuing operations per common share	basic	$ (0.58)	$	$ (0.40)
Loss from continuing operations per common share diluted		$ (0.58)	$	$ (0.40)
Weighted average shares outstanding	basic	64,910,123	34,530,028(B)	99,440,151
Weighted average shares outstanding	diluted	64,910,123	34,530,028(B)	99,440,151

See accompanying notes to the unaudited pro forma condensed consolidated statement of operations.

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Lexington Realty Trust
Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year ended December 31, 2007
(dollars in thousands, except share data)

(A)	Minority Interests		
	Adjustments for minority interest partners share of loss of the Partnership for the year ended December 31, 2007.	$	(2,593)
(B)	Weighted Average Shares Outstanding Basic and Diluted		
	Minority interest s weighted average MLP Units		34,530,028

For earnings per share calculations, all incremental shares are considered anti-dilutive for periods that have a loss from continuing operations applicable to common shareholders in accordance with Financial Accounting Standards Board Statement No. 128 *Earnings per Share*, which we refer to as SFAS No. 128.

Subsequent to September 30, 2008 and prior to the date of this proxy statement/prospectus, 27,650,188 MLP of those Units were redeemed by the holders for Common Shares.

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Lexington Realty Trust
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Nine months ended September 30, 2008
(dollars in thousands, except share and per share data)

	Lexington Trust (historical)	Pro Forma Merger Adjustments	Pro Forma Adjusted
Gross revenues:			
Rental	$ 308,382	$	$ 308,382
Advisory and incentive fees	1,072		1,072
Tenant reimbursements	31,178		31,178
Total gross revenues	$ 340,632		$ 340,632
Expenses applicable to revenues:			
Depreciation and amortization	(191,596)		(191,596)
Property operating	(60,804)		(60,804)
General and administrative	(25,468)		(25,468)
Non-operating income	22,599		22,599
Interest and amortization expense	(120,519)		(120,519)
Debt satisfaction gains, net	39,020		39,020
Gains on sale of properties-affiliates	31,806		31,806
Income before provision for income taxes, minority interests, equity in losses of non-consolidated entities and discontinued operations	35,670		35,670
Provision for income taxes	(2,636)		(2,636)
Minority interests	5,372	(15,302) (A)	(9,930)
Equity in losses of non-consolidated entities	(23,171)		(23,171)
Income (loss) from continuing operations	$ 15,235	$ (15,302)	$ (67)

Income (loss) from continuing operations per common share basic	$ 0.01	$	$ (0.15)
Loss from continuing operations per common share diluted	$ (0.14)	$	$ (0.15)
Weighted average shares outstanding basic	61,485,277	34,138,662(B)	95,623,939
Weighted average shares outstanding diluted	101,789,804	(6,165,865) (C)	95,623,939

See accompanying notes to unaudited pro forma condensed consolidated statement of operations.

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Lexington Realty Trust
Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations
Nine months ended September 30, 2008
(dollars in thousands, except share data)

(A)	Minority interests Adjustments for minority interest partners share of loss of the Partnership for the nine months ended September 30, 2008.	$ (15,302)
(B)	Weighted Average Shares Outstanding Basic Minority interest s weighted average MLP Units	34,138,662
(C)	Weighted Average Shares Outstanding Diluted Adjustment to historical weighted average shares outstanding	(6,165,865)

For earnings per share calculations, all incremental shares are considered anti-dilutive for periods that have a loss from continuing operations applicable to common shareholders in accordance with SFAS No. 128.
In addition and as a result of the pro forma adjustments, there is a pro forma loss from continuing operations, and certain operating partnership units and preferred shares that were dilutive in the historical calculation are not considered dilutive in the pro forma calculation.

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Annex A

AGREEMENT AND PLAN OF MERGER
by and among
LEXINGTON REALTY TRUST
and
THE LEXINGTON MASTER LIMITED PARTNERSHIP
Dated as of November 24, 2008

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this Agreement), dated as of November 24, 2008, is made by and between Lexington Realty Trust, a Maryland real estate investment trust (the Company), and The Lexington Master Limited Partnership, a Delaware limited partnership (the MLP).

RECITALS

WHEREAS, the parties wish to effect a business combination through a merger of the MLP with and into the Company (the MLP Merger) on the terms and subject to the conditions set forth in this Agreement and in accordance with Section 17-211 of the Delaware Revised Uniform Limited Partnership Act, as amended (the DRULPA) and Section 8-501.1 of the Corporations and Associations Articles of the Annotated Code of Maryland, as amended (the Maryland REIT Law);

WHEREAS, each of the Board of Trustees of the Company (the Company Board) and the general partner of the MLP (the General Partner) has approved the MLP Merger on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the General Partner is a wholly-owned subsidiary of the Company;

WHEREAS, the Company Board (including all of the independent trustees) has determined that this Agreement, the MLP Merger and the other transactions contemplated by this Agreement are fair to, advisable and in the best interests of the Company and the holders of Common Shares, and has unanimously voted to approve this Agreement and the MLP Merger;

WHEREAS, the General Partner has determined that this Agreement, the MLP Merger and the other transactions contemplated by this Agreement are fair to, advisable and in the best interests of the MLP and its partners, and has approved this Agreement, and recommended acceptance and approval by the limited partners of the MLP of this Agreement, the MLP Merger and the other transactions contemplated by this Agreement; and

WHEREAS, the parties hereto desire to make certain representations, warranties, covenants and agreements in connection with the MLP Merger, and also to prescribe various conditions to such transactions.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

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ARTICLE I
DEFINITIONS

SECTION 1.01. Specific Definitions.

For purposes of this Agreement:

Business Day means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings, or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in New York, New York.

Common Shares means the shares of beneficial interest classified as common stock, par value $0.0001 per share, of the Company.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Liens means with respect to any asset (including any security), any mortgage, claim, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

Limited Partner Approval means the approval of limited partners of the MLP contemplated by Section 8.03(a).

Material Adverse Effect means any event, circumstance, change or effect that is materially adverse to the financial condition or results of operations of the Company or the MLP, as applicable.

MLP Special Meeting means the special meeting of limited partners of the MLP at which such holders vote to determine whether the Limited Partner Approval is granted.

MLP Units means common units of limited partner interests in the MLP.

NYSE means the New York Stock Exchange.

Person means an individual, corporation, partnership, limited partnership, limited liability company, syndicate, person (including, without limitation, a person as defined in Section 13(d)(3) of the Exchange Act, trust, association or entity or government, political subdivision, agency or instrumentality of a government.

SEC means the United States Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended.

Taxes means any and all taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority (defined herein) or taxing authority, including, without limitation: taxes or other charges on or with

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respect to income, franchise, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers compensation, unemployment compensation or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value-added or gains taxes; license, registration and documentation fees; and customers duties, tariffs and similar charges.

Tax Return means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

SECTION 1.02. Other Definitions.

The following terms are defined in the sections indicated below:

Articles of Merger Section 2.05
Blue Sky Laws Section 4.03(b)
Certificate of Merger Section 2.05
Closing Section 2.06
Closing Date Section 2.06
Company Board Recitals
Company Declaration of Trust Section 4.01
Delaware Secretary of State Section 2.05
DRULPA Recitals
Effective Time Section 2.05
Exchange Agent Section 3.02
GAAP Section 4.05(b)
General Partner Recitals
Governmental Authority Section 4.03(b)
Interim Period Section 6.01
Law Section 4.03(a)
Maryland REIT Law Recitals
Merger Consideration Section 3.01(a)
MLP Certificate of Limited Partnership Section 5.01
MLP Merger Recitals
MLP Merger Proxy Statement Section 7.02(a)
Registration Statement Section 7.02(a)
SEC Reports Section 4.05(a)
SDAT Section 2.05
Surviving Entity Section 2.01
Termination Date Section 9.01
Transfer Taxes Section 7.04

ARTICLE II
THE MERGER

SECTION 2.01. MLP Merger.

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Subject to the terms and conditions of this Agreement, and in accordance with the DRULPA and the Maryland REIT Law, at the Effective Time, the MLP and the Company shall consummate the MLP Merger pursuant to which (i) the MLP shall be merged with and into the Company and the separate existence of the MLP shall thereupon cease and (ii) the Company shall be the surviving entity in the MLP Merger (the Surviving Entity). The MLP Merger shall have the effects specified in the DRULPA and the Maryland REIT Law.

SECTION 2.02. Declaration of Trust.

As of the Effective Date, the Declaration of Trust of the Company immediately prior to the Effective Date shall be the Declaration of Trust of the Surviving Entity, until thereafter amended as provided by law or in such Declaration of Trust.

SECTION 2.03. By-laws.

The By-Laws of the Company as in effect at the Effective Date shall be the By-Laws of the Surviving Entity, until thereafter amended or repealed as provided by law.

SECTION 2.04. Trustees and Officers of the Surviving Entity.

The trustees of the Company at the Effective Date shall, from and after the Effective Date, be the trustees of the Surviving Entity and shall continue to hold office from the Effective Date until their respective successors are duly elected or appointed and qualified in the manner provided in the Declaration of Trust and By-Laws of the Surviving Entity, or as otherwise provided by applicable law. The officers of the Company at the Effective Date shall, from and after the Effective Date, be the officers of the Surviving Entity.

SECTION 2.05. Effective Time.

(a) At the Closing, the MLP and the Company shall duly execute and file (i) articles of merger (the Articles of Merger) with the State Department of Assessments and Taxation of Maryland (the SDAT) in accordance with the Maryland REIT Law and (ii) a certificate of merger (the Certificate of Merger) with the Secretary of State of the State of Delaware (the Delaware Secretary of State) in accordance with the DRULPA. The MLP Merger shall become effective at such time as the Articles of Merger have been accepted for record by the SDAT and the Certificate of Merger has been accepted for record by the Delaware Secretary of State, or such later time which the parties hereto shall have agreed upon and designated in the Articles of Merger in accordance with the Maryland REIT Law and the Certificate of Merger in accordance with the DRULPA as the effective time of the MLP Merger (the Effective Time).

SECTION 2.06. Closing.

The closing of the MLP Merger (the Closing) shall occur as promptly as practicable (but in no event later than the second Business Day) after all of the conditions set forth in Article VIII (other than conditions which are waived or by their terms are required to be satisfied at the Closing) shall have been satisfied or waived by the party entitled to the benefit of the same, and, subject to the foregoing, shall take place at such time and on a date to be specified by the parties (the "Closing Date"). The Closing shall take place at the offices of the Company, One Penn Plaza, Suite 4015, New York, New York, or at such other place as agreed to by the parties hereto.

ARTICLE III

EFFECT OF THE MERGER

SECTION 3.01. Conversion of MLP Units.

As of the Effective Time, by virtue of the MLP Merger and without any action on the part of the holders of MLP Units:

(a) Subject to Section 3.03, each issued and outstanding MLP Units, other than MLP Units owned by the Company, shall be exchanged for Common Shares on a one for one basis; provided, that fractional MLP Units shall be exchanged for cash in an amount equal to such fraction times the average of the closing price of a Common Share on the New York Stock Exchange, as reported in The Wall Street Journal, for the 20 consecutive trading days immediately preceding the Closing (collectively, the "Merger Consideration"). Notwithstanding the foregoing, if between the date hereof and the Effective Time the Common Shares or MLP Units are changed into a different number of shares/units or a different class, because of any share dividend/unit distribution, subdivision, reclassification, recapitalization, split, combination or exchange of shares/units, the Merger Consideration shall be correspondingly adjusted to reflect such share dividend/unit distribution, subdivision, reclassification, recapitalization, split, combination or exchange of shares/units.

(b) Upon the Closing, all MLP Units shall be retired, shall cease to be outstanding and shall automatically be cancelled, and the holder of an MLP Unit shall cease to have any rights with respect thereto.

(c) The MLP Merger shall not affect any of the Common Shares or any other share of beneficial interest of the Company issued and outstanding immediately prior to the Effective Time. All such beneficial interests shall remain issued and outstanding with no change thereto.

SECTION 3.02. Surrender and Payment.

The Company shall authorize one or more transfer agent(s) to act as Exchange Agent hereunder (the "Exchange Agent") with respect to the MLP Merger. At or prior to the Effective Time, the Company shall deposit with the Exchange Agent for the benefit of the holders of MLP Units, for exchange in accordance with this Section 3.02 through the Exchange Agent, certificates representing the Common Shares issuable pursuant to Section 3.01. The Company agrees to make available directly or indirectly to the Exchange Agent, from time to time as needed, cash sufficient to pay cash in lieu of any fractional MLP Units pursuant to Section 3.01. The Exchange Agent shall, pursuant to irrevocable instructions, deliver the applicable Merger Consideration in exchange for MLP Units pursuant to Section 3.01.

SECTION 3.03. Withholding Rights.

The Surviving Entity or the Exchange Agent, as applicable, shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of MLP Units such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Surviving Entity or the Exchange Agent, as applicable, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of MLP Units in respect of which such deduction and withholding was made by the Surviving Entity or the Exchange Agent, as applicable.

SECTION 3.04. Appraisal Rights.

No objectors or appraisal rights shall be available with respect to the MLP Merger or the other transactions contemplated hereby.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE
COMPANY

The Company hereby represents and warrants to the MLP as follows:

SECTION 4.01. Existence; Good Standing; Authority; Compliance with Law.

The Company is a real estate investment trust duly formed, validly existing and in good standing under the laws of the State of Maryland. The declaration of trust of the Company (the Company Declaration of Trust) is in effect and no dissolution, revocation or forfeiture proceedings regarding the Company have been commenced. The Company is duly qualified or licensed to do business as a foreign entity and is in good standing under the Laws of any other jurisdiction in which the character of the properties owned, leased or operated by it therein or in which the transaction of its business makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed would not have a Material Adverse Effect. The Company has all requisite trust power and authority to own, lease and operate its properties and to carry on its businesses as now conducted and proposed by the Company to be conducted.

SECTION 4.02. Authority Relative to this Agreement.

(a) The Company has all necessary trust power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. No other trust proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby and thereby (other than to the extent required by Law, the acceptance for record by the SDAT of the Articles of Merger). This Agreement has been duly and validly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by the MLP, constitutes a valid, legal and binding agreement of the Company, enforceable against the Company in accordance with and subject to its terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors rights or by general equity principles.

(b) The Company Board has duly and validly authorized the execution and delivery of this Agreement and approved the consummation of the MLP Merger and the other transactions contemplated hereby and taken all real estate investment trust actions required to be taken by the Company Board for the consummation of the MLP Merger and the other transactions contemplated hereby (other than to the extent required by Law and the acceptance for record by the SDAT of the Articles of Merger).

(d) The Company has taken all necessary action to permit it to issue the number of Common Shares required to be issued by it pursuant to this Agreement. Common Shares issued pursuant to this Agreement will, when issued, be validly issued, fully paid and nonassessable and no Person will have any preemptive right of subscription or purchase in respect thereof. Common Shares will, when issued, be registered under the Securities Act and the Exchange Act and registered or exempt from registration under any applicable state securities laws and will, when issued, be listed on the NYSE, subject to official notice of issuance.

SECTION 4.03. No Conflict; Required Filings and Consents.

(a) The execution and delivery by the Company of this Agreement do not, and the performance of its obligations hereunder will not, (i) conflict with or violate the organizational documents of the Company, (ii) assuming that all consents, approvals, authorizations and other actions described in subsection (b) have been obtained and all filings and obligations described in subsection (b) have been made, conflict with or violate any foreign or domestic statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order (Law) applicable to the Company or by which any property or asset of the Company is bound or affected, or (iii) result in any breach of, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien or other encumbrance on any property or asset of the Company, or result in any increase in any cost or obligation of the Company or the loss of any benefit of the Company, pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company is a party or by which the Company or any of its properties or assets is bound or affected, except, with respect to clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not have a Material Adverse Effect.

(b) The execution and delivery by the Company of this Agreement do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any United States federal, state, county or local or any foreign government, governmental, regulatory or administrative authority, agency, instrumentality or commission or any court, tribunal, or judicial or arbitral body (a Governmental Authority), except (i) for (A) applicable requirements, if any, of the Securities Act, the Exchange Act, state securities or blue sky laws (Blue Sky Laws) and state takeover Laws, (B) the filing with the SEC of the MLP Merger Proxy Statement, (C) any filings required under the rules and regulations of the NYSE, and (D) the filing of the Articles of Merger with, and the acceptance for record thereof by, the SDAT, and the Certificate of Merger with, and the acceptance for record thereof by, the Delaware Secretary of State, and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not have a Material Adverse Effect.

SECTION 4.04. Compliance.

The Company is not in conflict with, or in default, breach or violation of, (i) any Law applicable to the Company or by which any of its properties or assets is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company is a party or by which the Company or any of its properties or assets is bound, except for any such conflicts, defaults, breaches or violations that would not have a Material Adverse Effect.

SECTION 4.05. SEC Filings; Financial Statements.

(a) The Company has filed all forms, reports and documents (including all exhibits) required to be filed by it with the SEC (the SEC Reports) since January 1, 2004. The SEC Reports filed by the Company, each as amended prior to the date hereof, (i) have been prepared in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, except where the failure to comply with such requirements would not have a Material Adverse Effect, and (ii) did not, when filed as amended prior to the date hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports was prepared in accordance with United States generally accepted accounting principles (GAAP) applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented, in all material respects, the consolidated financial position, results of operations and cash flows of the Company and its consolidated subsidiaries, as at the respective dates thereof and for the respective periods indicated therein except as otherwise noted therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments).

SECTION 4.06. Absence of Certain Changes or Events.

Except as set forth in the SEC Reports, the Company has conducted its business in the ordinary course and there has not occurred any changes, effects or circumstances constituting a Material Adverse Effect.

SECTION 4.07. Taxes.

(a) Commencing with its taxable year ended December 31, 1993, the Company has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and its proposed method of operation will enable the Company to continue to meet the requirements for qualification and taxation as a REIT under the Code. To the Company s Knowledge, no challenge to the Company s status as a REIT is pending or is or has been threatened.

(b) The Company (1) has filed all federal, state, local and foreign Tax Returns required to be filed by them (after giving effect to any filing extensions properly obtained) and all such Tax Returns are correct and complete in all material respects, (2) has paid and discharged all Taxes shown as due on such Tax Returns or otherwise required to be paid, and (3) has complied in all material respects with all applicable Tax laws requiring the withholding or collection of Taxes, other than in each case, (i) such payments as are being contested in good faith by appropriate proceedings and (ii) such filings, payments or other occurrences that would not have a Material Adverse Effect. There are no currently effective or otherwise outstanding waivers or extensions of any applicable statute of limitations to assess any Taxes.

SECTION 4.08. Brokers.

No broker, finder or investment banker is entitled to any brokerage, finder s or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Company.

SECTION 4.09. Compliance with Laws.

The Company has not violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment, decree or order of any Governmental Entity applicable to its business, properties or operations, except in each case to the extent that such violation or failure would not reasonably be expected to have a Material Adverse Effect.

SECTION 4.10. No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article IV of this Agreement, the MLP acknowledges that neither the Company nor any other Person on behalf of the Company has made, and the MLP has not relied upon any representation or warranty, whether express or implied, with respect to the Company or its business, affairs, assets, liabilities, financial condition, results of operations or prospects or with respect to the accuracy or completeness of any other information provided or made available to the MLP by or on behalf of the Company. Neither the Company nor any other Person will have or be subject to any liability or indemnification obligation to the MLP or any other Person resulting from the distribution in written or verbal communications to the MLP, or use by the MLP of any such information, including any information, documents, projections, forecasts or other material made available to the MLP, confidential information memoranda or management interviews and presentations in expectation of the transactions contemplated by this Agreement.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE MLP

The MLP hereby represents and warrants to the Company as follows:

SECTION 5.01. Existence; Good Standing; Authority; Compliance with Law.

The MLP is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware. The certificate of limited partnership of the

MLP (the MLP Certificate of Limited Partnership) is in effect and no dissolution, revocation or forfeiture proceedings regarding the MLP have been commenced. The MLP is duly qualified or licensed to do business as a foreign entity and is in good standing under the Laws of any other jurisdiction in which the character of the properties owned, leased or operated by it therein or in which the transaction of its business makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed would not have a Material Adverse Effect. The MLP has all requisite partnership power and authority to own, lease and operate its properties and to carry on its businesses as now conducted and proposed by the MLP to be conducted.

SECTION 5.02. Authority Relative to this Agreement.

(a) The MLP has all necessary partnership power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. No other partnership proceedings on the part of the MLP are necessary to authorize this Agreement or to consummate the transactions contemplated hereby and thereby (other than to the extent required by Law, the acceptance for record by the Delaware Secretary of State of the Certificate of Merger). This Agreement has been duly and validly executed and delivered by the MLP and, assuming due authorization, execution and delivery hereof by the Company, constitutes a valid, legal and binding agreement of the MLP, enforceable against the MLP in accordance with and subject to its terms and conditions, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar Laws of general applicability relating to or affecting creditors rights or by general equity principles.

(b) The General Partner has duly and validly authorized the execution and delivery of this Agreement and approved the consummation of the MLP Merger and the other transactions contemplated hereby and taken all real estate investment trust actions required to be taken by the General Partner for the consummation of the MLP Merger and the other transactions contemplated hereby.

SECTION 5.03. No Conflict; Required Filings and Consents.

(a) The execution and delivery by the MLP of this Agreement do not, and the performance of its obligations hereunder will not, (i) conflict with or violate the organizational documents of the MLP, (ii) assuming that all consents, approvals, authorizations and other actions described in subsection (b) have been obtained and all filings and obligations described in subsection (b) have been made, conflict with or violate any Law applicable to the MLP or by which any property or asset of the MLP is bound or affected, or (iii) result in any breach of, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a Lien or other encumbrance on any property or asset of the MLP, or result in any increase in any cost or obligation of the MLP or the loss of any benefit of the MLP, pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the MLP is a party or by which the MLP or any of its properties or assets is bound or affected, except, with respect to clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not have a Material Adverse Effect.

(b) The execution and delivery by the MLP of this Agreement do not, and the performance of its obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, except (i) for (A) applicable requirements, if any, of the Securities Act, the Exchange Act, Blue Sky Laws and state takeover Laws, (B) the filing with the SEC of the MLP Merger Proxy Statement, (C) any filings required under the rules and regulations of the NYSE, and (D) the filing of the Articles of Merger with, and the acceptance for record thereof by, the SDAT, and the Certificate of Merger with, and the acceptance for record thereof by, the Delaware Secretary of State, and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not have a Material Adverse Effect.

SECTION 5.04. Compliance.

The MLP is not in conflict with, or in default, breach or violation of, (i) any Law applicable to the MLP or by which any of its properties or assets is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the MLP is a party or by which the MLP or assets is bound, except for any such conflicts, defaults, breaches or violations that would not have a Material Adverse Effect.

SECTION 5.05. SEC Filings; Financial Statements.

(a) The MLP has filed all SEC Reports required to be filed by it with the SEC since January 1, 2004. The SEC Reports filed by the MLP, each as amended prior to the date hereof, (i) have been prepared in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, except where the failure to comply with such requirements would not have a Material Adverse Effect, and (ii) did not, when filed as amended prior to the date hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the SEC Reports was prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented, in all material respects, the consolidated financial position, results of operations and cash flows of the MLP and its consolidated subsidiaries, as at the respective dates thereof and for the respective periods indicated therein except as otherwise noted therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments).

SECTION 5.06. Absence of Certain Changes or Events.

Except as set forth in the SEC Reports, the MLP has conducted its business in the ordinary course and there has not occurred any changes, effects or circumstances constituting a Material Adverse Effect.

SECTION 5.07. Taxes.

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(a) The MLP (1) has filed all federal, state, local and foreign Tax Returns required to be filed by them (after giving effect to any filing extensions properly obtained) and all such Tax Returns are correct and complete in all material respects, (2) has paid and discharged all Taxes shown as due on such Tax Returns or otherwise required to be paid, and (3) has complied in all material respects with all applicable Tax laws requiring the withholding or collection of Taxes, other than in each case, (i) such payments as are being contested in good faith by appropriate proceedings and (ii) such filings, payments or other occurrences that would not have a Material Adverse Effect. There are no currently effective or otherwise outstanding waivers or extensions of any applicable statute of limitations to assess any Taxes.

(b) Neither the MLP nor the General Partner is subject, directly or indirectly, to any Tax Protection Agreements.

SECTION 5.08. Brokers.

No broker, finder or investment banker is entitled to any brokerage, finder s or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the MLP.

SECTION 5.09. Compliance with Laws.

The MLP has not violated or failed to comply with any statute, law, ordinance, regulation, rule, judgment, decree or order of any Governmental Entity applicable to its business, properties or operations, except in each case to the extent that such violation or failure would not reasonably be expected to have a Material Adverse Effect.

SECTION 5.10. No Other Representations or Warranties.

(a) Except for the representations and warranties contained in this Article V of this Agreement, the Company acknowledges that neither the MLP nor any other Person on behalf of the MLP has made, and the Company has not relied upon any representation or warranty, whether express or implied, with respect to the MLP or its business, affairs, assets, liabilities, financial condition, results of operations or prospects or with respect to the accuracy or completeness of any other information provided or made available to the Company by or on behalf of the MLP. Neither the MLP nor any other Person will have or be subject to any liability or indemnification obligation to the Company or any other Person resulting from the distribution in written or verbal communications to the Company, or use by the Company of any such information, including any information, documents, projections, forecasts or other material made available to the Company, confidential information memoranda or management interviews and presentations in expectation of the transactions contemplated by this Agreement.

ARTICLE VI
CONDUCT OF BUSINESS PENDING THE CLOSING

SECTION 6.01. Conduct of Business by the Company.

Except as otherwise contemplated by this Agreement, during the period commencing on the date hereof and terminating on the earlier to occur of the Effective Time and the termination of this Agreement pursuant to and in accordance with Article IX (the Interim Period), the Company shall (i) conduct the Company s business in the ordinary course, and (ii) use commercially reasonable efforts to maintain the assets and properties of the Company in their current condition, normal wear and tear and damage caused by casualty or by any reason outside of the Company s control excepted.

SECTION 6.02. Conduct of Business by the MLP.

Except as otherwise contemplated by this Agreement, during the Interim Period, the MLP shall (i) conduct the MLP s business in the ordinary course, and (ii) use commercially reasonable efforts to maintain the assets and properties of the MLP in their current condition, normal wear and tear and damage caused by casualty or by any reason outside of the MLP s control excepted.

ARTICLE VII

ADDITIONAL AGREEMENTS

SECTION 7.01. MLP Special Meeting.

(a) The MLP, acting through the General Partner, shall, in accordance with applicable Law and the Partnership Agreement, (a) duly call, give notice of, convene and hold the MLP Special Meeting as promptly as reasonably practicable after the date that the MLP Merger Proxy Statement is cleared by the SEC and (b) except as is reasonably likely to be required by the General Partner s duties under applicable Law, (i) include in the MLP Merger Proxy Statement the recommendation of the General Partner that the holders of MLP Units approve the MLP Merger and (ii) use its reasonable efforts to obtain the Limited Partner Approval.

SECTION 7.02. MLP Merger Proxy Statement.

(a) As promptly as practicable following the date hereof, the Company and the MLP shall cooperate in preparing and shall cause to be filed with the SEC mutually acceptable proxy materials that shall constitute the proxy statement/prospectus relating to the matters to be submitted to holders of MLP Units at the MLP Special Meeting (such proxy statement/prospectus, and any amendments or supplements thereto, the MLP Merger Proxy Statement) and the Company shall prepare and file with the SEC a registration statement on Form S-4 (of which the MLP Merger Proxy Statement will be a part) (the Registration Statement). The MLP and the Company shall use their reasonable best efforts to cause the Registration Statement to become effective under the Securities Act as soon after such filing as practicable and to keep the Registration Statement effective as long as is necessary to consummate the MLP Merger. All correspondence and communications to the SEC made by the Company or the MLP with respect to the transactions contemplated by this Agreement, will be provided to the other party with an opportunity to review and comment thereon, prior to such communication or correspondence being made to the SEC, and all other correspondence or communication made to the SEC by the Company shall be provided to the MLP at the time of submission to the SEC. The Company and the MLP shall use their reasonable best efforts to cause the MLP Merger Proxy Statement to be mailed to the holders of MLP Units as promptly as practicable after filing the MLP Merger Proxy Statement with the SEC and receiving clearance from the SEC with respect to such MLP Merger Proxy Statement.

(b) The MLP and the Company shall make all necessary filings with respect to the MLP Merger and the transactions contemplated thereby under the Securities Act and the Exchange Act and applicable Blue Sky Laws and the rules and regulations thereunder. No amendment or supplement to the MLP Merger Proxy Statement or the Registration Statement shall be filed without the approval of both parties hereto, which approval shall not be unreasonably withheld or delayed; provided that, with respect to documents filed by a party which are incorporated by reference in the MLP Merger Proxy Statement or the Registration Statement, this right of approval shall apply only with respect to information relating to the other party and its affiliates, their business, financial condition or results of operations or the transactions contemplated hereby.

SECTION 7.03. Reasonable Best Efforts.

Each of the parties hereto agrees to cooperate and use its reasonable best efforts to defend through litigation on the merits any action, including administrative or judicial action, asserted by any party in order to avoid the entry of, or to have vacated, lifted, reversed, terminated or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that in whole or in part restricts, delays, prevents or prohibits consummation of the MLP Merger, including, without limitation, by vigorously pursuing all available avenues of administrative and judicial appeal.

SECTION 7.04. Transfer Taxes.

The MLP and the Company shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer or stamp taxes, any transfer, recording, registration and other fees and any similar taxes that become payable in connection with the transactions contemplated by this Agreement (together with any related interests, penalties or additions to Tax, Transfer Taxes), and shall cooperate in attempting to minimize the amount of Transfer Taxes. From and after the Effective Time, the Surviving Entity shall pay or cause to be paid, without deduction or withholding from any consideration or amounts payable to the holders of MLP Units, all Transfer Taxes.

ARTICLE VIII

CONDITIONS

SECTION 8.01. Conditions to the Obligations of Each Party.

The obligations of each of the Company and the MLP to effect the MLP Merger shall be subject to the satisfaction, at or prior to the Closing, of the following conditions:

(a) No Order. No Governmental Authority in the United States shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the MLP Merger illegal or otherwise restricting, preventing or prohibiting consummation of the MLP Merger; and

(b) Registration Statement. The Registration Statement shall be effective at the Effective Time, and no stop order suspending effectiveness of the Registration Statement shall have been issued; no action, suit, proceeding or investigation by the SEC to suspend the effectiveness thereof shall have been initiated and be continuing; and all necessary approvals under Blue Sky Laws or the Securities Act or Exchange Act relating to the issuance or trading of the Common Shares to be issued in the MLP Merger shall have been received.

SECTION 8.02. Conditions to the Obligations of the MLP.

The obligations of the MLP to consummate the MLP Merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of the Company in this Agreement that (i) are not made as of a specific date shall be true and correct in all material respects (without giving effect to any limitation as to materiality set forth therein) as of the date of this Agreement and as of the Closing, as though made on and as of the Closing, and (ii) are made as of a specific date shall be true and correct (without giving effect to any limitation as to materiality set forth therein) as of such date, in each case except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) would not have a Material Adverse Effect;

(b) Agreements and Covenants. The Company shall have performed, in all material respects, all obligations and complied with, in all material respects, all agreements and covenants to be performed and complied with by it under this Agreement on or prior to the Closing; and

(c) No Material Adverse Effect. There shall not have occurred any event, circumstance, change or effect that individually or in the aggregate has had or is reasonably likely to have a Material Adverse Effect with respect to the Company.

SECTION 8.03. Conditions to the Obligations of the Company.

The obligations of the Company to consummate the MLP Merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

(a) Limited Partner Approval. The MLP Merger shall have been approved and adopted by the affirmative vote of at least a majority of each class of MLP Units in accordance with the DRULPA and the Partnership Agreement;

(b) Representations and Warranties. The representations and warranties of the MLP in this Agreement that (i) are not made as of a specific date shall be true and correct in all material respects (without giving effect to any limitation as to materiality set forth therein) as

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of the date of this Agreement and as of the Closing, as though made on and as of the Closing, and (ii) are made as of a specific date shall be true and correct (without giving effect to any limitation as to materiality set forth therein) as of such date, in each case except where the failure of such representations or warranties to be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) would not have a Material Adverse Effect;

(c) Agreements and Covenants. The MLP shall have performed, in all material respects, all obligations and complied with, in all material respects, all agreements and covenants to be performed and complied with by it under this Agreement on or prior to the Closing; and

(d) No Material Adverse Effect. There shall not have occurred any event, circumstance, change or effect that individually or in the aggregate has had or is reasonably likely to have a Material Adverse Effect with respect to the MLP.

ARTICLE IX
TERMINATION

SECTION 9.01. Termination.

This Agreement may be terminated at any time prior to the Effective Time in writing (the date of any such termination, the Termination Date):

(a) by the mutual written consent of the MLP and the Company;

(b) by either the Company or the MLP by written notice to the other party if any Governmental Authority with jurisdiction over such matters shall have issued a governmental order permanently restraining, enjoining or otherwise prohibiting the MLP Merger, and such governmental order shall have become final and unappealable; provided, however, that the terms of this Section 9.01(b) shall not be available to any party unless such party shall have used its reasonable best efforts to oppose any such governmental order or to have such governmental order vacated or made inapplicable to the MLP Merger; or

(c) by the Company, if the Limited Partner Approval is not obtained at the MLP Special Meeting.

SECTION 9.02. Effect of Termination.

In the event of termination of this Agreement and abandonment of the MLP Merger and the other transactions contemplated by this Agreement pursuant to and in accordance with Section 9.01, this Agreement shall forthwith become void and of no further force or effect whatsoever and there shall be no liability on the part of any party, or their respective officers, directors, trustees, subsidiaries or partners, as applicable, to this Agreement; provided, however, that nothing contained in this Agreement shall relieve any party to this Agreement from any liability resulting from or arising out of any material breach of any agreement or covenant hereunder; provided, further, that notwithstanding the foregoing, the covenants and other obligations under this Agreement shall terminate upon the termination of this Agreement, except that the agreements set forth in Section 9.03, Section 10.07, Section 10.08 and Section 10.09 shall survive termination indefinitely. If this Agreement is terminated as provided herein, all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other person to which they were made.

SECTION 9.03. Fees and Expenses.

(a) All costs and expenses incurred in connection with this Agreement or the transactions contemplated hereby shall be paid by the party incurring such expenses, whether or not the transactions contemplated by this Agreement are consummated.

ARTICLE X
GENERAL PROVISIONS

SECTION 10.01. Non-Survival of Representations and Warranties.

The representations and warranties in this Agreement shall terminate at the Closing or upon the earlier termination of this Agreement.

SECTION 10.02. Notices.

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person or by a recognized overnight courier service to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

if to MLP:

The Lexington Master Limited Partnership
One Penn Plaza
Suite 4015
New York, NY 10119-4015
Fax No: (212) 594-6600
Attn: General Partner

if to the Company:

Lexington Realty Trust
One Penn Plaza, Suite 4015
New York, New York 10119-4015
Fax: (212) 594-6600
Attention: General Counsel

SECTION 10.03. Severability.

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this

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Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 10.04. Amendment.

This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 10.05. Entire Agreement; Assignment.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and thereof. This Agreement shall not be assigned by operation of law or otherwise (except to the Surviving Entity).

SECTION 10.06. Parties in Interest.

This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

SECTION 10.07. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

SECTION 10.08. Governing Law.

This Agreement shall be governed by, and construed in accordance with, the Laws of the State of New York; provided, however, that to the extent required by the Laws of the State of Maryland or the Laws of the State of Delaware, the MLP Merger shall be governed by, and construed in accordance with such Laws, as applicable, regardless of the Laws that might otherwise govern under applicable principles of conflict of Laws thereof. All actions and proceedings arising out of or relating to this Agreement shall be heard and determined exclusively in any New York, Maryland or Delaware (as applicable) state or federal court. The parties hereto hereby (a) submit to the exclusive jurisdiction of any New York, Maryland or Delaware (as applicable) state or federal court, for the purpose of any action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject

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personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, that the venue of the action is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts.

SECTION 10.09. Waiver of Jury Trial.

Each of the parties hereto hereby waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement or the transactions contemplated hereby.

SECTION 10.10. Headings.

The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 10.11. Counterparts.

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 10.12. Mutual Drafting.

Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations between the parties.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

THE LEXINGTON MASTER LIMITED PARTNERSHIP

By: Lex GP-1 Trust, its sole general partner

By /s/ Brendan P. Mullinix

Name: Brendan P. Mullinix
Title: Executive Vice President

LEXINGTON REALTY TRUST

By /s/ Natasha Roberts

Name: Natasha Roberts
Title: Executive Vice President

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ANNEX B
Information Concerning Lexington Trust

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Annex B

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

or

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

For the transition period from to

Commission File Number 1-12386
LEXINGTON REALTY TRUST
(Exact name of Registrant as specified in its charter)

Maryland	**13-3717318**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Penn Plaza, Suite 4015 New York, NY	**10119-4015**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (212) 692-7200

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Shares of beneficial interests, par value $0.0001	**New York Stock Exchange**
8.05% Series B Cumulative Redeemable Preferred Stock, par value $0.0001	**New York Stock Exchange**
6.50% Series C Cumulative Convertible Preferred Stock, par value $0.0001	**New York Stock Exchange**
7.55% Series D Cumulative Redeemable Preferred Stock, par value $0.0001	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer , large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ.

The aggregate market value of the voting shares held by non-affiliates of the Registrant as of June 30, 2007, which was the last business day of the Registrant s most recently completed second fiscal quarter was $1,276,495,750 based on the closing price of common shares as of that date, which was $20.80 per share.

Number of common shares outstanding as of February 22, 2008 was 61,323,810.

Certain information contained in the Definitive Proxy Statement for Registrant s 2008 Annual Meeting of Shareholders, to be held on May 20, 2008 is incorporated by reference in this Annual Report on Form 10-K in response to Part III, Item 10, 11, 12, 13 and 14.

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PART I.

Introduction

When we use the terms Lexington, the Company, we, us and our, we mean Lexington Realty Trust and all entiti owned by us, including non-consolidated entities, except where it is clear that the term means only the parent company. References herein to our Annual Report are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

All references to 2007, 2006 and 2005 refer to our fiscal years ended, or the dates, as the context requires, December 31, 2007, December 31, 2006, and December 31, 2005, respectively.

We merged with Newkirk Realty Trust, Inc., or Newkirk, on December 31, 2006, which we refer to as the Merger. Unless otherwise noted, (A) the information in this Annual Report regarding items in our Consolidated Statements of Operations as of December 31, 2006 and prior, does not include the business and operations of Newkirk, and (B) the information in this Annual Report regarding items in our Consolidated Balance Sheet as of December 31, 2005 and prior, does not include the assets, liabilities and minority interests of Newkirk.

Cautionary Statements Concerning Forward-Looking Statements

This Annual Report, together with other statements and information publicly disseminated by us contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words believes, expects, intends, anticipates, estimates, pı or similar expressions. Readers should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. In particular, among the factors that could cause actual results to differ materially from current expectations include, among others, those risks discussed below and under Risk Factors in Part I, Item 1A of the Annual Report and Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of the Annual Report. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect occurrence of unanticipated events. Accordingly, there is no assurance that our expectations will be realized.

Item 1. *Business*

General

We are a self-managed and self-administered real estate investment trust, or REIT, formed under the laws of the State of Maryland. Our primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial properties. In addition, we acquire and hold investments in loan assets and debt securities related to real estate, which are primarily acquired through a 50% owned co-investment program. Substantially all of our properties are subject to triple net leases, which are generally characterized as leases in which the tenant bears all or substantially all of the costs and/or cost increases for real estate taxes, utilities, insurance and ordinary repairs.

Our predecessor was organized in October 1993 and merged into Lexington Corporate Properties Trust on December 31, 1997. On December 31, 2006, Lexington Corporate Properties Trust completed the Merger with Newkirk. Newkirk s primary business was similar to our primary business. All of Newkirk s operations were conducted and all of its assets were held through its master limited partnership, The Newkirk Master Limited Partnership, which we refer to as the MLP. Newkirk was the general partner and owned, at the time of completion of the Merger, a 31.0% general partner interest in the MLP. In connection with the Merger, Lexington Corporate Properties Trust changed its name to Lexington Realty Trust, the MLP was renamed The Lexington Master Limited

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Partnership and one of our wholly-owned subsidiaries became the sole general partner of the MLP and another one of our wholly-owned subsidiaries became the holder of a 31.0% limited partner interest in the MLP.

In the Merger, Newkirk merged with and into us, with us as the surviving entity. Each holder of Newkirk s common stock received 0.80 of our common shares in exchange for each share of Newkirk s common stock, and the MLP effected a reverse unit-split pursuant to which each outstanding unit of limited partnership in the MLP, which we refer to as an MLP unit, was converted into 0.80 MLP units. Each MLP unit, other than the MLP units held directly or indirectly by us, is redeemable at the option of the holder for cash based on the value of one of our common shares or, if we elect, for our common shares on a one-for-one basis. As of December 31, 2007, we owned approximately 50.0% of the limited partner interest in the MLP.

In addition to our common shares, we have four outstanding classes of beneficial interests classified as preferred stock, which we refer to as preferred shares: (1) 8.05% Series B Cumulative Redeemable Preferred Stock, which we refer to as our Series B Preferred Shares, (2) 6.50% Series C Cumulative Convertible Preferred Stock, which we refer to as our Series C Preferred Shares, (3) 7.55% Series D Cumulative Redeemable Preferred Stock, which we refer to as our Series D Preferred Shares, and (4) special voting preferred stock. Our common shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares are traded on the New York Stock Exchange, or NYSE, under the symbols LXP , LXP pb , LXP pc and LXP pd , respectively.

We elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, commencing with our taxable year ended December 31, 1993. If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net income that is currently distributed to shareholders.

As of December 31, 2007, we had ownership interests in approximately 280 consolidated real estate assets, located in 42 states and the Netherlands and containing an aggregate of approximately 45.5 million net rentable square feet of space, approximately 95.6% of which is subject to a lease.

We have diversified our portfolio by geographical location, tenant industry segment, lease term expiration and property type with the intention of providing steady internal growth with low volatility. We believe that this diversification should help insulate us from regional recession, industry specific downturns and price fluctuations by property type. For the year ended December 31, 2007, our ten largest tenants/guarantors, which occupied 47 of our properties, represented 25.0% of our trailing 12 month base rental revenue, including our proportionate share of base rental revenue from non-consolidated entities, properties held for sale and properties sold through the respective date of sale. As of December 31, 2006 and 2005, our ten largest tenants/guarantors represented 30.1% and 30.4% of our trailing 12 month base rental revenue, respectively, including our proportionate share of base rental revenue from non-consolidated entities, properties held for sale and properties sold through date of sale. In 2007, 2006 and 2005, no tenant/guarantor represented greater than 10% of our annual base rental revenue.

Objectives and Strategy

In June 2007, we announced a strategic restructuring plan. The plan, when and if completed, will restructure us into a company consisting primarily of:

- A wholly-owned portfolio of core office assets;
- A wholly-owned portfolio of core warehouse/distribution assets;

A continuing 50% interest in a co-investment program that invests in senior and subordinated debt interests secured by both net leased and multi-tenanted real estate collateral;

A minority interest in a co-investment program that invests in specialty single tenant real estate assets; and

Equity securities in other net lease companies owned either individually or through an interest in one or more joint ventures or co-investment programs.

In connection with the strategic restructuring plan, we:

- acquired all of the outstanding interests not otherwise owned by us in Triple Net Investment Company LLC, one of our co-investment programs, which resulted in us becoming the sole owner of the co-investment program s 15 primarily single tenant net leased properties;

- acquired all of the outstanding interests not otherwise owned by us in Lexington Acquiport Company, LLC and Lexington Acquiport Company II, LLC, two of our co-investment programs, which resulted in us becoming the sole owner of the co-investment program s 26 primarily single tenant net leased properties;

- terminated Lexington/Lion Venture L.P., one of our co-investment programs, and were distributed seven primarily single tenant net leased properties owned by the co-investment program;

- announced a disposition program, whereby we began marketing non-core assets for sale; and

- formed a co-investment program, Net Lease Strategic Assets Fund LP, which we refer to as NLS, with a subsidiary of Inland American Real Estate Trust, Inc., which has acquired 30 assets previously owned by us and which, in addition, is under contract to acquire an additional 13 assets currently owned by us and may invest in core plus net leased assets, such as manufacturing assets, call centers and other specialty assets.

We can provide no assurances that we will dispose of any remaining assets under our disposition program or complete the sale/contribution of the remaining 13 assets under contract for sale/contribution or acquire any additional assets through NLS.

As part of our ongoing business efforts, we expect to continue to (1) effect strategic transactions and portfolio and individual property acquisitions and dispositions; (2) explore new business lines and operating platforms; (3) expand existing properties; (4) execute new leases with tenants; (5) extend lease maturities in advance of expiration; and (6) refinance outstanding indebtedness when advisable. Additionally, we may continue to enter into joint ventures with third-party investors as a means of creating additional growth and expanding the revenue realized from advisory and asset management activities as situations warrant.

Acquisition Strategies

We seek to enhance our net lease property portfolio through acquisitions of core assets, which we believe are general purpose, efficient, well-located assets in growing markets. Prior to effecting any acquisitions, we analyze the (1) property s design, construction quality, efficiency, functionality and location with respect to the immediate sub-market, city and region; (2) lease integrity with respect to term, rental rate increases, corporate guarantees and property maintenance provisions; (3) present and anticipated conditions in the local real estate market; and (4) prospects for selling or re-leasing the property on favorable terms in the event of a vacancy. We also evaluate each potential tenant s financial strength, growth prospects, competitive position within its respective industry and a property s strategic location and function within a tenant s operations or distribution systems. We believe that our comprehensive underwriting process is critical to the assessment of long-term profitability of any investment by us.

Strategic Transactions with Other Real Estate Investment Companies. We seek to capitalize on the unique investment experience of our executive management team as well as its network of relationships in the industry to achieve appropriate risk-adjusted yields through strategic transactions. Our strategic initiatives focus on the full spectrum of single-tenant investing through participation at various levels of the capital structure. Accordingly, we endeavor to pursue the acquisition of portfolios of assets, equity interests in companies with a significant number of single-tenant assets including through mergers and acquisitions activity, and participation in strategic partnerships and joint ventures.

Acquisitions of Portfolio and Individual Net Lease Properties. We seek to acquire portfolio and individual properties from (1) creditworthy corporations and other entities in sale/leaseback transactions for properties that are integral to the sellers /tenants ongoing operations; (2) developers of newly-constructed properties built to suit the needs of a corporate tenant generally after construction has been completed to avoid the risks associated with the construction phase of a project; (3) other real estate investment companies through strategic transactions; and (4) sellers of properties subject to an existing lease. We believe that our geographical diversification, acquisition experience and access to capital will allow us to compete effectively for the acquisition of such net leased properties.

Debt Investments. Primarily through our 50% owned co-investment program Concord Debt Holdings LLC, which we refer to as Concord, we seek to acquire senior and subordinated debt interests secured by both net-leased and multi-tenanted real estate collateral. The MLP holds a 50.0% interest in this co-investment program. The MLP s co-investment partner and holder of the other 50% interest in Concord is a subsidiary of Winthrop Realty Trust, which we refer to as Winthrop, a REIT listed on the NYSE. Our Executive Chairman and Director of Strategic Acquisitions, Michael L. Ashner, is the Chairman and Chief Executive Officer of Winthrop.

Competition

Through our predecessor entities we have been in the net lease business for over 30 years. Over this period, we have established a broad network of contacts, including major corporate tenants, developers, brokers and lenders. In addition, our management is associated with and/or participates in many industry organizations. Notwithstanding these relationships, there are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial or other resources that compete with us in seeking properties for acquisition and tenants who will lease space in these properties. Our competitors include other REITs, pension funds, private companies and individuals.

Operating Partnership Structure

We are structured as an umbrella partnership REIT, or UPREIT, and a substantial portion of our business is conducted through our four operating partnership subsidiaries (1) the MLP; (2) Lepercq Corporate Income Fund L.P.; (3) Lepercq Corporate Income Fund II L.P.; and (4) Net 3 Acquisition L.P. We refer to these subsidiaries as our operating partnerships and to limited partner interests in these operating partnerships as OP units. The UPREIT structure enables us to acquire properties through our operating partnerships by issuing to a property owner, as a form of consideration in exchange for the property, OP units. The OP units are generally redeemable, after certain dates, for our common shares or cash in certain instances. We believe that this structure facilitates our ability to raise capital and to acquire portfolio and individual properties by enabling us to structure transactions which may defer tax gains for a contributor of property. As of December 31, 2007, there were approximately 39.8 million OP units outstanding, other than OP units held directly or indirectly by us.

Co-Investment Programs

Lexington Acquiport Company, LLC (LAC) and Lexington Acquiport Company II, LLC (LAC II). Effective June 2007, we entered into purchase agreements with the Common Retirement Fund of the State of New York, our 66.67% partner in LAC and 75% partner in LAC II, and acquired the interests in LAC and LAC II we did not already own. Accordingly, we became the sole owner of the 26 primarily single tenant net leased real estate properties owned collectively by LAC and LAC II. We acquired the interest through a cash payment of approximately $277.4 million and the assumption of approximately $515.0 million in non-recourse mortgage debt. The debt assumed by us bears interest at stated rates ranging from 5.0% to 8.2% with a weighted average stated rate of 6.2% and matures at various dates ranging from 2009 to 2021.

Lexington/Lion Venture L.P. (LION). Effective June 2007, we and our 70% partner in LION agreed to terminate LION and distribute the 17 primarily net leased properties owned by LION. Accordingly, we were distributed seven of the properties, which were subject to non-recourse mortgage debt of approximately $112.5 million. The debt assumed by us bears interest at stated rates ranging from 4.8% to 6.2% with a weighted average stated rate of 5.4% and matures at various dates ranging from 2012 to 2016. In addition, we paid approximately $6.6 million of additional consideration to our former partner in connection with the termination. In connection with this transaction, we recognized $8.5 million as an incentive fee in accordance with the LION partnership agreement and were allocated equity in earnings of $34.2 million related to our share of gains relating to the 10 properties transferred to the partner.

Triple Net Investment Company LLC (TNI). Effective May 2007, we entered into a purchase agreement with the Utah State Retirement Investment Fund, our partner in TNI, and acquired the 70% of TNI we did not already own. Accordingly, we became the sole owner of the 15 primarily single tenant net leased real estate properties owned by TNI. We acquired the interest through a cash payment of approximately $82.6 million and the assumption of approximately $156.6 million in non-recourse mortgage debt. The debt assumed by us bears stated interest at rates ranging from 4.9% to 9.4% with a weighted-average stated rate of 5.9% and matures at various dates ranging from 2010 to 2021. In connection with this transaction, we recognized $2.1 million as an incentive fee in accordance with the TNI partnership agreement.

Concord Debt Holdings LLC (Concord). We acquired a 50% interest in Concord in connection with the Merger. Our Executive Chairman and Director of Strategic Acquisitions is the Chairman and Chief Executive Officer of Winthrop, our 50% co-investment partner. Concord creates and manages portfolios of loan assets and debt securities. As of December 31, 2007 and 2006, we had $155.8 million and $93.1 million, respectively, as our investment in Concord. Our remaining capital commitment to Concord is $5.1 million as of December 31, 2007. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Off Balance Sheet Arrangements for a complete description of Concord s business, assets and liabilities.

Net Lease Strategic Assets Fund L.P. (NLS). In August 2007, through the MLP, we entered into a limited partnership agreement with Inland American (Net Lease) Sub, LLC, which we refer to as Inland, a wholly-owned subsidiary of Inland American Real Estate Trust, Inc. NLS was formed to invest in specialty single tenant net leased assets in the United States. In connection with the formation, we agreed to contribute/sell 53 single tenant net leased assets to NLS, which was later reduced to 43 assets, 30 of which were contributed/sold in December 2007 and 13 of which remain under contract. We can provide no assurance that the contribution/sale of the remaining 13 assets under contract will be consummated.

In December 2007, we sold 18 real estate assets (including a 40% interest in one) and contributed 12 real estate assets to NLS. The properties had an agreed upon value of $408.5 million and are subject to $186.3 million of non-recourse mortgage debt that have stated interest rates ranging from 5.2% to 8.5% with a weighted average stated rate of 5.9% and maturity dates ranging from 2009 to 2025. We recognized a gain on the sale of the real estate assets of $17.9 million, plus a $1.6 million gain which is reflected in the income statement in equity in earnings of non-consolidated entities relating to these sales.

The acquisitions of these 30 real estate assets by NLS was financed by (1) assuming the mortgage debt; (2) a common equity contribution by Inland and the MLP of $121.9 million and $21.5 million, respectively; and (3) a preferred equity contribution of $87.6 million by the MLP. The MLP s equity contribution was made primarily through the contribution of the 12 real estate assets.

The MLP s common and preferred equity positions are subordinated to Inland s common equity position with respect to operating cash flows and in certain other situations.

In addition, to the initial capital contributions, the MLP and Inland may invest an additional $22.5 million and $127.5 million, respectively, in NLS to acquire additional specialty single-tenant net leased assets. Lexington Realty Advisors, which we refer to as LRA, has entered into a management agreement with NLS whereby LRA will receive (1) a management fee of 0.375% of the equity capital, as defined; (2) a property management fee of up to 3.0% of actual gross revenues from certain assets for which the landlord is obligated to provide property management services (contingent upon the recoverability under the applicable lease); and (3) an acquisition fee of 0.5% of the gross purchase price of each acquired asset by the NLS.

In addition, NLS is under contract to acquire an additional 13 properties from us, a reduction of 10 from the initial agreement in August 2007. The acquisition of each of the 13 assets by NLS is subject to satisfaction of conditions precedent to closing, including the assumption of existing financing, obtaining certain consents and waivers, the continuing financial solvency of the tenants, and certain other customary conditions. Accordingly, neither we nor NLS can provide any assurance that the acquisition by NLS will be completed. In the event that NLS does not acquire 11 of the assets by March 31, 2008 and the remaining two by June 30, 2008, NLS will no longer have the right to acquire such assets.

Lex-Win Acquisition LLC (Lex-Win). In May 2007, an entity in which we hold a 28% ownership interest, commenced a tender offer to acquire up to 45,000,000 shares of common stock in Wells Real Estate Investment Trust, Inc., which we refer to as Wells, at a price per share of $9.30. The tender offer expired on July 20, 2007, at which time Lex-Win received tenders based on the letters of transmittal it received for approximately

4,800,000 shares representing approximately 1% of the outstanding shares in Wells. After submission of the letters to Wells, the actual number of shares acquired in Wells was approximately 3,900,000. During the third quarter of 2007, we funded $12.5 million relating to this tender offer. In the fourth quarter of 2007, we received a return of $1.9 million in cash relating to the reduction in shares tendered of approximately 900,000. WRT Realty, L.P., a subsidiary of Winthrop, also holds a 28% interest in Lex-Win. Our Executive Chairman and Director of Strategic Acquisitions is Chairman and Chief Executive Officer of Winthrop.

Other Investments. As of December 31, 2007, we had interests ranging from 26% to 40% in 8 partnerships which own real estate assets. The real estate assets are encumbered by approximately $100.9 million (of which our proportionate share is approximately $33.0 million) in non-recourse mortgage debt with stated interest rates ranging from 5.2% to 15.0% with a weighted-average stated rate of 8.6% and maturity dates ranging from 2008 to 2018.

Internal Growth; Effectively Managing Assets

Tenant Relations and Lease Compliance. We maintain close contact with our tenants in order to understand their future real estate needs. We monitor the financial, property maintenance and other lease obligations of our tenants through a variety of means, including periodic reviews of financial statements and physical inspections of the properties. We perform annual inspections of those properties where we have an ongoing obligation with respect to the maintenance of the property. Biannual physical inspections are generally undertaken for all other properties.

Extending Lease Maturities. We seek to extend our leases in advance of their expiration in order to maintain a balanced lease rollover schedule and high occupancy levels. During 2007, we entered into 108 lease extensions and new leases.

Revenue Enhancing Property Expansions. We undertake expansions of our properties based on tenant requirements or marketing opportunities. We believe that selective property expansions can provide us with attractive rates of return and actively seek such opportunities.

Property Sales. Subject to regulatory requirements, we sell properties (1) when we believe that the return realized from selling a property will exceed the expected return from continuing to hold such property and (2) in accordance with our strategic restructuring plan. During 2007, as part of our strategic restructuring plan, we sold 63 properties, including 10 held in LION, and 30 properties were sold/contributed to NLS.

Access to Capital and Refinancing Existing Indebtedness

During 2007, we completed an offering of 6.2 million Series D Preferred Shares, at $25 per share and an annual dividend rate of 7.55%, raising net proceeds of $149.8 million.

During 2007, we, through a wholly-owned subsidiary, issued $200.0 million in Trust Preferred Securities. These Trust Preferred Securities, which (1) are classified as debt and referred to in this Annual Report as Trust Preferred Notes; (2) are due in 2037; (3) are redeemable by us commencing April 2012; and (4) bear interest at a fixed rate of 6.804% through April 2017 and thereafter, at a variable rate of three month LIBOR plus 170 basis points through maturity.

We obtained a $225.0 million secured term loan from KeyBank N.A. The interest only secured term loan matures June 2009 and bears interest at LIBOR plus 60 basis points. The loan contains customary covenants which we were in compliance with as of December 31, 2007. The proceeds of the secured term loan were used to purchase the interests in our former co-investment programs. As of December 31, 2007, $213.6 million was outstanding under this secured term loan.

During 2007, we obtained $247.0 million in non-recourse mortgage financings which have a fixed weighted average interest rate of 6.1%. The proceeds of the financings were used to partially fund acquisitions.

During 2007, the MLP issued $450.0 million in 5.45% guaranteed exchangeable notes due in 2027, which we refer to as the MLP Notes, and can be put by the holder every five years commencing 2012 and upon certain events. The MLP Notes are currently exchangeable at certain times by the holders into our common shares at a price of $21.99 per share; however, the principal balance must be satisfied in cash. The net proceeds of the issuance of the

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MLP Notes were used to repay indebtedness under the MLP s former secured loan which bore interest at the election of the MLP at a rate equal to either (1) LIBOR plus 175 basis points or (2) the prime rate.

On December 31, 2006, we completed the Merger and issued approximately 16.0 million common shares valued at $332.1 million and assumed $2.0 billion in liabilities and minority interests.

During 2006, we including through non-consolidated entities, in addition to the Merger, obtained $215.3 million in non-recourse mortgage financings which had a fixed weighted average interest rate of 6.0%. The proceeds of the financings were used to partially fund acquisitions.

During 2005, we replaced our $100.0 million unsecured revolving credit facility with a new $200.0 million unsecured revolving credit facility, which bears interest at a rate of LIBOR plus 120-170 basis points depending on our leverage (as defined in the credit facility) and matures in June 2008. The credit facility contains customary financial covenants, including restrictions on the level of indebtedness, amount of variable rate debt to be borrowed and net worth maintenance provisions. As of December 31, 2007, (1) we were in compliance with all covenants; (2) no borrowings were outstanding; (3) $198.5 million was available to be borrowed; and (4) $1.5 million in letters of credit were outstanding under the credit facility.

Common Share Repurchases. In March 2007, our Board of Trustees approved the repurchase of up to 10.0 million common shares/OP units under a share repurchase program. During 2007, approximately 9.8 million common shares/OP units were repurchased under this program at an average cost of $19.83 per share/unit, in the open market and through private transactions with our employees and OP unitholders. In December 2007, the authorization was increased by 5.0 million common share/ OP units. As of December 31, 2007, 5.8 million common shares/OP units remain eligible for repurchase under the authorization.

Advisory Contracts

In 2001, LRA entered into an advisory and asset management agreement to invest and manage an equity commitment of up to $50.0 million on behalf of a private third party investment fund. The investment fund could, depending on leverage utilized, acquire up to $140.0 million in single tenant, net leased office, industrial and retail properties in the United States. LRA earns acquisition fees (90 basis points of total acquisition costs), annual asset management fees (30 basis points of gross asset value) and an incentive fee of 16% of the return in excess of an internal rate of return of 10% earned by the investment fund. During 2007, the investment fund sold a property and LRA recognized an incentive fee of $1.1 million (in addition $0.4 million was held back by the investment fund pursuant to the agreement). The investment fund made no purchases in 2007 or 2006.

The MLP entered into an agreement with a third party pursuant to which the MLP will pay the third party for properties acquired by the MLP and identified by the third party (1) 1.5% of the gross purchase price and (2) 25% of the net proceeds and net cash flow (as defined) after the MLP receives all its invested capital plus a 12% internal rate of return. As of December 31, 2007, only one property has been acquired subject to these terms.

Other

Environmental Matters. Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. Although generally our tenants are primarily responsible for any environmental damage and claims related to the leased premises, in the event of the bankruptcy or inability of a tenant of such premises to satisfy any obligations with respect to such environmental liability, we may be required to satisfy such obligations. In addition, as the owner of such properties, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business and generally upon acquisition of a property, we authorize the preparation of Phase I and, when necessary, Phase II environmental reports with respect to our properties. Based upon such environmental reports and our ongoing review of our properties, as of the date of this

Annual Report, we are not aware of any environmental condition with respect to any of our properties which we believe would be reasonably likely to have a material adverse effect on our financial condition and/or results of operations. There can be no assurance, however, that (1) the discovery of environmental conditions, the existence or severity of which were previously unknown; (2) changes in law; (3) the conduct of tenants; or (4) activities relating to properties in the vicinity of our properties, will not expose us to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which would adversely affect our financial condition and/or results of operations.

Employees. As of December 31, 2007, we had 65 full-time employees.

Industry Segments. We operate in primarily one industry segment, investment in net leased real estate assets.

Web Site. Our Internet address is www.lxp.com and the investor relations section of our web site is located at http://www.snl.com/irweblinkx/corporateprofile.aspx?iid=103128. We make available, free of charge, on or through the investor relations section of our web site or by contacting our Investor Relations Department, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission, which we refer to as the SEC. Also posted on our web site, and available in print upon request of any shareholder to our Investor Relations Department, are our amended and restated declaration of trust and amended and restated by-laws, charters for our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, our Corporate Governance Guidelines, our Code of Business Conduct and Ethics governing our trustees, officers and employees, and our Complaint Procedures Regarding Accounting and Auditing Matters. Within the time period required by the SEC and the NYSE, we will post on our web site any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any of our trustees or executive officers. In addition, our web site includes information concerning purchases and sales of our equity securities by our executive officers and trustees, as well as disclosure relating to certain non-GAAP financial measures (as defined in the SEC s Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by similar means from time to time.

Our Investor Relations Department can be contacted at Lexington Realty Trust, One Penn Plaza, Suite 4015, New York, New York 10119-4015, Attn: Investor Relations, telephone: 212-692-7200, e-mail: ir@lxp.com.

Principal Executive Offices. Our principal executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015; our telephone number is (212) 692-7200. We also maintain regional offices in Chicago, Illinois, and Dallas, Texas.

NYSE CEO Certification. Our Chief Executive Officer made an unqualified certification to the NYSE with respect to our compliance with the NYSE corporate governance listing standards in June 2007.

Item 1A. *Risk Factors*

Set forth below are material factors that may adversely affect our business and operations.

We are subject to risks involved in single tenant leases.

We focus our acquisition activities on real properties that are net leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease is likely to cause a significant reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property.

We rely on revenues derived from major tenants.

Revenues from several of our tenants and/or their guarantors constitute a significant percentage of our base rental revenues. As of December 31, 2007, our 10 largest tenants/guarantors, which occupied 47 properties, represented approximately 25.0% of our base rental revenue for the year ended December 31, 2007, including our proportionate share of base rental revenue from non-consolidated entities and base rental revenue recognized from properties sold through the respective date of sale. The default, financial distress or bankruptcy of any of the tenants of these properties could cause interruptions in the receipt of lease revenues from these tenants and/or result in vacancies, which would reduce our revenues and increase operating costs until the affected property is re-let, and could decrease the ultimate sales value of that property. Upon the expiration or other termination of the leases that are currently in place with respect to these properties, we may not be able to re-lease the vacant property at a comparable lease rate or without incurring additional expenditures in connection with the re-leasing.

We could become more highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions.

We have incurred, and expect to continue to incur, indebtedness in furtherance of our activities. Neither our amended and restated declaration of trust nor any policy statement formally adopted by our Board of Trustees limits either the total amount of indebtedness or the specified percentage of indebtedness that we may incur. Accordingly, we could become more highly leveraged, resulting in an increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions.

Market interest rates could have an adverse effect on our borrowing costs and profitability and can adversely affect our share price.

We have exposure to market risks relating to increases in interest rates due to our variable-rate debt. An increase in interest rates may increase our costs of borrowing on existing variable-rate indebtedness, leading to a reduction in our net income. As of December 31, 2007, we had outstanding $213.6 million in consolidated variable-rate indebtedness. The level of our variable-rate indebtedness, along with the interest rate associated with such variable-rate indebtedness, may change in the future and materially affect our interest costs and net income. In addition, our interest costs on our fixed-rate indebtedness can increase if we are required to refinance our fixed-rate indebtedness at maturity at higher interest rates. We currently have an agreement with a third party for a notional amount of $290.0 million which caps our interest rate at 6.0%.

Furthermore, the public valuation of our common shares is related primarily to the earnings that we derive from rental income with respect to our properties and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common shares. For instance, if interest rates rise, the market price of our common shares may decrease because potential investors seeking a higher dividend yield than they would receive from our common shares may sell our common shares in favor of higher rate interest-bearing securities.

Recent disruptions in the financial markets could affect our ability to obtain debt financing on reasonable terms and have other adverse effects on us.

The United States credit markets have recently experienced significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. Continued uncertainty in the credit markets may negatively impact our ability to access additional debt financing at reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. These events in the credit markets have also had an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of our common shares or preferred shares. These disruptions in the financial markets may have other adverse effects on us or the economy generally.

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We face risks associated with refinancings.

A significant number of our properties, as well as corporate level borrowings, are subject to mortgage or other secured notes with balloon payments due at maturity. As of December 31, 2007, the consolidated scheduled balloon payments for the next five calendar years, are as follows:

Year	Balloon Payments
2008	$31.8 million
2009	$282.4 million
2010	$118.2 million
2011	$140.6 million
2012	$633.8 million

Our ability to make the scheduled balloon payments will depend upon our cash balances, the amount available under our credit facility and our ability either to refinance the related mortgage debt or to sell the related property.

As of December 31, 2007, the scheduled balloon payments for our non-consolidated entities for the next five calendar years are as follows:

Year	Balloon Payments	Balloon Payments - our Proportionate Share
2008	$ 87.8 million	$ 43.9 million
2009	$357.7 million	$176.3 million
2010	$	$
2011	$ 2.1 million	$ 1.0 million
2012	$ 81.8 million	$ 40.3 million

Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of the national and regional economies, local real estate conditions, the state of the capital markets, available mortgage rates, the lease terms or market rates of the mortgaged properties, our equity in the mortgaged properties, our financial condition, the operating history of the mortgaged properties and tax laws. If we are unable to obtain sufficient financing to fund the scheduled balloon payments or to sell the related property at a price that generates sufficient proceeds to pay the scheduled balloon payments, we would lose our entire investment in the related property.

We face uncertainties relating to lease renewals and re-letting of space.

Upon the expiration of current leases for space located in our properties, we may not be able to re-let all or a portion of that space, or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms or market rates. If we are unable to re-let promptly all or a substantial portion of the space located in our properties or if the rental rates we receive upon re-letting are significantly lower than current rates, our net income and ability to make expected distributions to our shareholders will be adversely affected due to the resulting reduction in rent receipts and increase in our property operating costs. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases.

Certain of our properties are cross-collateralized.

As of December 31, 2007, the mortgages on three sets of two properties, one set of four properties and one set of three properties are cross-collateralized. In addition, the MLP s $225.0 million loan (of which $213.6 million is outstanding at December 31, 2007) is secured by a borrowing base of 41 properties. To the extent that any of our properties are cross-collateralized, any default by us under the mortgage note relating to one property will result in a default under the financing arrangements relating to any other property that also provides security for that mortgage note or is cross-collateralized with such mortgage note.

We face possible liability relating to environmental matters.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, we may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under our properties, as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on us in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages and our liability therefore could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect our ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to make distributions.

A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of our tenants to satisfy any obligations with respect to the property leased to that tenant, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business, we authorize the preparation of Phase I environmental reports and, when necessary, Phase II environmental reports, with respect to our properties. Based upon these environmental reports and our ongoing review of our properties, as of the date of this Annual Report, we are not aware of any environmental condition with respect to any of our properties that we believe would be reasonably likely to have a material adverse effect on us.

There can be no assurance, however, that the environmental reports will reveal all environmental conditions at our properties or that the following will not expose us to material liability in the future:

- the discovery of previously unknown environmental conditions;
- changes in law;
- activities of tenants; or
- activities relating to properties in the vicinity of our properties.

Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which could adversely affect our financial condition or results of operations.

Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.

We carry comprehensive liability, fire, extended coverage and rent loss insurance on most of our properties, with policy specifications and insured limits that we believe are customary for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we generally do not maintain rent loss insurance. In addition, there are certain types of losses, such as losses resulting from wars, terrorism or certain acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

Future terrorist attacks such as the attacks which occurred in New York City, Pennsylvania and Washington, D.C. on September 11, 2001, and the military conflicts such as the military actions taken by the

United States and its allies in Afghanistan and Iraq, could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.

Among other things, it is possible that interest rates may be affected by these events. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our net income. These types of terrorist acts could also result in significant damages to, or loss of, our properties.

We and our tenants may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

Competition may adversely affect our ability to purchase properties.

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Due to our focus on net lease properties located throughout the United States, and because most competitors are locally and/or regionally focused, we do not encounter the same competitors in each market. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that we wish to purchase.

Our failure to maintain effective internal controls could have a material adverse effect on our business, operating results and share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal controls over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards may be modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and to maintain our qualification as a REIT and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, our REIT qualification could be jeopardized, investors could lose confidence in our reported financial information, and the trading price of our shares could drop significantly.

We may have limited control over our co-investment programs and joint venture investments.

Our co-investment programs and joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partner might, at any time, become bankrupt, have different interests or goals than we do, or take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Other risks of co-investment programs and joint venture investments include impasse on decisions, such as a sale, because neither we nor our partner have full control over the co-investment programs or joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in co-investment programs and joint ventures.

One of co-investment programs, Concord, is owned equally by the MLP and a subsidiary of Winthrop. This co-investment program, is managed by an investment committee which consists of seven members, three members appointed by each of the MLP and Winthrop (with one appointee from each of the MLP and Winthrop qualifying as independent) and the seventh member appointed by FUR Holdings LLC, the administrative manager of Concord and primary owner of the former external advisor of the MLP and the current external advisor of Winthrop. Each investment in excess of $20.0 million to be made by this joint venture, as well as additional material matters, requires the consent of the investment committee appointed by the MLP and Winthrop. Accordingly, Concord may not take certain actions or invest in certain assets even if the MLP believes it to be in its best interest. Michael L. Ashner, our Executive Chairman and Director of Strategic Acquisitions is also the Chairman and Chief Executive Officer of Winthrop, the managing member of FUR Holdings LLC and the seventh member of Concord s investment committee.

Another co-investment program, NLS, is managed by an Executive Committee comprised of three persons appointed by us and two persons appointed by our partner. With few exceptions, the vote of four members of the Executive Committee is required to conduct business. Accordingly, we do not control the business decisions of this co-investment.

Investments by our co-investment programs may conflict with our ability to make attractive investments.

Under the terms of the limited partnership agreement governing NLS, we are required to first offer to NLS all opportunities to acquire real estate assets which, among other criteria, are specialty in nature and net leased. Only if NLS elects not to approve the acquisition opportunity or the applicable exclusivity conditions have expired, may we pursue the opportunity directly. As a result, we may not be able to make attractive acquisitions directly and may only receive an interest in such acquisitions through our interest in NLS.

Certain of our trustees and officers may face conflicts of interest with respect to sales and refinancings.

Michael L. Ashner, E. Robert Roskind and Richard J. Rouse, our Executive Chairman and Director of Strategic Acquisitions, Co-Vice Chairman, and Co-Vice Chairman and Chief Investment Officer, respectively, each own limited partnership interests in certain of our operating partnerships, and as a result, may face different and more adverse tax consequences than our other shareholders will if we sell certain properties or reduce mortgage indebtedness on certain properties. Those individuals may, therefore, have different objectives than our other shareholders regarding the appropriate pricing and timing of any sale of such properties or reduction of mortgage debt.

Accordingly, there may be instances in which we may not sell a property or pay down the debt on a property even though doing so would be advantageous to our other shareholders. In the event of an appearance of a conflict of interest, the conflicted trustee or officer must recuse himself or herself from any decision making or seek a waiver of our Code of Business Conduct and Ethics.

Our ability to change our portfolio is limited because real estate investments are illiquid.

Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions will be limited. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. We could change our investment, disposition and financing policies without a vote of our shareholders.

There can be no assurance that we will remain qualified as a REIT for federal income tax purposes.

We believe that we have met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which there are only limited judicial or administrative interpretations. No assurance can be given that we have qualified or will remain qualified as a REIT. The Code provisions and income tax regulations applicable to REITs are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If we do not qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available for distribution to our shareholders would be significantly reduced for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

Distribution requirements imposed by law limit our flexibility.

To maintain our status as a REIT for federal income tax purposes, we are generally required to distribute to our shareholders at least 90% of our taxable income for that calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85% of our ordinary income for that year, (ii) 95% of our capital gain net income for that year and (iii) 100% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Code and to reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis in order to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Certain limitations limit a third party s ability to acquire us or effectuate a change in our control.

Limitations imposed to protect our REIT status. In order to protect us against the loss of our REIT status, our declaration of trust limits any shareholder from owning more than 9.8% in value of any class of our outstanding shares, subject to certain exceptions. The ownership limit may have the effect of precluding acquisition of control of us.

Severance payments under employment agreements. Substantial termination payments may be required to be paid under the provisions of employment agreements with certain of our executives upon a change of control. We have entered into employment agreements with five of our executive officers which provide that, upon the occurrence of a change in control of us (including a change in ownership of more than 50% of the total combined voting power of our outstanding securities, the sale of all or substantially all of our assets, dissolution, the acquisition, except from us, of 20% or more of our voting shares or a change in the majority of our Board of Trustees), four of those executive officers would be entitled to severance benefits based on their current annual base salaries, recent annual cash bonuses and the average of the value of the two most recent long-term incentive awards and one of those executive would be entitled to severance benefits based on his current annual base salary and recent annual cash bonus, as defined in the employment agreements. Accordingly, these payments may discourage a third party from acquiring us.

Limitation due to our ability to issue preferred shares. Our amended and restated declaration of trust authorizes our Board of Trustees to issue preferred shares, without shareholder approval. The Board of Trustees is able to establish the preferences and rights of any preferred shares issued which could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in shareholders best interests. As of the date of this Annual Report, we had outstanding 3,160,000 Series B Preferred Shares that we issued in June 2003, 3,100,000 Series C Preferred Shares that we issued in December 2004 and January 2005, 6,200,000 Series D Preferred Shares that we issued in February 2007, and one share of our special voting preferred stock that we issued in December 2006 in connection with the Merger. Our Series B, Series C and Series D Preferred Shares include provisions that may deter a change of control. The establishment and issuance of shares of our existing series of preferred shares or a future series of preferred shares could make a change of control of us more difficult.

Limitation imposed by the Maryland Business Combination Act. The Maryland General Corporation Law, as applicable to Maryland REITs, establishes special restrictions against business combinations between a Maryland REIT and interested shareholders or their affiliates unless an exemption is applicable. An interested shareholder includes a person who beneficially owns, and an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding voting shares, but a person is not an interested shareholder if the Board of Trustees approved in advance the transaction by which he otherwise would have been an interested shareholder. Among other things, Maryland law prohibits (for a period of five years) a merger and certain other transactions between a Maryland REIT and an interested shareholder. The five-year period runs from the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any such business combination must be recommended by the Board of Trustees and approved by two super-majority shareholder votes unless, among other conditions, the common shareholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Trustees prior to the time that the interested shareholder becomes an interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if such acquisition would be in shareholders best interests. In connection with our merger with Newkirk, Vornado Realty Trust, which we refer to as Vornado, and Apollo Real Estate Investment Fund III, L.P., which we refer to as Apollo, were granted a limited exemption from the definition of interested shareholder.

Maryland Control Share Acquisition Act. Maryland law provides that control shares of a Maryland REIT acquired in a control share acquisition shall have no voting rights except to the extent approved by a vote of two-thirds of the vote entitled to be cast on the matter under the Maryland Control Share Acquisition Act. Shares owned by the acquiror, by our officers or by employees who are our trustees are excluded from shares entitled to vote on the matter. Control Shares means shares that, if aggregated with all other shares previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions. If voting rights of control shares acquired in a control share acquisition are not approved at a shareholders meeting, then subject to certain conditions and limitations the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. Any control shares acquired in a control share acquisition which are not exempt under our by-laws will be subject to the Maryland Control Share Acquisition Act. Our amended and restated by-laws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be amended or eliminated at any time in the future.

Limits on ownership of our capital shares may have the effect of delaying, deferring or preventing someone from taking control of us.

For us to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined for federal income tax purposes to include certain entities) during the last half of each taxable year, and these capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year for which a REIT election is made). Our amended and restated declaration of trust includes certain restrictions regarding transfers of our capital shares and ownership limits.

Actual or constructive ownership of our capital shares in excess of the share ownership limits contained in its declaration of trust would cause the violative transfer or ownership to be void or cause the shares to be transferred to a charitable trust and then sold to a person or entity who can own the shares without violating these limits. As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits.

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These restrictions and limits may not be adequate in all cases, however, to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limits discussed above may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control could involve a premium price for the common shares or otherwise be in shareholders best interests.

Legislative or regulatory tax changes could have an adverse effect on us.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a shareholder. REIT dividends generally are not eligible for the reduced rates currently applicable to certain corporate dividends (unless attributable to dividends from taxable REIT subsidiaries and otherwise eligible for such rates). As a result, investment in non-REIT corporations may be relatively more attractive than investment in REITs. This could adversely affect the market price of our shares.

Our Board of Trustees may change our investment policy without shareholders approval.

Subject to our fundamental investment policy to maintain our qualification as a REIT, our Board of Trustees will determine its investment and financing policies, growth strategy and its debt, capitalization, distribution, acquisition, disposition and operating policies.

Our Board of Trustees may revise or amend these strategies and policies at any time without a vote by shareholders. Accordingly, shareholders control over changes in our strategies and policies is limited to the election of trustees, and changes made by our Board of Trustees may not serve the interests of shareholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

The intended benefits of the Merger may not be realized.

The Merger presented and continues to present challenges to management, including the integration of our operations and properties with those of Newkirk. The Merger also poses other risks commonly associated with similar transactions, including unanticipated liabilities, unexpected costs and the diversion of management s attention to the integration of the operations of the two entities. Any difficulties that we encounter in the transition and integration processes, and any level of integration that is not successfully achieved, could have an adverse effect on our revenues, level of expenses and operating results. We may also experience operational interruptions or the loss of key employees, tenants and customers. As a result, notwithstanding our expectations, we may not realize any of the anticipated benefits or cost savings of the Merger.

We may not be able to successfully implement and complete the strategic restructuring plan.

We can provide no assurance that we will be able to implement and complete the strategic restructuring plan as disclosed in our Current Report on Form 8-K filed with the SEC on June 7, 2007. As a result, we may not realize any of the anticipated benefits of the strategic restructuring plan. We may also incur significant expenses and experience operational interruptions while implementing the strategic restructuring plan.

Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.

Our growth strategy is based on the acquisition and development of additional properties and related assets, including acquisitions of large portfolios and real estate companies and acquisitions through co-investment programs such as joint ventures. In the context of our business plan, development generally means an expansion or renovation of an existing property or the acquisition of a newly constructed property. We may provide a developer with a commitment to acquire a property upon completion of construction of a property and commencement of rent from the tenant. Our plan to grow through the acquisition and development of new properties could be adversely affected by trends in the real estate and financing businesses. The consummation of any future acquisitions will be subject to satisfactory completion of an extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. Our ability to implement our strategy may be impeded because we may have difficulty finding new properties and investments at attractive prices that meet our investment criteria, negotiating with new or existing tenants or securing acceptable financing. If we are unable to carry out our strategy, our financial condition and results of operations could be adversely affected.

Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. Redevelopment and new project development are subject to numerous risks, including risks of construction delays, cost overruns or force majeure events that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and the incurrence of development costs in connection with projects that are not pursued to completion.

Some of our acquisitions and developments may be financed using the proceeds of periodic equity or debt offerings, lines of credit or other forms of secured or unsecured financing that may result in a risk that permanent financing for newly acquired projects might not be available or would be available only on disadvantageous terms. If permanent debt or equity financing is not available on acceptable terms to refinance acquisitions undertaken without permanent financing, further acquisitions may be curtailed or cash available for distribution to shareholders may be adversely affected.

The concentration of ownership by certain investors may limit other shareholders from influencing significant corporate decisions.

As of December 31, 2007, Michael L. Ashner, our Executive Chairman and Director of Strategic Acquisitions, and Winthrop collectively owned 3.8 million of our outstanding common shares and Mr. Ashner, Vornado and Apollo, collectively owned 27.7 million voting MLP units which are redeemable by the holder thereof for, at our election, cash or our common shares. Accordingly, on a fully-diluted basis, Mr. Ashner, Apollo, Vornado and Winthrop collectively held a 31.2% ownership interest in us, as of December 31, 2007. As holders of voting MLP units, Mr. Ashner, Vornado and Apollo, as well as other holders of voting MLP units, have the right to direct the voting of our special voting preferred stock. Holders of interests in our other operating partnerships do not have voting rights. In addition, Mr. Ashner controls NKT Advisors, LLC, which holds the one share of our special voting preferred stock pursuant to a voting trustee agreement. To the extent that an affiliate of Vornado is a member of our Board of Trustees, NKT Advisors, LLC has the right to direct the vote of the voting MLP units held by Vornado with respect to the election of members of our Board of Trustees. Clifford Broser, a member of our Board of Trustees, is a Senior Vice President of Vornado.

E. Robert Roskind, our Co-Vice Chairman, owned, as of December 31, 2007, 0.9 million of our common shares and 1.5 million units of limited partner interest in our other operating partnerships, which are redeemable for our common shares on a one for one basis, or with respect to a portion of the units, at our election, cash. On a fully diluted basis, Mr. Roskind held a 2.4% ownership interest in us as of December 31, 2007.

Securities eligible for future sale may have adverse effects on our share price.

An aggregate of approximately 39.7 million of our common shares are issuable upon the exchange of units of limited partnership interests in our operating partnership subsidiaries. Depending upon the number of such securities exchanged or exercised at one time, an exchange or exercise of such securities could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

We are dependent upon our key personnel and the terms of Mr. Ashner s employment agreement affects our ability to make certain investments.

We are dependent upon key personnel whose continued service is not guaranteed. We are dependent on our executive officers for business direction. We have entered into employment agreements with certain employees, including Michael L. Ashner, our Executive Chairman and our Director of Strategic Acquisitions, E. Robert Roskind, our Co-Vice-Chairman, Richard J. Rouse, our Co-Vice Chairman and Chief Investment Officer, T. Wilson Eglin, our Chief Executive Officer, President and Chief Operating Officer, and Patrick Carroll, our Executive Vice President, Chief Financial Officer and Treasurer. Pursuant to Mr. Ashner s employment agreement, Mr. Ashner may voluntarily terminate his employment with us and become entitled to receive a substantial severance payment if we acquire or make an investment in a non-net lease business opportunity during the term of Mr. Ashner s employment. This provision in Mr. Ashner s agreement may cause us not to avail ourselves of those other business opportunities due to the potential consequences of acquiring such non-net lease business opportunities.

Our inability to retain the services of any of our key personnel or our loss of any of their services could adversely impact our operations. We do not have key man life insurance coverage on our executive officers.

Risks Specific to Our Investment in Concord

In addition to the risks described above, our investment in Concord is subject to the following additional risks:

Concord invests in subordinate mortgage-backed securities which are subject to a greater risk of loss than senior securities. Concord may hold the most junior class of mortgage-backed securities which are subject to the first risk of loss if any losses are realized on the underlying mortgage loans.

Concord invests in a variety of subordinate loan securities, and sometimes holds a first loss subordinate holder position. The ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower since the underlying loans are generally non-recourse in nature. In the event of default and the exhaustion of any equity support, reserve funds, letters of credit and any classes of securities junior to those in which Concord invests, Concord will not be able to recover all of its investment in the securities purchased.

Expenses of enforcing the underlying mortgage loans (including litigation expenses), expenses of protecting the properties securing the mortgage loans and the liens on the mortgaged properties, and, if such expenses are advanced by the servicer of the mortgage loans, interest on such advances will also be allocated to such first loss securities prior to allocation to more senior classes of securities issued in the securitization. Prior to the reduction of distributions to more senior securities, distributions to the first loss securities may also be reduced by payment of compensation to any servicer engaged to enforce a defaulted mortgage loan. Such expenses and servicing compensation may be substantial and consequently, in the event of a default or loss on one or more mortgage loans contained in a securitization, Concord may not recover its investment.

Concord s warehouse facilities and its CDO financing agreements may limit its ability to make investments.

In order for Concord to borrow money to make investments under its repurchase facilities, its repurchase counterparty has the right to review the potential investment for which Concord is seeking financing. Concord may be unable to obtain the consent of its repurchase counterparty to make certain investments. Concord may be unable to obtain alternate financing for that investment. Concord s repurchase counterparty consent rights with respect to its warehouse facility may limit Concord s ability to execute its business strategy.

The repurchase agreements that Concord uses to finance its investments may require it to provide additional collateral.

If the market value of the loan assets and loan securities pledged or sold by Concord to a repurchase counterparty decline in value, which decline is determined, in most cases, by the repurchase counterparty, Concord may be required by the repurchase counterparty to provide additional collateral or pay down a portion of the funds advanced. Concord may not have the funds available to pay down its debt, which could result in defaults. Posting additional collateral to support its repurchase facilities will reduce Concord s liquidity and limit its ability to leverage its assets. Because Concord s obligations under its repurchase facilities are recourse to Concord, if Concord does not have sufficient liquidity to meet such requirements, it would likely result in a rapid deterioration of Concord s financial condition and solvency.

Concord s future investment grade CDOs, if any, will be collateralized with loan assets and debt securities that are similar to those collateralizing its existing investment grade CDO, and any adverse market trends are likely to adversely affect the issuance of future CDOs as well as Concord s CDOs in general.

Concord s existing investment grade CDO is collateralized by fixed and floating rate loan assets and debt securities, and we expect that future issuances, if any, will be backed by similar loan assets and debt securities. Any adverse market trends that affect the value of these types of loan assets and debt securities will adversely affect the value of Concord s interests in the CDOs and, accordingly, our interest in Concord. Such trends could include declines in real estate values in certain geographic markets or sectors, underperformance of loan assets and debt securities, or changes in federal income tax laws that could affect the performance of debt issued by REITs.

Credit ratings assigned to Concord s investments are subject to ongoing evaluations and we cannot assure you that the ratings currently assigned to Concord s investments will not be downgraded.

Some of Concord s investments are rated by Moody s Investors Service, Fitch Ratings or Standard & Poor s, Inc. The credit ratings on these investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings of Concord s investments the market value of those investments could significantly decline, which may have an adverse affect on Concord s financial condition.

The use of CDO financings with coverage tests may have a negative impact on Concord s operating results and cash flows.

Concord s current CDO contains, and it is likely that future CDOs, if any, will contain coverage tests, including over-collateralization tests, which are used primarily to determine whether and to what extent principal and interest proceeds on the underlying collateral debt securities and other assets may be used to pay principal of and interest on the subordinate classes of bonds in the CDO. In the event the coverage tests are not met, distributions otherwise payable to Concord may be re-directed to pay principal on the bond classes senior to Concord s. Therefore, Concord s failure to satisfy the coverage tests could adversely affect Concord s operating results and cash flows.

Certain coverage tests which may be applicable to Concord s interest in its CDOs (based on delinquency levels or other criteria) may also restrict Concord s ability to receive net income from assets pledged to secure the CDOs. If Concord s assets fail to perform as anticipated, Concord s over-collateralization or other credit enhancement expenses associated with its CDO will increase. There can be no assurance of completing negotiations with the rating agencies or other key transaction parties on any future CDOs, as to what will be the actual terms of the delinquency tests, over-collateralization, cash flow release mechanisms or other significant factors regarding the calculation of net income to Concord. Failure to obtain favorable terms with regard to these matters may materially reduce net income to Concord.

If credit spreads widen, the value of Concord s assets may suffer.

The value of Concord s loan securities is dependent upon the yield demand on these loan securities by the market based on the underlying credit. A large supply of these loan securities combined with reduced demand will generally cause the market to require a higher yield on these loan securities, resulting in a higher, or wider , spread over the benchmark rate of such loan securities. Under such conditions, the value of loan securities in Concord s portfolio would tend to decline. Such changes in the market value of Concord s portfolio may adversely affect its net equity through their impact on unrealized gains or losses on available-for-sale loan securities, and therefore Concord s cash flow, since Concord would be unable to realize gains through sale of such loan securities. Also, they could adversely affect Concord s ability to borrow and access capital.

The value of Concord s investments in mortgage loans, mezzanine loans and participation interests in mortgage and mezzanine loans is also subject to changes in credit spreads. The majority of the loans Concord invests in are floating rate loans whose value is based on a market credit spread to LIBOR. The value of the loans is dependent upon the yield demanded by the market based on their credit. The value of Concord s portfolio would tend to decline should the market require a higher yield on such loans, resulting in the use of a higher spread over the benchmark rate. Any credit or spread losses incurred with respect to Concord s loan portfolio would affect Concord in the same way as similar losses on Concord s loan securities portfolio as described above.

Concord prices its assets based on its assumptions about future credit spreads for financing of those assets. Concord has obtained, and may obtain in the future, longer term financing for its assets using structured financing techniques such as CDOs. Such issuances entail interest rates set at a spread over a certain benchmark, such as the yield on United States Treasury obligations, swaps or LIBOR. If the spread that investors are paying on structured finance vehicles over the benchmark widens and the rates Concord charges on its securitized assets are not increased accordingly, this may reduce Concord s income or cause losses.

Prepayments can increase, adversely affecting yields on Concord s investments.

The value of Concord s assets may be affected by an increase in the rate of prepayments on the loans underlying its loan assets and loan securities. The rate of prepayment on loans is influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond Concord s control and consequently such prepayment rates cannot be predicted with certainty. In periods of declining real estate loan interest rates, prepayments of real estate loans generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the loans that were prepaid. Under certain interest rate and prepayment scenarios Concord may fail to recoup fully its cost of acquisition of certain investment.

Concord may not be able to issue CDO securities, which may require Concord to seek more costly financing for its real estate loan assets or to liquidate assets.

Concord has and may continue to seek to finance its loan assets on a long-term basis through the issuance of CDOs. Prior to any new investment grade CDO issuance, there is a period during which real estate loan assets are identified and acquired for inclusion in a CDO, known as the repurchase facility accumulation period. During this period, Concord authorizes the acquisition of loan assets and debt securities under one or more repurchase facilities from repurchase counterparties. The repurchase counterparties then purchase the loan assets and debt securities and hold them for later repurchase by Concord. Concord contributes cash and other collateral to be held in escrow by the repurchase counterparty to back Concord s commitment to purchase equity in the CDO, and to cover its share of losses should loan assets or debt securities need to be liquidated. As a result, Concord is subject to the risk that it will not be able to acquire, during the period that its warehouse facilities are available, a sufficient amount of loan assets and debt securities to support the execution of an investment grade CDO issuance. In addition, conditions in the capital markets may make it difficult, if not impossible, for Concord to pursue a CDO when it does have a sufficient pool of collateral. If Concord is unable to issue a CDO to finance these assets or if doing so is not economical, Concord may be required to seek other forms of potentially less attractive financing or to liquidate the assets at a price that could result in a loss of all or a portion of the cash and other collateral backing its purchase commitment.

The recent capital market crisis has made financings through CDOs difficult.

The recent events in the subprime mortgage market have impacted Concord s ability to consummate a second CDO. Although Concord holds only one bond of $11.5 million which has minimal exposure to subprime residential mortgages, conditions in the financial capital markets have made issuances of CDOs at this time less attractive to investors. As of December 31, 2007, Concord has recorded an other- than temporary impairment charge relating to this asset of $4.9 million. If Concord is unable to issue future CDOs to finance its assets, Concord will be required to hold its loan assets under its existing warehouse facilities longer than originally anticipated or seek other forms of potentially less attractive financing. The inability to issue future CDOs at accretive rates will have a negative impact on Concord s cash flow and anticipated return.

The lack of a CDO market may require us to make a larger equity investment in Concord.

As of December 31, 2007, we had committed to invest up to $162.5 million in Concord, of which $5.1 million remains to be invested. In view of the difficulties in the CDO market, we may continue to invest additional amounts in Concord only upon approval of our Board of Trustees.

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Concord may not be able to access financing sources on favorable terms, or at all, which could adversely affect its ability to execute its business plan and its ability to make distributions.

Concord finances its assets through a variety of means, including repurchase agreements, credit facilities, CDOs and other structured financings. Concord may also seek to finance its investments through the issuance of common or preferred equity interests. Concord s ability to execute this strategy depends on various conditions in the capital markets, which are beyond its control. If these markets are not an efficient source of long-term financing for Concord s assets, Concord will have to find alternative forms of long-term financing for its assets. This could subject Concord to more expensive debt and financing arrangements which would require a larger portion of its cash flows, thereby reducing cash available for distribution to its members and funds available for operations as well as for future business opportunities.

Concord may make investments in assets with lower credit quality, which will increase our risk of losses.

Concord may invest in unrated loan securities or participate in unrated or distressed mortgage loans. The anticipation of an economic downturn, for example, could cause a decline in the price of lower credit quality investments and securities because the ability of obligors of mortgages, including mortgages underlying mortgage-backed securities, to make principal and interest payments may be impaired. If this were to occur, existing credit support in the warehouse structure may be insufficient to protect Concord against loss of its principal on these investments and securities.

Item 1B. ***Unresolved Staff Comments***

There are no unresolved written comments that were received from the SEC staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934.

Item 2. ***Properties***

Real Estate Portfolio

General. As of December 31, 2007, we owned or had interests in approximately 45.5 million square feet of rentable space in approximately 280 consolidated office, industrial and retail properties. As of December 31, 2007, our properties were 95.6% leased based upon net rentable square feet.

Our properties are generally subject to net leases; however, in certain leases we are responsible for roof and structural repairs. In such situations, we perform annual inspections of the properties. In addition, certain of our properties (including those held through non-consolidated entities) are subject to leases in which the landlord is responsible for a portion of the real estate taxes, utilities and general maintenance. We are responsible for all operating expenses of any vacant properties and we may be responsible for a significant amount of operating expenses of multi-tenant properties.

Ground Leases. Certain of our properties are subject to long-term ground leases where a third party owns and leases the underlying land to us. Certain of these properties are economically owned through the holding of industrial revenue bonds and as such neither ground lease payments nor bond interest payments are made or received, respectively. For certain of the properties held under a ground lease, we have a purchase option. At the end of these long-term ground leases, unless extended or the purchase option exercised, the land together with all improvements thereon reverts to the landowner. In addition, we have one property in which a portion of the land, on which a portion of the parking lot is located, is subject to a ground lease. At expiration of the ground lease, only that portion of the parking lot reverts to the landowner.

Leverage. As of December 31, 2007, we had outstanding mortgages and notes payable, including mortgages classified as discontinued operations, of $3.0 billion with a weighted average interest rate of 5.9%.

Table Regarding Real Estate Holdings

LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
OFFICE

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Leases Expiration	Percent Leased
12209 W. Markham St.	Little Rock	AR	Entergy Arkansas, Inc.	36,311	10/31/2010	100%
19019 N. 59th Ave	Glendale	AZ	Honeywell, Inc.	252,300	7/15/2011	100%
2211 S. 47th St.	Phoenix	AZ	Avnet, Inc.	176,402	11/14/2012	100%
13430 N. Black Canyon Freeway	Phoenix	AZ	Bull HN Information Systems, Inc.	138,940	10/31/2010	80%
8555 S. River Pwy	Tempe	AZ	ASM Lithography, Inc. (ASM Lithography Holding N.V.)	95,133	6/30/2013	100%
2005 E. Technology Circle	Tempe	AZ	(i) Structure, LLC (Infocrossing, Inc.)	60,000	12/31/2025	100%
275 S. Valencia Ave	Brea	CA	Bank of America NT & SA	637,503	6/30/2012	100%
2230 E. Imperial Hwy. 1	El Segundo	CA	Raytheon Company/Direct TV, Inc.	184,636	12/31/2013	100%
2200 & 2222 E. Imperial Hwy. 3	El Segundo	CA	Raytheon Company	184,636	12/31/2018	100%
2200 & 2222 E. Imperial Hwy. 2	El Segundo	CA	Raytheon Company	959,000	12/31/2008	100%
17770 Cartwright Rd	Irvine	CA	Associates First Capital Corporation	136,180	8/31/2008	100%
26210 & 26220 Enterprise Court	Lake Forest	CA	Apria Healthcare, Inc. (Apria Healthcare Group, Inc.)	100,012	1/31/2012	100%
1500 Hughes Way	Long Beach	CA	Raytheon Company	490,054	12/31/2008	100%
27016 Media Center Dr.	Los Angeles	CA	Playboy Enterprises, Inc.	83,252	11/7/2012	100%
5724 W. Las Positas Blvd.	Pleasanton	CA	NK Leasehold	40,914	11/30/2009	100%
255 California St.	San Francisco	CA	Multi-tenanted	169,846	Various	92%
599 Ygnacio Valley Rd	Walnut Creek	CA	Vacant	54,528	None	0%
5550 Tech Center Dr.	Colorado Springs	CO	Federal Express Corporation	61,690	4/30/2009	100%
1110 Bayfield Dr.	Colorado Springs	CO	Honeywell International, Inc.	166,575	11/30/2013	100%
9201 E. Dry Creek Rd	Centennial	CO		128,500	9/30/2017	100%

			The Shaw Group, Inc.			
3940 S. Teller St.	Lakewood	CO	Travelers Express, Inc	68,165	3/31/2012	100%
10 John St.	Clinton	CT	Unilever Supply Chain, Inc. (Unilever United States, Inc.)	41,188	12/19/2008	100%
200 Executive Blvd. S	Southington	CT	Hartford Fire Insurance Company	153,364	12/31/2012	100%
100 Barnes Rd	Wallingford	CT	3M Company	44,400	12/31/2010	100%
5600 Broken Sound Blvd.	Boca Raton	FL	Océ Printing Systems USA, Inc. (Oce-USA Holding, Inc.)	136,789	2/14/2020	100%
12600 Gateway Blvd.	Fort Meyers	FL	Gartner, Inc.	62,400	1/31/2013	100%
600 Business Center Dr.	Lake Mary	FL	JP Morgan Chase Bank	125,155	9/30/2009	100%
550 Business Center Dr.	Lake Mary	FL	JP Morgan Chase Bank	125,920	9/30/2009	100%
6277 Sea Harbor Dr.	Orlando	FL	Harcourt Brace & Company (Reed Elsevier, Inc.)	355,840	3/31/2009	100%
Sandlake Rd./Kirkman Rd	Orlando	FL	Honeywell, Inc.	184,000	4/30/2013	100%
9200 S. Park Center Loop	Orlando	FL	Corinthian Colleges, Inc.	59,927	9/30/2013	100%
4200 RCA Blvd.	Palm Beach Gardens	FL	The Wackenhut Corporation	114,518	2/28/2011	100%
10419 N. 30th St.	Tampa	FL	Time Customer Service, Inc. (Time, Inc.)	132,981	6/30/2020	100%

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Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Leases Expiration	Percent Leased
6303 Barfield Rd	Atlanta	GA	International Business Machines Corporation (Internet Security Systems, Inc.)	238,600	5/31/2013	100%
859 Mount Vernon Hwy	Atlanta	GA	International Business Machines Corporation (Internet Security Systems, Inc.)	50,400	5/31/2013	100%
4000 Johns Creek Pwy	Suwanee	GA	Kraft Foods N.A., Inc.	87,219	1/31/2012	100%
160 Clairemont Ave	Decatur	GA	Multi-tenanted	121,686	12/31/2007	24%
King St.	Honolulu	HI	Multi-tenanted	236,545	Various	93%
1275 N.W. 128th St.	Clive	IA	Principal Life Insurance Company	61,180	1/31/2012	100%
101 E. Erie St.	Chicago	IL	FCB Worldwide, Inc. (Interpublic Group of Companies, Inc.)	227,569	3/15/2014	100%
850 & 950 Warrenville Rd	Lisle	IL	National Louis University	99,329	12/31/2019	100%
500 Jackson St.	Columbus	IN	Cummins Engine Company, Inc.	390,100	7/31/2019	100%
10300 Kincaid Dr.	Fishers	IN	Bank One Indiana, N.A.	193,000	10/31/2009	100%
5757 Decatur Blvd.	Indianapolis	IN	Allstate Insurance Company	89,956	8/31/2012	100%
10475 Crosspoint Blvd.	Fishers	IN	John Wiley & Sons, Inc.	141,047	10/31/2019	100%
2300 Litton Lane	Hebron	KY	AGC Automotive Americas Company (AFG Industries, Inc.)	80,441	8/31/2012	58%
5200 Metcalf Ave	Overland Park	KS	Employers Reinsurance Corporation	291,168	12/22/2018	100%
4455 American Way	Baton Rouge	LA	Bell South Mobility, Inc.	70,100	10/31/2012	100%
147 Milk St.	Boston	MA	Harvard Vanguard Medical Association	52,337	5/31/2012	100%
33 Commercial St.	Foxboro	MA	Invensys Systems, Inc. (Siebe, Inc.)	164,689	7/1/2015	100%
70 Mechanic St.	Foxboro	MA	Invensys Systems, Inc. (Siebe, Inc.)	251,914	6/30/2014	100%
100 Light St.	Baltimore	MD	St. Paul Fire and Marine Insurance Company	530,000	9/30/2009	100%
27404 Drake Rd	Farmington Hills	MI	Vacant	108,499	None	0%
3701 Corporate Dr.	Farmington Hills	MI	Temic Automotive of North America, Inc.	119,829	12/31/2016	100%

26555 Northwestern Hwy	Southfield	MI	Federal-Mogul Corporation	187,163	1/31/2015	100%
3165 McKelvey Rd	Bridgeton	MO	BJC Health System	52,994	3/31/2013	100%
9201 Stateline Rd	Kansas City	MO	Employers Reinsurance Corporation	155,925	4/1/2019	100%
200 Lucent Lane	Cary	NC	Lucent Technologies, Inc.	124,944	9/30/2011	100%
11707 Miracle Hills Dr.	Omaha	NE	(i) Structure, LLC (Infocrossing, Inc.)	85,200	11/30/2025	100%
700 US Hwy. Route 202-206	Bridgewater	NJ	Biovail Pharmaceuticals, Inc. (Biovail Corporation)	115,558	10/31/2014	100%
200 Milik St.	Carteret	NJ	Pathmark Stores, Inc.	149,100	12/31/2011	100%
288 N. BRd. St.	Elizabeth	NJ	Bank of America	30,000	8/31/2013	100%
389 & 399 Interpace Hwy	Parsippany	NJ	Sanofi-aventis U.S., Inc. (Aventis, Inc. & Aventis Pharma Holding GmbH)	340,240	1/31/2010	100%
656 Plainsboro Rd	Plainsboro	NJ	Bank of America	4,060	8/31/2013	100%
333 Mount Hope Ave	Rockaway	NJ	BASF Corporation	95,500	9/30/2014	100%

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Leases Expiration	Percent Leased
1415 Wyckoff Rd	Wall	NJ	New Jersey Natural Gas Company	157,511	6/30/2021	100%
29 S. Jefferson Rd	Whippany	NJ	CAE SimuFlite, Inc.	76,383	11/30/2021	100%
6226 W. Sahara Ave	Las Vegas	NV	Nevada Power Company	282,000	1/31/2014	100%
180 S. Clinton St.	Rochester	NY	Frontier Corporation	226,000	12/31/2014	100%
5550 Britton Pwy	Hilliard	OH	BMW Financial Services NA, LLC	220,966	2/28/2021	100%
2000 Eastman Dr.	Milford	OH	Siemens Product Lifestyle Management Software, Inc.	221,215	4/30/2011	100%
500 Olde Worthington Rd	Westerville	OH	InVentiv Communications, Inc.	97,000	9/30/2015	100%
4848 129th E. Ave	Tulsa	OK	Metris Direct, Inc. (Metris Companies, Inc.)	101,100	1/31/2010	100%
180 Rittenhouse Circle	Bristol	PA	Jones Apparel Group, Inc.	96,000	7/31/2013	100%
250 Rittenhouse Circle	Bristol	PA	Jones Apparel Group, Inc.	255,019	3/25/2008	100%
275 Technology Dr.	Canonsburg	PA	ANSYS, Inc.	107,872	12/31/2014	100%
2550 Interstate Dr.	Harrisburg	PA	New Cingular Wireless PCS, LLC	81,859	12/13/2013	100%
1701 Market St.	Philadelphia	PA	Morgan, Lewis & Bockius, LLC	307,775	1/31/2014	100%
1460 Tobias Gadsen Blvd.	Charleston	SC	Hagemeyer North America, Inc.	50,076	7/8/2020	100%
2210 Enterprise Dr.	Florence	SC	Washington Mutual Home Loans, Inc.	177,747	6/30/2013	100%
3476 Stateview Blvd.	Fort Mill	SC	Wells Fargo Home Mortgage, Inc.	169,083	1/30/2013	100%
2480 Stateview Blvd.	Fort Mill	SC	Wells Fargo Bank, N.A.	169,218	5/31/2014	100%
Nijborg 15	3927 DA Renswoude	The Netherlands	AS Watson (Health & Beauty Continental Europe)	17,610	12/20/2011	100%
Nijborg 17	3927 DA Renswoude	The Netherlands	AS Watson (Health & Beauty Continental Europe)	114,195	6/14/2018	100%
207 Mockingbird Lane	Johnson City	TN	Sun Trust Bank	63,800	11/30/2011	100%

1409 Centerpoint Blvd.	Knoxville	TN	Alstom Power, Inc.	84,404	10/31/2014	100%
104 & 110 S. Front St.	Memphis	TN	Hnedak Bobo Group, Inc.	37,229	10/31/2016	100%
3965 Airways Blvd.	Memphis	TN	Federal Express Corporation	521,286	6/19/2019	100%
800 Ridgelake Blvd.	Memphis	TN	The Kroger Company	75,000	7/1/2013	100%
601 & 701 Experian Pwy	Allen	TX	Experian Information Solutions, Inc. (TRW, Inc.)	292,700	10/15/2010	100%
1401 & 1501 Nolan Ryan Pwy	Arlington	TX	Siemens Dematic Postal Automation, LP	236,547	1/31/2014	100%
3535 Calder Ave	Beaumont	TX	Texas State Bank	49,689	12/31/2012	100%
350 Pine St.	Beaumont	TX	Multi-tenanted	425,198	Various	58%
1900 L. Don Dodson Dr.	Bedford	TX	Transamerica Life Insurance Company	202,493	4/30/2019	29%
4201 Marsh Lane	Carrollton	TX	Carlson Restaurants Worldwide, Inc. (Carlson Companies, Inc.)	130,000	11/30/2018	100%
4001 International Pwy	Carrollton	TX	Motel 6 Operating, LP (Accor S.A.)	138,443	7/31/2015	100%
555 Dividend Dr.	Coppell	TX	Brinks, Inc.	101,844	4/30/2017	100%
1600 Viceroy Dr.	Dallas	TX	TFC Services, Inc. (Freeman Decorating Company)	249,452	1/31/2019	63%
6301 Gaston Ave	Dallas	TX	Multi-tenanted	173,855	Various	62%
11511 Luna Rd	Farmers Branch	TX	Haggar Clothing Company (Texas Holding Clothing Corp. & Haggar Corp.)	180,507	4/30/2016	100%

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Leases Expiration	Percent Leased
1200 Jupiter Rd	Garland	TX	Raytheon Company	278,759	5/31/2011	100%
10001 Richmond Ave	Houston	TX	Baker Hughes, Inc.	554,385	9/27/2015	100%
15375 Memorial Dr.	Houston	TX	BP America Production Company	327,325	9/15/2009	100%
810 & 820 Gears Rd	Houston	TX	IKON Office Solutions, Inc.	157,790	1/31/2013	100%
2529 W. Thorn Dr.	Houston	TX	Baker Hughes, Inc.	65,500	9/27/2015	100%
16676 Northchase Dr.	Houston	TX	Anadarko Petroleum Corporation	101,111	7/31/2014	100%
1311 BRd.field Blvd.	Houston	TX	Transocean Offshore Deepwater Drilling, Inc. (Transocean Sedco Forex, Inc.)	155,991	3/31/2011	100%
6555 Sierra Dr.	Irving	TX	TXU Energy Retail Company, LLC (Texas Competitive Electric Holdings Company, LLC)	247,254	3/31/2023	100%
8900 Freeport Pwy	Irving	TX	Nissan Motor Acceptance Corporation (Nissan North America, Inc.)	268,445	3/31/2013	100%
6200 Northwest Pwy	San Antonio	TX	PacifiCare Health Systems, Inc.	142,500	11/30/2010	100%
12645 W. Airport Rd	Sugar Land	TX	Baker Hughes, Inc.	165,836	9/27/2015	100%
11555 University Blvd.	Sugar Land	TX	KS Management Services, LLP (St. Luke s Episcopal Health System Corporation)	72,683	11/30/2020	100%
2050 Roanoke Rd	Westlake	TX	DaimlerChrysler Financial Services Americas, LLC	130,290	12/31/2011	100%
100 E. Shore Dr.	Glen Allen	VA	Multi-tenanted	67,508	Various	94%
120 E. Shore Dr.	Glen Allen	VA	Capital One Services, Inc.	77,045	3/31/2010	100%
130 E. Shore Dr.	Glen Allen	VA	Capital One Services, Inc.	79,675	2/10/2010	100%
400 Butler Farm Rd	Hampton	VA	Nextel Communications of the Mid-Atlantic, Inc. (Nextel Finance Company)	100,632	12/31/2009	100%
421 Butler Farm Rd	Hampton	VA		56,515	1/14/2010	100%

			Nextel Communications of the Mid-Atlantic, Inc. (Nextel Finance Company)			
13651 McLearen Rd	Herndon	VA	Boeing Service Company (The Boeing Company)	159,664	5/30/2008	100%
13775 McLearen Rd	Herndon	VA	Equant, Inc. (Equant N.V.)	125,293	4/30/2015	100%
2800 Waterford Lake Dr.	Richmond	VA	Alstom Power, Inc.	99,057	10/31/2014	100%
9950 Mayland Dr.	Richmond	VA	Circuit City Stores, Inc.	288,000	2/28/2010	100%
5150 220th Ave	Issaquah	WA	OSI Systems, Inc. (Instrumentarium Corporation)	106,944	12/14/2014	100%
22011 S.E. 51st St.	Issaquah	WA	OSI Systems, Inc. (Instrumentarium Corporation)	95,600	12/14/2014	100%
848 Main St. & 849 Front St.	Evanston	WY	Multi-tenanted	29,500	Various	74%
295 Chipeta Way	Salt Lake City	UT	Northwest Pipeline Corporation	295,000	9/30/2009	100%
			Office Total	20,846,729		

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
INDUSTRIAL

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
Moody Commuter & Tech Park	Moody	AL	CEVA Logistics U.S., Inc. (TNT Holdings B.V.)	595,346	1/2/2014	100%
1665 Hughes Way	Long Beach	CA	Raytheon Company	200,541	12/31/2008	100%
3333 Coyote Hill Road	Palo Alto	CA	Xerox Corporation	202,000	12/13/2013	100%
2455 Premier Drive	Orlando	FL	Walgreen Company	205,016	3/31/2011	100%
3102 Queen Palm Drive	Tampa	FL	Time Customer Service, Inc. (Time, Inc.)	229,605	6/30/2020	100%
1420 Greenwood Road	McDonough	GA	Atlas Cold Storage America, LLC	296,972	10/31/2017	100%
7500 Chavenelle Road	Dubuque	IA	The McGraw-Hill Companies, Inc.	330,988	6/30/2017	100%
3600 Southgate Drive	Danville	IL	Sygma Network, Inc. (Sysco Corporation)	149,500	10/31/2015	100%
749 Southrock Drive	Rockford	IL	Jacobson Warehouse Company, Inc. (Jacobson Transportation Company, Inc.)	150,000	12/31/2015	100%
3686 S. Central Avenue	Rockford	IL	Jacobson Warehouse Company, Inc. (Jacobson Transportation Company, Inc.)	90,000	12/31/2014	100%
10000 Business Boulevard	Dry Ridge	KY	Dana Corporation	336,350	6/30/2025	100%
730 N. Black Branch Road	Elizabethtown	KY	Dana Corporation	167,770	6/30/2025	100%
750 N. Black Branch Road	Elizabethtown	KY	Dana Corporation	539,592	6/30/2025	100%
301 Bill Bryan Road	Hopkinsville	KY	Dana Corporation	424,904	6/30/2025	100%
4010 Airpark Drive	Owensboro	KY	Dana Corporation	211,598	6/30/2025	100%
1901 Ragu Drive	Owensboro	KY	Unilever Supply Chain, Inc. (Unilever United States, Inc.)	443,380	12/19/2020	100%
7150 Exchequer Drive	Baton Rouge	LA	Corporate Express Office Products, Inc. (Buhrmann NV)	79,086	10/31/2013	100%

5001 Greenwood Road	Shreveport	LA	Libbey Glass, Inc.	646,000	10/30/2026	100%
N. Wells Road	North Berwick	ME	United Technologies Corporation	820,868	12/31/2010	100%
4425 Purks Road	Auburn Hills	MI	Vacant	183,717	None	0%
6938 Elm Valley Drive	Kalamazoo	MI	Dana Corporation	150,945	10/25/2021	100%
904 Industrial Road	Marshall	MI	Tenneco Automotive Operating Company, Inc. (Tenneco, Inc.)	195,640	8/17/2010	100%
1601 Pratt Avenue	Marshall	MI	Joseph Campbell Company	53,600	9/30/2011	100%
43955 Plymouth Oaks Boulevard	Plymouth	MI	Tower Automotive Operations USA I, LLC (Tower (Tower Automotive Holdings I, LLC)	290,133	10/31/2012	100%
46600 Port Street	Plymouth	MI	Vacant	134,160	None	0%
7111 Crabb Road	Temperance	MI	CEVA Logistics U.S., Inc. (TNT Holdings B.V.)	752,000	8/4/2012	100%
7670 Hacks Cross Road	Olive Branch	MS	MAHLE Clevite, Inc. (MAHLE Industries, Inc,)	268,104	2/28/2016	100%
1133 Poplar Creek Road	Henderson	NC	Corporate Express Office Products, Inc. (Buhrmann NV)	196,946	1/31/2014	100%
250 Swathmore Avenue	High Point	NC	Steelcase, Inc.	244,851	9/30/2017	100%
2880 Kenny Biggs Road	Lumberton	NC	Quickie Manufacturing Corporation	423,280	11/30/2021	100%
2203 Sherrill Drive	Statesville	NC	LA-Z-Boy Greensboro, Inc. (LA-Z-Boy, Inc.)	639,600	4/30/2010	100%
121 Technology Drive	Durham	NH	Heidelberg Web Systems, Inc.	500,500	3/30/2021	100%
1109 Commerce Boulevard	Swedesboro	NJ	Linens n Things, Inc.	262,644	12/31/2008	100%

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Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
75 North Street	Saugerties	NY	Rotron, Inc. (EG&G)	52,000	12/31/2009	100%
10590 Hamilton Avenue	Cincinnati	OH	The Hillman Group, Inc.	247,088	8/31/2016	100%
1650 & 1654 Williams Road	Columbus	OH	ODW Logistics, Inc.	772,450	6/30/2018	100%
191 Arrowhead Drive	Hebron	OH	Owens Corning Insulating Systems, LLC	250,450	4/13/2008	41%
200 Arrowhead Drive	Hebron	OH	Owens Corning Insulating Systems, LLC	401,260	5/31/2009	100%
7005 Cochran Road	Glenwillow	OH	Royal Appliance Manufacturing Company	458,000	7/31/2015	100%
10345 Philipp Parkway	Streetsboro	OH	L Oreal USA, Inc.	649,250	10/17/2019	100%
245 Salem Church Road	Mechanicsburg	PA	Exel Logistics, Inc. (NFC plc)	252,000	12/31/2012	100%
6 Doughten Road	New Kingston	PA	Carolina Logistics Services	330,000	Month to month	51%
34 East Main Street	New Kingston	PA	Quaker Sales and Distribution, Inc.	179,200	2/29/2008	100%
159 Farley Drive	Dillon	SC	Harbor Freight Tools USA, Inc. (Central Purchasing, Inc.)	1,010,859	12/31/2021	100%
50 Tyger River Drive	Duncan	SC	Plastic Omnium Exteriors, LLC	218,382	5/31/2017	100%
101 Michelin Drive	Laurens	SC	CEVA Logistics U.S., Inc. (TNT Holdings B.V.)	1,164,000	8/4/2012	100%
6050 Dana Way	Antioch	TN	W.M. Wright Company	677,400	3/31/2021	50%
477 Distribution Parkway	Collierville	TN	Federal Express Corporation	120,000	5/31/2021	100%
900 Industrial Boulevard	Crossville	TN	Dana Corporation	222,200	9/30/2016	100%
120 S.E. Parkway Drive	Franklin	TN	Essex Group, Inc. (United Technologies Corporation)	289,330	12/31/2013	100%
187 Spicer Drive	Gordonsville	TN	Dana Corporation	148,000	8/31/2012	100%
3350 Miac Cove Road	Memphis	TN	Mimeo.com, Inc.	141,359	9/30/2020	84%

3456 Meyers Avenue	Memphis	TN	Sears, Roebuck & Company	780,000	2/28/2017	100%
3820 Micro Drive	Millington	TN	Ingram Micro, LP (Ingram Micro, Inc.)	701,819	9/25/2011	100%
9110 Grogans Mill Road	Houston	TX	Baker Hughes, Inc.	275,750	9/27/2015	100%
19500 Bulverde Road	San Antonio	TX	Harcourt Brace & Company (Reed Elsevier, Inc.)	559,258	3/31/2016	100%
2425 Highway 77 N	Waxahachie	TX	James Hardie Building Products, Inc. (James Hardie N.V.)	425,816	3/31/2020	100%
291 Park Center Drive	Winchester	VA	Kraft Foods North America, Inc.	344,700	5/31/2011	100%
			Industrial Total	21,086,207		

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
RETAIL/OTHER

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
302 Coxcreek Parkway	Florence	AL	The Kroger Company	42,130	7/1/2013	100%
5544 Atlanta Highway	Montgomery	AL	Vacant	60,698	None	0%
Bisbee Naco Highway & Highway 92	Bisbee	AZ	Safeway Stores, Inc.	30,181	3/31/2009	100%
10415 Grande Avenue	Sun City	AZ	Cafeteria Operators, LP (Furrs Restaurant Group, Inc.)	10,000	4/30/2012	100%
Grant Road & Craycroft Road	Tucson	AZ	Safeway Stores, Inc.	37,268	3/31/2009	100%
Old Mamoth Road & Meridian Boulevard	Mammoth Lakes	CA	Safeway Stores, Inc.	44,425	5/31/2012	100%
255 Northgate Drive	Manteca	CA	Kmart Corporation	107,489	12/31/2018	100%
12080 Carmel Mountain Road	San Diego	CA	Kmart Corporation	107,210	12/31/2018	100%
12000 East Mississippi Ave	Aurora	CO	Safeway Stores, Inc.	24,000	5/31/2012	100%
Kipling Street & Bowles Avenue	Littleton	CO	Vacant	29,360	None	0%
10340 U.S. 19	Port Richey	FL	Kingswere Furniture	53,820	11/30/2017	100%
2010 Apalachee Parkway	Tallahassee	FL	Kohl s Department Stores, Inc.	102,381	1/31/2028	100%
2223 N. Druid Hills Road	Atlanta	GA	Bank South, N.A. (Bank of America Corporation)	6,260	12/31/2009	100%
956 Ponce de Leon Avenue	Atlanta	GA	Bank South, N.A. (Bank of America Corporation)	3,900	12/31/2009	100%
4545 Chamblee-Dunwoody Road	Chamblee	GA	Bank South, N.A. (Bank of America Corporation)	4,565	12/31/2009	100%
201 W. Main Street	Cumming	GA	Bank South, N.A. (Bank of America Corporation)	14,208	12/31/2009	100%
3468 Georgia Highway 120	Duluth	GA	Bank South, N.A. (Bank of America Corporation)	9,300	12/31/2009	100%
1066 Main Street	Forest Park	GA		14,859	12/31/2009	100%

			Bank South, N.A. (Bank of America Corporation)			
825 Southway Drive Boulevard	Jonesboro	GA	Bank South, N.A. (Bank of America Corporation)	4,894	12/31/2009	100%
1698 Mountain Industrial	Stone Mountain	GA	Bank South, N.A. (Bank of America Corporation)	5,704	12/31/2009	100%
Fort Street Mall, King Street	Honolulu	HI	Macy s Department Stores, Inc.	85,610	9/30/2009	100%
1150 W. Carl Sandburg Drive	Galesburg	IL	Kmart Corporation	94,970	12/31/2018	100%
928 First Avenue	Rock Falls	IL	Rock Falls Country Market, LLC (Rock Island Country Market, LLC)	27,650	9/30/2011	100%
502 E. Carmel Drive	Carmel	IN	Marsh Supermarkets, Inc.	38,567	10/31/2013	100%
5104 N. Franklin Road	Lawrence	IN	Marsh Supermarkets, Inc.	28,721	10/31/2013	100%
205 Homer Road	Minden	LA	Safeway Stores, Inc.	35,000	11/30/2012	100%
7200 Cradle Rock Way	Columbia	MD	GFS Realty, Inc.	57,209	12/31/2008	100%
9580 Livingston Road	Oxon Hill	MD	GFS Realty, Inc. (Giant Food, Inc.)	107,337	2/28/2014	100%
2401 Wooton Parkway	Rockville	MD	GFS Realty, Inc. (Giant Food, Inc.)	51,682	4/30/2017	100%
24th Street W. & St. John s Avenue	Billings	MT	Safeway Stores, Inc.	40,800	5/31/2010	100%
35400 Cowan Road	Westland	MI	Sam s Real Estate Business Trust	101,402	1/31/2009	100%
Little Rock Road & Tuckaseegee Road	Charlotte	NC	Food Lion, Inc.	33,640	10/31/2013	100%
Brown Mill Road & US 601	Concord	NC	Food Lion, Inc.	32,259	10/31/2013	100%

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
104 Branchwood Shopping Center	Jacksonville	NC	Food Lion, Inc.	23,000	2/28/2013	100%
US 221 & Hospital Road	Jefferson	NC	Food Lion, Inc.	23,000	2/28/2013	100%
291 Talbert Boulevard	Lexington	NC	Food Lion, Inc.	23,000	2/28/2013	100%
835 Julian Avenue	Thomasville	NC	Food Lion, Inc.	21,000	10/31/2008	100%
10 South Avenue	Garwood	NJ	Pathmark Stores, Inc.	52,000	5/31/2011	100%
900 S. Canal Street	Carlsbad	NM	Cafeteria Operators, LP (Furrs Restaurant Group, Inc.)	10,000	4/30/2012	100%
130 Midland Avenue	Portchester	NY	Pathmark Stores, Inc.	59,000	10/31/2013	100%
21082 Pioneer Plaza Drive	Watertown	NY	Kmart Corporation	120,727	12/31/2018	100%
4733 Hills and Dales Road	Canton	OH	Bally s Total Fitness of the Midwest (Bally s Health & Tennis Corporation)	37,214	12/31/2009	100%
4831 Whipple Avenue N.W	Canton	OH	Best Buy Company, Inc.	46,350	2/26/2018	100%
1084 E. Second Street	Franklin	OH	Marsh Supermarkets, Inc.	29,119	10/31/2013	100%
5350 Leavitt Road	Lorain	OH	Kmart Corporation	193,193	12/31/2018	100%
N.E.C. 45th Street & Lee Boulevard	Lawton	OK	Safeway Stores, Inc.	30,757	3/31/2009	100%
6910 S. Memorial Highway	Tulsa	OK	Toys R Us, Inc.	43,123	5/31/2011	100%
12535 S.E. 82nd Avenue	Clackamas	OR	Toys R Us, Inc.	42,842	5/31/2011	100%
1642 Williams Avenue	Grants Pass	OR	Safeway Stores, Inc.	33,770	3/31/2009	100%
559 N. Main Street	Doylestown	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
25 E. Main Street	Lansdale	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
1055 W. Baltimore Pike	Lima	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
4947 N. Broad Street	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
2001-03 Broad Street	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
6201 N. 5th Street	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
7323-29 Frankford Avenue	Philadelphia	PA		3,800	8/31/2018	100%

			Citizens Bank of Pennsylvania			
15 S. 52nd Street	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
10650 Bustleton Avenue	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
1025 W. Lehigh Avenue	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
2014 Cottman Avenue	Philadelphia	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
4160 Monument Road	Philadelphia	PA	Pathmark Stores, Inc.	50,000	11/30/2010	100%
15 Newton Richboro Road	Richboro	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
363 W. Lancaster Avenue	Wayne	PA	Citizens Bank of Pennsylvania	3,800	8/31/2018	100%
South Carolina 52/52 Bypass	Moncks Corner	SC	Food Lion, Inc.	23,000	2/28/2013	100%
1000 U.S. Highway 17	North Myrtle Beach	SC	Food Lion, Inc.	43,021	10/31/2008	100%
399 Peach Wood Centre Drive	Spartanburg	SC	Best Buy Company, Inc.	45,800	2/26/2018	100%
1600 E. 23rd Street	Chattanooga	TN	The Kroger Company	42,130	7/1/2008	100%
1053 Mineral Springs Road	Paris	TN	The Kroger Company	31,170	7/1/2013	100%
3040 Josey Lane	Carrollton	TX	Ong s Family, Inc.	61,000	1/31/2021	100%
4121 S. Port Avenue	Corpus Christi	TX	Cafeteria Operators, LP (Furr s Restaurant Group, Inc.)	10,000	4/30/2012	100%
1610 S. Westmoreland Avenue	Dallas	TX	Malone s Food Stores	68,024	3/31/2017	100%
119 N. Balboa Road	El Paso	TX	Cafeteria Operators, LP (Furrs Restaurant Group, Inc.)	10,000	4/30/2012	100%
3451 Alta Mesa Boulevard	Fort Worth	TX	Safeway Stores, Inc.	44,000	5/31/2012	100%
101 W. Buckingham Road	Garland	TX	Minyard Foods	40,000	11/30/2012	100%
1415 Highway 377 E.	Granbury	TX	Safeway Stores, Inc.	35,000	11/30/2012	100%
2500 E. Carrier Parkway	Grand Prairie	TX	Safeway Stores, Inc.	49,349	3/31/2009	100%
4811 Wesley Street	Greenville	TX	Safeway Stores, Inc.	48,427	5/31/2011	100%

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Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
120 S. Waco Street	Hillsboro	TX	Safeway Stores, Inc.	35,000	11/30/2012	100%
13133 Steubner Avenue	Houston	TX	The Kroger Company	52,200	12/29/2011	100%
5402 4th Street	Lubbock	TX	Vacant	53,820	None	0%
901 W. Expressway 83	McAllen	TX	Cafeteria Operators, LP (Furrs Restaurant Group, Inc.)	10,000	4/30/2012	100%
402 E. Crestwood Drive	Victoria	TX	Cafeteria Operators, LP (Furrs Restaurant Group, Inc.)	10,000	4/30/2012	100%
9400 South 755 E	Sandy	UT	Vacant	41,612	None	0%
3211 W. Beverly Street	Staunton	VA	Food Lion, Inc.	23,000	2/28/2013	100%
9803 Edmonds Way	Edmonds	WA	PCC Natural Markets	34,459	8/31/2028	100%
224th Street & Meridian Avenue	Graham	WA	Safeway Stores, Inc.	44,718	3/31/2009	100%
18601 Alderwood Mall Boulevard	Lynnwood	WA	Toys R Us, Inc.	43,105	5/31/2011	100%
400 E. Meridian Avenue	Milton	WA	Safeway Stores, Inc.	44,718	3/31/2009	100%
1700 State Route 160	Port Orchard	WA	Save-A-Lot, Ltd.	27,968	1/31/2015	57%
228th Avenue N.E.	Redmond	WA	Safeway Stores, Inc.	44,718	3/31/2009	100%
4512 N. Market Street	Spokane	WA	Safeway Stores, Inc	38,905	3/31/2009	100%
3711 Gateway Drive	Eau Claire	WI	Kohl s Deptartment Stores, Inc.	76,164	1/25/2015	100%
97 Seneca Trail	Fairlea	WV	Kmart Corporation	90,933	12/31/2018	100%
3621 E. Lincoln Way	Cheyenne	WY	Vacant	31,420	None	0%
			Retail/Other Subtotal	3,588,655		
			Grand Total	45,521,591		

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LEXINGTON NON-CONSOLIDATED PROPERTY CHART

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
OFFICE						
5201 W. Barraque Street	Pine Bluff	AR	Entergy Services, Inc.	27,189	10/31/2010	100%
Route 64 W. & Junction 333	Russellville	AR	Entergy Gulf States	191,950	5/9/2008	100%
1440 E. 15th Street	Tucson	AZ	Cox Communications, Inc.	28,591	9/30/2016	100%
3500 N. Coop Court	McDonough	GA	Litton Loan Servicing, LP & Credit - Based Asset and Securitzation, LLC	62,000	8/31/2018	100%
2500 Patrick Henry Parkway	McDonough	GA	Georgia Power Company	111,911	6/30/2015	100%
3265 E. Goldstone Drive	Meridian	ID	Voicestream PCS II Corporation (T-Mobile USA, Inc.)	77,484	6/28/2019	100%
101 E. Washington Boulevard	Fort Wayne	IN	American Electric Power	348,452	10/31/2016	100%
9601 Renner Boulevard	Lenexa	KS	Voicestream PCS II Corporation (T-Mobile USA, Inc.)	77,484	10/31/2019	100%
First Park Drive	Oakland	ME	Omnipoint Holdings, Inc. (T-Mobile USA, Inc.)	78,610	8/31/2020	100%
12000 &12025 Tech Center Drive	Livonia	MI	Kelsey-Hayes Company (TRW Automotive, Inc.)	180,230	4/30/2014	100%
3943 Denny Avenue	Pascagoula	MS	Northrop Grumman Systems Corporation	94,841	10/14/2008	100%
3201 Quail Springs Parkway	Oklahoma City	OK	AT& T Wireless Services, Inc.	128,500	11/30/2010	100%

2999 SW 6th Street	Redmond	OR	Voice Stream PCS I LLC (T-Mobile USA, Inc.)	77,484	1/31/2019	100%
265 Lehigh Street	Allentown	PA	Wachovia Bank N.A.	71,230	10/31/2010	100%
17 Technology Circle	Columbia	SC	Blue Cross Blue Shield of South Carolina, Inc.	456,304	9/30/2009	100%
420 Riverport Road	Kingport	TN	American Electric Power	42,770	6/30/2013	100%
1600 Eberhardt Road	Temple	TX	Nextel of Texas	108,800	1/31/2016	100%
26410 McDonald Road	Houston	TX	Montgomery County Management Company, LLC	41,000	10/31/2019	100%
3711 San Gabriel	Mission	TX	Voice Stream PCS II Corporation (T-Mobile USA, Inc.)	75,016	6/30/2015	100%
6455 State Hwy 303 N.E	Bremerton	WA	Nextel West Corporation	60,200	5/14/2016	100%
			Office Total	2,340,046		

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LEXINGTON
NON-CONSOLIDATED PROPERTY
CHART

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
INDUSTRIAL						
109 Stevens Street	Jacksonville	FL	Unisource Worldwide, Inc.	168,800	9/30/2009	100%
359 Gateway Drive	Livonia	GA	TI Group Automotive Systems, LLC	133,221	5/31/2020	100%
3600 Army Post Road	Des Moines	IA	EDS Information Services, LLC (Electronic Data Systems Corporation)	405,000	4/30/2012	100%
2935 Van Vactor Way	Plymouth	IN	Bay Valley Foods, LLC	300,500	6/30/2015	100%
1901 49th Avenue	Minneapolis	MN	Owens Corning Roofing and Asphalt, LLC	18,620	6/30/2015	100%
324 Industrial Park Road	Franklin	NC	SKF USA, Inc.	72,868	12/31/2014	100%
736 Addison Road	Erwin	NY	Corning, Inc.	408,000	11/30/2016	100%
590 Ecology Lane	Chester	SC	Owens Corning	420,597	7/14/2025	100%
2401 Cherahala Boulevard	Knoxville	TN	Advance PCS, Inc.	59,748	5/31/2013	100%
2424 Alpine Road	Eau Claire	WI	Silver Spring Gardens, Inc. (Huntsinger Farms, Inc.)	159,000	2/28/2027	100%
			Industrial Total	2,146,354		

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LEXINGTON
NON-CONSOLIDATED PROPERTY
CHART

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration	Percent Leased
RETAIL/OTHER						
101 Creger Drive	Ft. Collins	CO	Lithia Motors	10,000	5/31/2012	100%
11411 N. Kelly Avenue	Oklahoma City	OK	American Golf Corporation	13,924	12/31/2017	100%
25500 State Highway 249	Tomball	TX	Parkway Chevrolet, Inc.	77,076	8/31/2026	100%
1321 Commerce Street	Dallas	TX	Adolphus Associates (Met Life)	498,122	6/15/2009	100%
			Retail/Other Total	599,122		
			Grand Total	5,085,522		

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Item 3. ***Legal Proceedings***

From time to time we are involved in legal proceedings arising in the ordinary course of our business. In our management s opinion, after consultation with legal counsel, the outcome of such matters, including the matters set forth below, are not expected to have a material adverse effect on our ownership, financial condition, management or operation of our properties or business.

Lexington Streetsboro LLC v. Alfred Geis, et al.

Beginning in January 2005, on behalf of one of our co-investment programs, we received notices from the tenant in our Streetsboro, Ohio facility regarding certain alleged deficiencies in the construction of the facility as compared to the original building specifications. Upon acquisition of the facility from the developer, the then owner of the facility obtained an indemnity from the principals of the developer covering a breach of construction warranties, the construction and/or the condition of the premises. After two years of correspondence among the owner of the facility, the developer and the tenant, we (after our acquisition of the facility from our co-investment program) entered into an amendment to the lease with the tenant providing for the repair of a portion of the alleged deficiencies and commenced such repairs beginning in the summer of 2007.

Following a demand for reimbursement under the indemnity agreement, we filed suit against the developer and the principals of the developer in the Federal District Court for the Northern District of Ohio on August 10, 2007 to enforce our rights (*Lexington Streestboro LLC v. Alfred Geis, et al.,* Case No. 5:07CV2450). On November 1, 2007, the developer filed (1) counter-claims against us for unjust enrichment regarding the repair work performed and for a declaration of its obligations under the indemnity agreement and (2) multiple cross-claims against its sub-contractors asking to be reimbursed for any deficiencies in the building specifications for which they are held liable. The developer was also permitted by the Court to file a claim against the tenant. The suit is on-going.

As of December 31, 2007, we have incurred $3.7 million of expenses in connection with the work covered by the lease amendment and the enforcement of our rights under the indemnity agreement. We may seek an additional $2.5 million for future costs that may be incurred in connection with other potential deficiencies. We intend to vigorously pursue our claims and reimbursement under the indemnity agreement.

Deutsche Bank Securities, Inc.

On June 30, 2006, we, including a co-investment program as it relates to the Antioch claim, sold to Deutsche Bank Securities, Inc., which we refer to as Deutsche Bank, (1) a $7.7 million bankruptcy damage claim against Dana Corporation for $5.4 million, which we refer to as the Farmington Hills claim, and (2) a $7.7 million bankruptcy damage claim against Dana Corporation for $5.7 million, which we refer to as the Antioch claim. Under the terms of the agreements covering the sale of the claims, we are obligated to reimburse Deutsche Bank should the claim ever be disallowed, subordinated or otherwise impaired, to the extent of such disallowance, subordination or impairment, plus interest at the rate of 10% per annum from the date of payment of the purchase price by Deutsche Bank to us. On October 12, 2007, Dana Corporation filed an objection to both claims. We assisted Deutsche Bank and the then holders of the claims in the preparation and filing of a response to the objection. Despite a belief by us that the objections were without merit, the holders of the claims, without our consent, settled the allowed amount of the claims at $6.5 million for the Farmington Hills claim and $7.2 million for the Antioch claim. Deutsche Bank has made a formal demand with respect to the Farmington Hills claim in the amount of $0.8 million plus interest, but has not made a formal demand with respect to the Antioch claim, which we estimate would be $0.4 million plus interest. We informed Deutsche Bank that we do not intend to honor any demand for a variety of reasons, including that (1) the holders of the claims arbitrarily settled the claims for reasons based on factors other than the merits and (2) the holders of the claims voluntarily reduced the claims to participate in certain settlement pools. We intend to vigorously defend any further claims or demands by Deutsche Bank or the holders of the claims.

Item 4. ***Submission of Matters to a Vote of Security Holders***

None.

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Executive Officers of the Registrant

The following sets forth certain information relating to our executive officers:

Name	Business Experience
Michael L. Ashner Age 55	Mr. Ashner served as Chairman and the Chief Executive Officer of Newkirk until consummation of the Merger, a position he held since June 2005. On December 31, 2006, Mr. Ashner was appointed as our Executive Chairman and Director of Strategic Acquisitions. Mr. Ashner also serves as a trustee and the Chairman and Chief Executive Officer of Winthrop Realty Trust, positions he has held since January 2004. Mr. Ashner is a member of the Investment Committee of Concord appointed by the administrative manager of Concord. Since 1996 he has also served as the Chief Executive Officer of Winthrop Realty Partners, L.P., which we refer to as Winthrop, a real estate investment and management company. Mr. Ashner devotes the business time to us as is reasonably required to perform his duties. Mr. Ashner served as a director and Chief Executive Officer of Shelbourne Properties I, Inc., Shelbourne Properties II, Inc. and Shelbourne Properties III, Inc., three real estate investment trusts, from August 2002 until their liquidation in April 2004. Mr. Ashner also serves on the board of directors of NBTY, Inc., a manufacturer and distributor of nutritional supplements.
E. Robert Roskind Age 62	Mr. Roskind became Co-Vice Chairman on December 31, 2006, and served as our Chairman from October 1993 to December 31, 2006 and our Co-Chief Executive Officer from October 1993 to January 2003. Mr. Roskind is a member of the Investment Committee of Concord appointed by us. He founded The LCP Group, L.P., a real estate advisory firm, in 1973 and has been its Chairman since 1976. Mr. Roskind also serves as Chairman of Crescent Hotels and Resorts, as a member of the Board of Directors of LCP Investment Corporation, a Japanese real estate investment trust listed on the Tokyo Stock Exchange, and as a member of the Board of Directors of LCP Reit Advisors, the external advisor to LCP Investment Corporation, each of which is an affiliate of the LCP Group L.P. Mr. Roskind spends approximately 25% of his business time on the affairs of The LCP Group L.P. and its affiliates; however, Mr. Roskind prioritizes his business time to address our needs ahead of The LCP Group L.P.
Richard J. Rouse Age 62	Mr. Rouse became Co-Vice Chairman on December 31, 2006, served, and continues to serve as our Chief Investment Officer since January 2003 and as one of our trustees since October 1993. He served as our President from October 1993 to April 1996, was our Co-Chief Executive Officer from October 1993 until January 2003, and since April 1996 served as our Vice Chairman.
T. Wilson Eglin Age 43	Mr. Eglin has served as our Chief Executive Officer since January 2003, our Chief Operating Officer since October 1993, our President since April 1996 and as a trustee since May 1994. He served as one of our Executive Vice Presidents from October 1993 to April 1996. Mr. Eglin is a member of the Investment Committee of Concord appointed by us.

Patrick Carroll Age 44	Mr. Carroll has served as our Chief Financial Officer since May 1998, our Treasurer since January 1999 and one of our Executive Vice Presidents since January 2003. Prior to joining us, Mr. Carroll was, from 1986 to 1998, in the real estate practice of Coopers & Lybrand L.L.P., a public accounting firm that was one of the predecessors of Pricewaterhouse Coopers LLP.
Paul R. Wood Age 47	Mr. Wood has served as one of our Vice Presidents, and our Chief Accounting Officer and Secretary since October 1993.

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PART II.

Item 5. ***Market For The Registrant s Common Equity, Related Shareholder Matters And Issuer Purchases of Equity Securities***

Market Information. Our common shares are listed for trading on the NYSE under the symbol LXP . The following table sets forth the high and low sales prices as reported by the NYSE for our common shares for each of the periods indicated below:

For the Quarters Ended:	High	Low
December 31, 2007	$ 20.90	$ 14.52
September 30, 2007	21.54	18.78
June 30, 2007	21.65	20.38
March 31, 2007	22.42	20.02
December 31, 2006	22.73	20.40
September 30, 2006	21.90	19.53
June 30, 2006	22.15	19.87
March 31, 2006	22.90	19.64

The per share closing price of our common shares was $15.18 on February 22, 2008.

Holders. As of February 22, 2008, we had approximately 2,428 common shareholders of record.

Dividends. We have made quarterly distributions since October 1986 without interruption.

The common share dividends paid in each quarter for the last five years are as follows:

Quarters Ended	2007	2006	2005	2004	2003
March 31,	$ 0.5975	$ 0.365	$ 0.360	$ 0.350	$ 0.335
June 30,	$ 0.375	$ 0.365	$ 0.360	$ 0.350	$ 0.335
September 30,	$ 0.375	$ 0.365	$ 0.360	$ 0.350	$ 0.335
December 31,	$ 0.375	$ 0.365	$ 0.360	$ 0.350	$ 0.335

During the fourth quarter of 2007, we declared a special dividend of $2.10 per common share which was paid in January 2008. During the fourth quarter 2006, we declared a special dividend of $0.2325 per common share which was paid in January 2007.

On February 20, 2008, we declared a common share dividend of $0.33 per common share, which is equal to $1.32 per common share on an annualized basis.

The following is a summary of the average taxable nature of our normal common share dividends paid for the three years ended December 31:

	2007	2006	2005
Total dividends per share	$ 2.93342(1)	$ 1.46	$ 1.44
Ordinary income	42.36%	68.89%	87.29%
15% rate qualifying dividend	2.50	0.77	1.04
15% rate gain	35.62	7.97	8.72
25% rate gain	19.52	5.13	2.95
Return of capital		17.24	
	100.00%	100.00%	100.00%

(1) Includes the special dividend of $0.2325 paid in January 2007 and a portion of the special dividend of $2.10 paid in January 2008. Of the total dividend paid in January 2008, $1.21092 is allocated to 2007 and $1.26408 is allocated to 2008.

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The per share dividend on our Series B Preferred Shares is $2.0125 per annum.

The following is a summary of the average taxable nature of the dividend on our Series B Cumulative Redeemable Preferred Stock for the three years ended December 31:

	2007	2006	2005
Ordinary income	42.36%	83.24%	87.29%
15% rate qualifying dividend	2.50	0.93	1.04
15% rate gain	35.62	9.63	8.72
25% rate gain	19.52	6.20	2.95
	100.00%	100.00%	100.00%

The per share dividend on our Series C Preferred Share is $3.25 per annum.

The following is a summary of the average taxable nature of the dividend on our Series C Cumulative Convertible Preferred Stock for the three years ended December 31:

	2007	2006	2005
Ordinary income	42.36%	83.24%	87.29%
15% rate qualifying dividend	2.50	0.93	1.04
15% rate gain	35.62	9.63	8.72
25% rate gain	19.52	6.20	2.95
	100.00%	100.00%	100.00%

During 2007, we issued $155.0 million in liquidation amount of Series D Preferred Shares, which pays a per share dividend of $1.8875 per annum.

The following is a summary of the average taxable nature of the dividend on our Series D Preferred Shares for the year ended December 31, 2007.

	2007
Ordinary income	42.36%
15% rate qualifying dividend	2.50
15% rate gain	35.62
25% rate gain	19.52
	100.00%

While we intend to continue paying regular quarterly dividends to holders of our common shares, future dividend declarations will be at the discretion of the Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as our Board of Trustees deems relevant. Due to the sale of properties during 2007 and the distribution of such proceeds via the special dividend, the recurring quarterly common dividend to be paid in 2008 has been reduced from $0.375 per share to $0.33 per share. The actual cash flow available to pay dividends will be affected by a number of factors, including, among others, the risks discussed under Risk Factors in Part I, Item 1A and Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this Annual Report.

We do not believe that the financial covenants contained in our indebtedness will have any adverse impact on our ability to pay dividends in the normal course of business to our common and preferred shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

We maintain a dividend reinvestment program pursuant to which our common shareholders and holders of OP units may elect to automatically reinvest their dividends and distributions to purchase our common shares free of commissions and other charges. We may, from time to time, either repurchase common shares in the open market, or issue new common shares, for the purpose of fulfilling our obligations under the dividend reinvestment program. Currently all of the common shares issued under this program are to be purchased on the open market.

Equity Compensation Plan Information. The following table sets forth certain information, as of December 31, 2007, with respect to the compensation plan under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	0	$ 0	4,999,422
Equity compensation plans not approved by security holders	0	0	
Total	0	$ 0	4,999,422

Recent Sales of Unregistered Securities.

Information regarding the recent sales of unregistered securities has been included in our periodic reports with the SEC.

Share Repurchase Program.

Our Board of Trustees authorized the repurchase of up to 10.0 million common shares/OP units in the first quarter of 2007 and during the fourth quarter of 2007 increased the authorization by 5.0 million. The following table summarizes repurchases of our common shares/units during the fourth quarter of 2007:

Period	Total Number of Shares/Units Purchased	Average Price Paid per Share/Unit ($)	Total Number of Shares/Units Purchased as Part of Publicly Announced	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs

			Plans or Programs	
October 1 31, 2007	32,392	20.05	32,392	3,374,440
November 1 30, 2007	1,277,810	18.02	1,277,810	2,096,630
December 1 31, 2007	1,326,648	17.39	1,326,648	5,769,982
Fourth Quarter 2007	2,636,850	17.72	2,636,850	5,769,982

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Item 6. ***Selected Financial Data***

The following sets forth our selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2007. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. ($000 s, except per share data)

	2007	2006	2005	2004	2003
Total gross revenues	$ 431,747	$ 186,693	$ 162,383	$ 109,901	$ 73,999
Expenses applicable to revenues	(297,139)	(106,796)	(81,645)	(37,581)	(24,568)
Interest and amortization expense	(163,628)	(65,097)	(56,177)	(36,448)	(25,609)
Income (loss) from continuing operations	(10,783)	(7,909)	17,606	27,021	15,873
Total discontinued operations	87,634	15,662	15,089	17,786	17,776
Net income	76,851	7,753	32,695	44,807	33,649
Net income (loss) allocable to common shareholders	50,118	(8,682)	16,260	37,862	30,257
Income (loss) from continuing operations per common share basic	(0.58)	(0.47)	0.03	0.43	0.37
Income from continuing operations per common share diluted	(0.58)	(0.47)	0.03	0.41	0.36
Income from discontinued operations basic	1.35	0.30	0.30	0.38	0.52
Income from discontinued operations diluted	1.35	0.30	0.30	0.39	0.52
Net income (loss) per common share basic	0.77	(0.17)	0.33	0.81	0.89
Net income (loss) per common share diluted	0.77	(0.17)	0.33	0.80	0.88
Cash dividends declared per common share	3.60	2.0575	1.445	1.410	1.355
Net cash provided by operating activities	287,651	108,020	105,457	90,736	68,883
Net cash used in investing activities	(31,490)	(154,080)	(643,777)	(202,425)	(295,621)
Net cash provided by financing activities	38,973	483	444,878	242,723	228,986
Ratio of earnings to combined fixed charges and preferred dividends	N/A	N/A	1.15	1.47	1.52
Real estate assets, net	3,715,447	3,471,027	1,641,927	1,227,262	1,001,772
Investments in non-consolidated entities	226,476	247,045	191,146	132,738	69,225
Total assets	5,265,163	4,624,857	2,160,232	1,697,086	1,207,411
	3,047,550	2,132,661	1,170,560	765,909	551,385

Mortgages, notes payable and credit facility, including discontinued operations					
Shareholders equity	939,071	1,122,444	891,310	847,290	579,848
Preferred share liquidation preference	389,000	234,000	234,000	214,000	79,000

N/A Ratio is below 1.0, deficit of $84,014 and $6,503 exists at December 31, 2007 and 2006, respectively.

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Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

In this discussion, we have included statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements may relate to our future plans and objectives, among other things. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed below under Risk Factors in Part I, Item 1A of this Annual Report and Cautionary Statements Concerning Forward Looking Statements in Part I, of this Annual Report.

General

We are a self-managed and self-administered real estate investment trust formed under the laws of the State of Maryland. We operate primarily in one segment and our primary business is the investment in and the acquisition, ownership and management of a geographically diverse portfolio of net leased office, industrial and retail properties. Substantially all of our properties are subject to triple net leases, which are generally characterized as leases in which the tenant bears all or substantially all of the costs and/or cost increases for real estate taxes, utilities, insurance and ordinary repairs.

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 1993. If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net income that is currently distributed to shareholders.

As of December 31, 2007, we had ownership interests in approximately 280 consolidated real estate assets, located in 42 states and the Netherlands and encompassing 45.5 million rentable square feet. During 2007, we purchased eight properties from unrelated parties, for an aggregate capitalized cost of $131.5 million. In addition, we acquired our partners interests in four co-investment programs for $366.6 million in cash.

As of December 31, 2007, we leased properties to numerous tenants in a variety of industries. Our revenues and cash flows are generated predominantly from property rent receipts. Growth in revenue and cash flows is directly correlated to our ability to (1) acquire income producing properties and (2) to re-lease properties that are vacant, or may become vacant at favorable rental rates. The challenge we face is finding investments that will provide an attractive return without compromising our real estate underwriting criteria. We believe we have access to acquisition opportunities due to our relationship with developers, brokers, corporate users and sellers.

Re-leasing properties as leases expire and properties currently vacant at favorable effective rates is one of our primary focuses. The primary risks associated with re-tenanting properties are (1) the period of time required to find a new tenant, (2) whether rental rates will be lower than previously received, (3) the significant leasing costs such as commissions and tenant improvement allowances and (4) the payment of operating costs such as real estate taxes and insurance while there is no offsetting revenue. We address these risks by contacting tenants well in advance of lease maturity to get an understanding of their occupancy needs, contacting local brokers to determine the depth of the rental market and retaining local expertise to assist in the re-tenanting of a property. Pursuant to our strategic restructuring plan we focus on buying general purpose office and industrial real estate assets which have one or more of the following characteristics (1) an investment grade tenant; (2) adaptability to a variety of users, including multi-tenant use, and (3) an attractive geographic location. No assurance can be given that once a property becomes vacant it will subsequently be re-let.

During 2007, we sold 53 consolidated properties for $423.6 million and contributed/sold 30 properties to NLS for $121.7 million in cash and an equity position of $109.1 million. During 2006, we sold eight properties, including one property through foreclosure, to unrelated third parties for a net sales price of $94.0 million. During 2005, we sold eight properties, including one sold through a non-consolidated entity, to unrelated parties for a net sales price of $74.7 million. In addition in 2005, we contributed seven properties to various non-consolidated entity programs for $124.7 million, which approximated carrying costs.

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We believe that the restructuring plan will allow us to (1) improve the quality of our portfolio; (2) enhance shareholder value by increasing cash flows; (3) simplify factors relating to our valuation; and (4) operate more efficiently.

Inflation

Certain of the long-term leases on our properties contain provisions that may mitigate the adverse impact of inflation on our operating results. Such provisions include clauses entitling us to receive (1) scheduled fixed base rent increases and (2) base rent increases based upon the consumer price index. In addition, a majority of the leases on our properties require tenants to pay operating expenses, including maintenance, real estate taxes, insurance and utilities, thereby reducing our exposure to increases in costs and operating expenses. In addition, the leases on our properties are generally structured in a way that minimizes our responsibility for capital improvements.

Critical Accounting Policies

Our accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require our management to make estimates that affect the amounts of revenues, expenses, assets and liabilities reported. The following are critical accounting policies which are important to the portrayal of our financial condition and results of operations and which require some of management s most difficult, subjective and complex judgments. The accounting for these matters involves the making of estimates based on current facts, circumstances and assumptions which could change in a manner that would materially affect management s future estimates with respect to such matters. Accordingly, future reported financial conditions and results could differ materially from financial conditions and results reported based on management s current estimates.

Business Combinations. We follow the provisions of Statement of Financial Accounting Standards No. 141, Business Combinations, which we refer to as SFAS 141, and record all assets acquired and liabilities assumed at fair value. On December 31, 2006, we acquired Newkirk through the Merger, which was a variable interest entity (VIE). We follow the provisions of Financial Accounting Standards Board Interpretation No. 46 (Revised) Consolidation of Variable Interest Entities, which we refer to as FIN 46R, and, as a result, we have recorded the minority interest in Newkirk at estimated fair value on the date of acquisition. The value of the consideration issued in common shares was based upon a reasonable period before and after the date that the terms of the acquisition were agreed to and announced.

Purchase Accounting for Acquisition of Real Estate. We allocate the purchase price of real estate acquired in accordance with SFAS 141. SFAS 141 requires that the fair value of the real estate acquired, which includes the impact of mark-to-market adjustments for assumed mortgage debt relating to property acquisitions, is allocated to the acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair values.

The fair value of the tangible assets, which includes land, building and improvements, and fixtures and equipment, of an acquired property is determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to the tangible assets based on management s determination of relative fair values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions.

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the difference between the current in-place lease rent and a management estimate of current market rents. Below-market lease intangibles are recorded as part of deferred revenue and amortized into rental revenue over the non-cancelable periods and any bargain renewal periods of the respective leases. Above-market leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable portion of the respective leases.

The aggregate value of other acquired intangible assets, consisting of in-place leases and customer relationships, is measured by the excess of (1) the purchase price paid for a property over (2) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in-place lease values and customer relationships based on management s evaluation of the specific characteristics of each tenant s lease. The value of in-place leases are amortized to expense over the remaining non-cancelable periods and any bargain renewal periods of the respective leases. The value of customer relationships are amortized to expense over the applicable lease term plus expected renewal periods.

Revenue Recognition. We recognize revenue in accordance with Statement of Financial Accounting Standards No. 13 Accounting for Leases, as amended, which we refer to as SFAS 13. SFAS 13 requires that revenue be recognized on a straight-line basis over the term of the lease unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property. Renewal options in leases with rental terms that are lower than those in the primary term are excluded from the calculation of straight line rent, if they do not meet the criteria of a bargain renewal option. In those instances in which we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When we determine that the tenant allowances are lease incentives, we commence revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term.

Gains on sales of real estate are recognized in accordance with Statement of Financial Accounting Standards No. 66 Accounting for Sales of Real Estate, as amended, which we refer to as SFAS 66. The specific timing of the sale is measured against various criteria in SFAS 66 related to the terms of the transactions and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria are not met, the gain is deferred and the finance, installment or cost recovery method, as appropriate, is applied until the sales criteria are met. To the extent we sell a property and retain a partial ownership interest in the property, we recognize gain to the extent of the third party ownership interest in accordance with SFAS 66.

Accounts Receivable. We continuously monitor collections from our tenants and would make a provision for estimated losses based upon historical experience and any specific tenant collection issues that we have identified. As of December 31, 2007 and 2006, the allowance for doubtful accounts is insignificant.

Impairment of Real Estate and Investment in Non-consolidated Entities. We evaluate the carrying value of all real estate and investments in non-consolidated entities held when a triggering event under Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, as amended, which we refer to as SFAS 144, has occurred to determine if an impairment has occurred which would require the recognition of a loss. The evaluation includes reviewing anticipated cash flows of the property, based on current leases in place, and an estimate of what lease rents will be if the property is vacant coupled with an estimate of proceeds to be realized upon sale. However, estimating market lease rents and future sale proceeds is highly subjective and such estimates could differ materially from actual results.

Tax Status. We have made an election to qualify, and believe we are operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, we generally will not be subject to federal income tax, provided that distributions to our shareholders equal at least the amount of our REIT taxable income as defined under Sections 856 through 860 of the Code.

We are now permitted to participate in certain activities from which we were previously precluded in order to maintain our qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable subsidiaries under the Code. LRA and Lexington Contributions Inc., which we refer to as LCI, are, and LSAC was a, taxable REIT subsidiaries. As such, we are subject to federal and state income taxes on the income we receive from these activities.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit

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carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Properties Held For Sale. We account for properties held for sale in accordance with SFAS 144. SFAS 144 requires that the assets and liabilities of properties that meet various criteria be presented separately in the statement of financial position, with assets and liabilities being separately stated. The operating results of these properties are reflected as discontinued operations in the statement of operations. Properties that do not meet the held for sale criteria of SFAS 144 are accounted for as operating properties.

Basis of Consolidation. We determine whether an entity for which we hold an interest should be consolidated pursuant to FIN 46R. If the entity is not a variable interest entity, and we control the entity s voting shares or similar rights, the entity is consolidated. FIN 46R requires us to evaluate whether we have a controlling financial interest in an entity through means other than voting rights.

Liquidity and Capital Resources

General. Since becoming a public company, our principal sources of capital for growth have been the public and private equity and debt markets, property specific debt, our credit facility, issuance of OP units and undistributed cash flows. We expect to continue to have access to and use these sources in the future; however, there are factors that may have a material adverse effect on our access to capital sources. Our ability to incur additional debt to fund acquisitions is dependent upon our existing leverage, the value of the assets we are attempting to leverage and general economic and credit market conditions, which may be outside of management s control or influence.

As of December 31, 2007, we held interests in approximately 280 consolidated properties, which were located in 42 states and the Netherlands. The real estate assets are primarily subject to triple net leases, which are generally characterized as leases in which the tenant pays all or substantially all of the cost and cost increases for real estate taxes, capital expenditures, insurance, utilities and ordinary maintenance of the property.

During the year ended December 31, 2007, in addition to the acquisition of our four co-investment programs, we purchased eight properties from third parties for a capitalized cost of $131.5 million and sold 53 consolidated properties to third parties for aggregate proceeds of $423.6 million, which resulted in a gain of $92.9 million.

Our principal sources of liquidity are revenues generated from the properties, interest on cash balances, amounts available under our unsecured credit facility, the MLP s secured loan, co-investment programs and amounts that may be raised through the sale of securities in private or public offerings. For the years ended December 31, 2007 and 2006, the leases on our consolidated properties generated $385.9 million and $165.3 million, respectively, in rental revenue. The significant increase is due to the number of assets acquired in the Merger, the acquisition of the co-investment programs and the consolidation of LSAC effective in the fourth quarter of 2006.

In February 2007, we completed an offering of 6.2 million Series D Preferred Shares, having a liquidation amount of $25 per share and an annual dividend rate of 7.55% raising net proceeds of $149.8 million.

The MLP has a secured loan with Key Bank, N.A., which bears interest at LIBOR plus 60 basis points. As of December 31, 2007, $213.6 million was outstanding under the secured loan. The secured loan is scheduled to mature in June 2009. The secured loan requires monthly payments of interest only. The MLP is also required to make principal payments from the proceeds of certain property sales and certain refinancings if proceeds are not reinvested into net leased properties. The required principal payments are based on a minimum release price set forth in the secured loan agreement. The secured loan has customary covenants, which the MLP was in compliance with at December 31, 2007.

During 2007, we obtained $247.0 million in non-recourse mortgage financings, which have a fixed weighted-average interest rate of 6.1%. The proceeds of the financing were used to partially fund acquisitions.

During 2007, we issued, through a wholly-owned subsidiary, $200.0 million in Trust Preferred Notes. These Trust Preferred Notes, which are classified as debt, (1) are due in 2037, (2) are redeemable by us commencing April 2012 and (3) bear interest at a fixed rate of 6.804% through April 2017 and thereafter at a variable rate of three month LIBOR plus 170 basis points through maturity.

In 2007, the MLP issued $450.0 million in 5.45% guaranteed exchangeable notes due in 2027, which can be put by the holder every five years commencing 2012 and upon certain events. The net proceeds of the issuance were used to repay indebtedness under the MLP s former secured loan. The notes are currently exchangeable at certain times by the holders into our common shares at a price of $21.99 per share; however, the principal balance must be satisfied in cash.

During 2006, in addition to the Merger, we including non-consolidated entities, obtained $215.3 million in non-recourse mortgage financings which have a fixed weighted average interest rate of 6.0%. The proceeds of the financings were used to partially fund acquisitions.

During 2005, we completed a common share offering of 2.5 million shares raising aggregate net proceeds of $60.7 million. During 2005, we issued 400,000 Series C Preferred Shares, at $50 per share and a dividend rate of 6.50%, raising net proceeds of $19.5 million.

Dividends. In connection with our intention to continue to qualify as a REIT for federal income tax purposes, we expect to continue paying regular dividends to our shareholders. These dividends are expected to be paid from operating cash flows and/or from other sources. Since cash used to pay dividends reduces amounts available for capital investments, we generally intend to maintain a conservative dividend payout ratio, reserving such amounts as we consider necessary for the maintenance or expansion of properties in our portfolio, debt reduction, the acquisition of interests in new properties as suitable opportunities arise, and such other factors as our Board of Trustees considers appropriate.

Dividends paid to our common and preferred shareholders increased to $137.3 million in 2007, compared to $93.7 million in 2006 and $87.1 million in 2005. The increase is attributable to the increase in our outstanding common and preferred shares and the special dividend paid in January 2007 relating to the Merger.

Although we receive the majority of our base rental payments on a monthly basis, we intend to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution are invested by us in short-term money market or other suitable instruments.

We believe that cash flows from operations will continue to provide adequate capital to fund our operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in both the short-term and long-term. In addition, we anticipate that cash on hand, borrowings under our credit facility, issuance of equity and debt and co-investment programs as well as other alternatives, will provide the necessary capital required by us. Cash flows from operations as reported in the Consolidated Statements of Cash Flows increased to $287.7 million for 2007 from $108.0 million for 2006 and $105.5 million for 2005. The underlying drivers that impact working capital and therefore cash flows from operations are the timing of collection of rents, including reimbursements from tenants, the collection of advisory fees, payment of interest on mortgage debt and payment of operating and general and administrative costs. We believe the net lease structure of the majority of our tenants leases enhances cash flows from operations since the payment and timing of operating costs related to the properties are generally borne directly by the tenant. Collection and timing of tenant rents is closely monitored by management as part of our cash management program.

Net cash used in investing activities totaled $31.5 million in 2007, $154.1 million in 2006 and $643.8 million in 2005. Cash used in investing activities related primarily to investments in real estate properties, joint ventures and notes receivable. Cash provided by investing activities related primarily to collection of notes receivable, distributions from non-consolidated entities in excess of accumulated earnings and proceeds from the sale of properties. Therefore, the fluctuation in investing activities relates primarily to the timing of investments and dispositions.

Net cash provided by financing activities totaled $39.0 million in 2007, $0.5 million in 2006 and $444.9 million in 2005. Cash provided by financing activities during each year was primarily attributable to proceeds from equity offerings, non-recourse mortgages and borrowings under our credit facility offset by dividend and distribution payments and debt payments.

UPREIT Structure. Our UPREIT structure permits us to effect acquisitions by issuing to a property owner, as a form of consideration in exchange for the property, OP units in our operating partnerships. Substantially all outstanding OP units are redeemable by the holder at certain times for common shares on a one-for-one basis or, at our election, with respect to certain OP units, cash. Substantially all outstanding OP units require us to pay quarterly distributions to the holders of such OP units equal to the dividends paid to our common shareholders and the remaining OP units have stated distributions in accordance with their respective partnership agreement. To the extent that our dividend per share is less than a stated distribution per unit per the applicable partnership agreement, the stated distributions per unit are reduced by the percentage reduction in our dividend. No OP units have a liquidation preference. We account for outstanding OP units in a manner similar to a minority interest holder. The number of common shares that will be outstanding in the future should be expected to increase, and minority interest expense should be expected to decrease, as such OP units are redeemed for our common shares.

In connection with the Merger, the MLP effected a reverse unit-split pursuant to which each outstanding MLP unit was converted into 0.80 MLP units totaling 35.5 million MLP units, other than MLP units held directly or indirectly by us.

During 2006, one of our operating partnerships issued 34 thousand units (or $0.8 million) in connection with an acquisition.

During 2005, one of our operating partnerships issued 0.4 million OP units for approximately $7.7 million in cash.

As of December 31, 2007, there were 39.7 million OP units outstanding. Of the total OP units outstanding, approximately 29.2 million are held by related parties. As of December 31, 2006, there were 41.2 million OP units outstanding, other than OP units held directly or indirectly by us.

Financing

Revolving Credit Facility. Our $200.0 million revolving credit facility with Wachovia Bank N.A. and a consortium of other banks, (1) expires June 2008 and (2) bears interest at 120-170 basis points over LIBOR depending on our leverage (as defined) in the credit facility. Our credit facility contains customary financial covenants including restrictions on the level of indebtedness, amount of variable debt to be borrowed and net worth maintenance provisions. As of December 31, 2007, we were in compliance with all covenants, no borrowings were outstanding, $198.5 million was available to be borrowed, and $1.5 million letters of credit were outstanding under the credit facility. We have the ability to extend the maturity date of the facility to June 2009 by requesting such extension from the lenders between February 28, 2008 and March 28, 2008 and paying $0.4 million. We anticipate that we will extend the maturity date.

The MLP has a secured loan with Key Bank, N.A., which bears interest at LIBOR plus 60 basis points. As of December 31, 2007, $213.6 million was outstanding under the secured loan. The secured loan is scheduled to mature in June 2009. The secured loan requires monthly payments of interest only. The MLP is also required to make principal payments from the proceeds of certain property sales and certain refinancings if such proceeds are not reinvested into net leased properties. The required principal payments are based on a minimum release price set forth in the secured loan agreement. The secured loan has customary covenants, which the MLP was in compliance with at December 31, 2007.

In 2007, the MLP issued $450 million in 5.45% guaranteed exchangeable notes due in 2027, which can be put by the holder every five years commencing 2012 and upon certain events. The net proceeds were used to repay indebtedness.

During 2007, we issued $200 million in Trust Preferred Notes. These Trust Preferred Notes, which are classified as debt, (1) are due in 2037, (2) are redeemable by us commencing April 2012 and (3) bear interest at a fixed rate of 6.804% through April 2017 and thereafter at a variable rate of three month LIBOR plus 170 basis points through maturity.

Debt Service Requirements. Our principal liquidity needs are the payment of interest and principal on outstanding indebtedness. As of December 31, 2007, there were $3.0 billion of mortgages and notes payable outstanding, including discontinued operations. As of December 31, 2007, the weighted average interest rate on our outstanding debt was approximately 5.9%. Our ability to make debt service payments will depend upon our rental revenues and our ability to refinance the mortgage related thereto, sell the related property, have available amounts under our credit facility or access other capital. Our ability to accomplish such goals will be affected by numerous economic factors affecting the real estate industry, including the availability and cost of mortgage debt at the time, our equity in the mortgaged properties, the financial condition and the operating history of the mortgaged properties, the then current tax laws and the general national, regional and local economic conditions.

We expect to continue to use property specific, non-recourse mortgages as we believe that by properly matching a debt obligation, including the balloon maturity risk, with a lease expiration, our cash-on-cash returns increase and the exposure to residual valuation risk is reduced. In December 2005, we informed the lender for our Milpitas, California property that we would no longer make debt service payments and our intention to convey the property to the lender to satisfy the mortgage. We recorded a $12.1 million impairment charge in 2005 relating to this property and a gain on debt satisfaction of $6.3 million upon foreclosure on the property by the lender in 2006. During 2006, we satisfied a $20.4 million mortgage note by making a $7.5 million cash payment plus assigning a $5.4 million escrow to the lender, which resulted in a gain of $7.5 million.

Other

Lease Obligations. Since our tenants generally bear all or substantially all of the cost of property operations, maintenance and repairs, we do not anticipate significant needs for cash for these costs; however, for certain properties, we have a level of property operating expense responsibility. We generally fund property expansions with additional secured borrowings, the repayment of which is funded out of rental increases under the leases covering the expanded properties. To the extent there is a vacancy in a property, we would be obligated for all operating expenses, including real estate taxes and insurance. In addition certain leases require us to fund tenant expansions.

Our tenants generally pay the rental obligations on ground leases either directly to the fee holder or to us as increased rent.

Contractual Obligations. The following summarizes the Company s principal contractual obligations as of December 31, 2007 ($000 s):

	2008	2009	2010	2011	2012	2013 and Thereafter	Total
Notes payable(2)(3)	$ 100,083	$ 339,552	$ 164,550	$ 184,059	$ 677,991	$ 1,581,315	$ 3,047,550
Contract rights payable		229	491	540	593	11,591	13,444
Purchase obligations							
Tenant incentives	8,445	10,000					18,445
Operating lease obligations(1)	4,431	3,858	3,631	3,235	2,830	16,720	34,705
	$ 112,959	$ 353,639	$ 168,672	$ 187,834	$ 681,414	$ 1,609,626	$ 3,114,144

(1) Includes ground lease payments and office rent. Amounts disclosed through 2008 include rent for our principal executive office which is fixed through 2008 and adjusted to fair market value as determined at January 2009. Therefore, the amounts for 2009 and thereafter do not include principal executive office rent. In addition certain

ground lease payments due under bond leases allow for a right of offset between the lease obligation and the debt service and accordingly are not included.

(2) We have $1.5 million in outstanding letters of credit.

(3) Includes balloon payments.

Capital Expenditures. Due to the net lease structure, we do not incur significant expenditures in the ordinary course of business to maintain our properties. However, as leases expire, we expect to incur costs in extending the existing tenant leases or re-tenanting the properties. The amounts of these expenditures can vary significantly depending on tenant negotiations, market conditions and rental rates. These expenditures are expected to be funded from operating cash flows or borrowings on our credit facility.

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Share Repurchases. In September 1998, our Board of Trustees approved a funding limit for the repurchase of 1.0 million common shares/OP units, and authorized any repurchase transactions within that limit. In November 1998, our Board of Trustees approved an additional 1.0 million common shares/OP units for repurchase, thereby increasing the funding limit to 2.0 million common shares/OP units available for repurchase. From September 1998 to March 2005, we repurchased approximately 1.4 million common shares/OP units at an average price of $10.62 per common share/OP unit. In November 2005, our Board of Trustees increased the remaining amount of common shares/OP units eligible for repurchase, so that an aggregate of 2.0 million common shares/OP units were then available for repurchase under the share repurchase program. In March 2007, the Board of Trustees increased the remaining amount of common shares/OP Units eligible for repurchase up to 10.0 million. In December 2007, the Board of Trustees increased the remaining amount of common share/op units eligible for repurchase up to 5.0 million. As of December 31, 2007, 5.8 million common shares/ OP units were eligible for repurchase under the authorization. In 2007, approximately 9.8 million common shares/OP units were repurchased in the open market and through private transactions with our employees and OP unitholders at an average price of $19.83 per share.

Results of Operations

Year ended December 31, 2007 compared with December 31, 2006. Changes in our results of operations are primarily due to the Merger, which was effective December 31, 2006, and the acquisition of the outstanding interests in our co-investment programs during the second quarter of 2007. Of the increase in total gross revenues in 2007 of $245.1 million, $220.6 million is attributable to rental revenue. The remaining $24.5 million increase in gross revenues in 2007 was primarily attributable to an increase in tenant reimbursements of $15.5 million and an increase in advisory and incentive fees of $9.0 million. The primary increase in advisory and incentive fees relates to promoted interests ($11.7 million) earned with respect to two co-investment programs and one advisory agreement.

The increase in interest and amortization expense of $98.5 million is due to the increase in long-term debt due to the growth of our portfolio resulting from the Merger and the acquisition of the outstanding interests in our co-investment programs.

The increase in property operating expense of $30.1 million is primarily due to an increase in properties for which we have operating expense responsibility, including an increase in vacancy.

The increase in depreciation and amortization of $160.2 million is due primarily to the growth in real estate and intangibles through the acquisition of properties in the Merger and the acquisition of the outstanding interests in our co-investment programs. Intangible assets are amortized over a shorter period of time (generally the lease term) than real estate assets.

The increase in general and administrative expenses of $3.9 million is due primarily to (1) costs associated with the Merger ($3.2 million); (2) the costs associated with LSAC ($0.9 million); (3) costs incurred in the formation of NLS ($2.3 million); and (4) professional fees ($1.2 million) all of which is offset by a reduction in other costs including personnel costs ($5.1 million), which relates primarily to the accelerated amortization of non-vested common shares in 2006 of $10.8 million and an increase in severance costs in 2007 of $4.5 million.

Non-operating income increased $1.8 million due primarily to increased interest and dividends from investments, offset by a gain in 2006 relating to the sale of a Dana bankruptcy claim.

Impairment charges increased $8.3 million due to the impairment charge on two properties in 2007,which are currently vacant and management changed its strategy from a long-term hold to hold for disposal. We will commence marketing these properties in 2008, however, we are unsure if the properties will be sold within 12 months.

Debt satisfaction charges changed $8.4 million due to mortgages being satisfied at a loss of $1.2 million in 2007 due to sales of properties to affiliates, compared to mortgages being repaid in 2006 at a gain of $7.2 million.

Provision for income taxes increased $3.6 million due to the write-off deferred tax assets of LSAC, the gain realized due to the sale of properties to NLS and earnings of the taxable REIT subsidiaries.

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Minority interest changed $3.3 million due to a reduction in earnings at the operating partnership level, primarily due to the impairment charges recorded on properties.

The equity in earnings of non-consolidated entities increase of $42.2 million is primarily due to the gains on sale realized relating to the dissolution of one co-investment program ($34.2 million) and gain recognized relating to the sale of an investment to NLS ($1.6 million).

The increase in gains on sale of properties affiliates relates to the sale of properties to NLS.

Net income increased by $69.1 million primarily due to the net impact of items discussed above coupled with an increase of $72.0 million in income from discontinued operations.

In 2007, 56 properties were sold and classified as held for sale. In 2006, 17 properties were sold and classified as held for sale. Discontinued operations represents properties sold or held for sale. The total discontinued operations increased $72.0 million due to an increase in income from discontinued operations of $15.1 million coupled with a change in debt satisfaction charges of $12.4 million, an increase in gains on sale of $70.0 million, a change in minority interests share of income of $24.0 million, a reduction in impairment charges of $26.5 million and an increase in the provision for income taxes of $3.2 million.

Net income applicable to common shareholders in 2007 increased to $50.1 million compared to a net loss applicable to common shareholders in 2006 of $8.7 million. The increase is due to the items discussed above offset by an increase in preferred dividends of $10.3 million resulting from the issuance of Series D Preferred Shares. The increase in net income in future periods will be closely tied to the level of acquisitions made by us. Without acquisitions, the sources of growth in net income are limited to index adjusted rents (such as the consumer price index), percentage rents, reduced interest expense on amortizing mortgages and by controlling other variable overhead costs. However, there are many factors beyond management s control that could offset these items including, without limitation, increased interest rates and tenant monetary defaults and the other risks described in this Annual Report.

Year ended December 31, 2006 compared with December 31, 2005. Changes in our results of operations are primarily due to the growth of our portfolio and costs associated with such growth. Of the increase in total gross revenues in 2006 of $24.3 million, $18.4 million is attributable to rental revenue. The remaining $5.9 million increase in gross revenues in 2006 was primarily attributable to a decrease in advisory and incentive fees of $0.8 million and a $6.7 million increase in tenant reimbursements.

The increase in interest and amortization expense of $8.9 million is due to the growth of our portfolio and partially financing such growth with debt.

The increase in property operating expense of $10.3 million is primarily due to an increase in properties for which we have operating expense responsibility and an increase in vacancy.

The increase in depreciation and amortization of $14.8 million is due primarily to the growth in real estate and intangibles through the acquisition of properties. Intangible assets are amortized over a shorter period of time (generally the lease term) than real estate assets.

The increase in general and administrative expenses of $18.0 million is due primarily to increases in personnel costs, including the accelerated amortization of time-based non-vested shares of $10.8 million.

Impairment loss increased $7.2 million due to an impairment charge for a property in 2006.

Non-operating income increased $7.4 million primarily due to a sale of a tenant bankruptcy claim in 2006.

Debt satisfaction gains increased $2.8 million due to the timing of mortgage payoffs.

The minority interest share of income decrease of $1.1 million is due to a decrease in earnings at the partnership level.

The equity in earnings of non-consolidated entities decrease of $2.0 million is primarily due to a decrease in earnings of non-consolidated entities, primarily related to depreciation and amortization.

Net income decreased by $24.9 million primarily due to the net impact of items discussed above coupled with an increase of $0.6 million in income from discontinued operations.

Discontinued operations represents properties sold or held for sale. Total discontinued operations increased $0.6 million due to a decrease in income from discontinued operations of $3.1 million coupled with a change in debt satisfaction gains of $5.2 million, an increase in gains on sale of $10.6 million, a change in minority interests share of loss of $3.1 million and an increase in impairment charges of $15.2 million. There was a net loss applicable to common shareholders in 2006 of $8.7 million compared to net income applicable to common shareholders in 2005 of $16.3 million. The decrease is due to the items discussed above.

Environmental Matters

Based upon management s ongoing review of our properties, management is not aware of any environmental condition with respect to any of our properties, which would be reasonably likely to have a material adverse effect on us. There can be no assurance, however, that (1) the discovery of environmental conditions, which were previously unknown; (2) changes in law; (3) the conduct of tenants; or (4) activities relating to properties in the vicinity of our properties, will not expose us to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which would adversely affect our financial condition and results of operations.

Recently Issued Accounting Standards

Recently Issued Accounting Standards. In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123, (revised 2004) Share-Based Payment (SFAS 123R), which supersedes Accounting Principals Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also address transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The cost will be recognized over the period in which an employee is required to provide services in exchange for the award. SFAS 123R was effective for the fiscal year beginning on January 1, 2006. The impact of adopting this statement resulted in the elimination of $11,401 of deferred compensation and additional paid-in-capital from the consolidated statements of changes in shareholders equity as of January 1, 2006 and the adoption did not have a material impact on our results of operations or cash flows.

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations an Interpretation of SFAS Statement No. 143 (FIN 47). FIN 47 clarifies the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and /or method of settlement are conditional on a future event. FIN 47 is effective for fiscal years ending after December 15, 2005. The application of FIN 47 did not have a material impact on our consolidated financial position or results of operations.

In June 2005, the FASB ratified the Emerging Issues Task Force s (EITF) consensus on EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-05). EITF 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. It was effective after June 29, 2005 for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships were required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The impact of the adoption of EITF 04-05 did not have a material impact on our financial position, results of operations or cash flows.

In 2005, the EITF released Issue No. 05-06, Determining the Amortization Period for Leasehold Improvements (EITF 05-06), which clarifies the period over which leasehold improvements should be amortized. EITF 05-06 requires all leasehold improvements to be amortized over the shorter of the useful life of the assets, or the applicable lease term, as defined. The applicable lease term is determined on the date the leasehold improvements are acquired and includes renewal periods for which exercise is reasonably assured. EITF 05-06 was effective for leasehold improvements acquired in reporting periods beginning after June 29, 2005. The impact of the adoption of EITF 05-06 did not have a material impact on our financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 was effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48, as of January 1, 2007, did not have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, except for non-financial assets and liabilities, which is deferred for one additional year. The adoption of this statement is not expected to have a material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial assets and liabilities and certain other items at fair value. An enterprise will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied on an instrument-by-instrument basis, with several exceptions, such as investments accounted for by the equity method, and once elected, the option is irrevocable unless a new election date occurs. The fair value option can be applied only to entire instruments and not to portions thereof. SFAS 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. Management has determined that we will not adopt the fair value provisions of this pronouncement so it will have no impact on our financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin No. 108 (SAB 108). SAB 108 provides guidance on how the effects of the carryover or reversal of prior year financial statements misstatements should be considered in quantifying a current period misstatement. In addition, upon adoption, SAB 108 permits us to adjust the cumulative effect of immaterial errors relating to prior years in the carrying amount of assets and liabilities as of the beginning of the current fiscal year, with an offsetting adjustment to the opening balance of retained earnings. SAB 108 also requires the adjustment of any prior quarterly financial statement within the fiscal year of adoption for the effects of such errors on the quarters when the information is next presented. We adopted SAB 108 effective December 31, 2006, and its adoption had no impact on our financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (SFAS 141R). SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value . SFAS 141R is effective for acquisitions in periods beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements (SFAS No. 160). SFAS No. 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity.

SFAS No. 160 is effective for periods beginning on or after December 15, 2008. The adoption of this statement will result in the minority interest currently classified in the mezzanine section of the balance sheet to be reclassified as a component of shareholders equity, and minority interest expense will no longer be recorded in the income statement.

In December 2007, the FASB ratified EITF consensus on EITF 07-06, Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, Accounting for Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause (EITF 07-06). EITF 07-06 clarifies that a buy-sell clause in a sale of real estate that otherwise qualifies for partial sale accounting does not by itself constitute a form of continuing involvement that would preclude partial sale accounting under SFAS No. 66. EITF 07-06 is effective for fiscal years beginning after December 15, 2007. The adoption of EITF 07-06 is not expected to have a material impact on our financial position, results of operations or cash flows.

In June 2007, the Securities and Exchange staff announced revisions to EITF Topic D-98 related to the release of SFAS 159. The Securities and Exchange Commission announced that it will no longer accept liability classification for financial instruments that meet the conditions for temporary equity classification under ASR 268, Presentation in Financial Statements of Redeemable Preferred Stocks and EITF Topic No. D-98. As a consequence, the fair value option under SFAS 159 may not be applied to any financial instrument (or host contract) that qualifies as temporary equity. This is effective for all instruments that are entered into, modified, or otherwise subject to a remeasurement event in the first fiscal quarter beginning after September 15, 2007. The adoption of this announcement is not expected to have a material impact on our financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements

Non-Consolidated Real Estate Entities. As of December 31, 2007, we had investments in various real estate entities with varying structures. The real estate investments owned by the entities are financed with non-recourse debt. Non-recourse debt is generally defined as debt whereby the lenders sole recourse with respect to borrower defaults is limited to the value of the property collateralized by the mortgage. The lender generally does not have recourse against any other assets owned by the borrower or any of the members of the borrower, except for certain specified exceptions listed in the particular loan documents. These exceptions generally relate to limited circumstances including breaches of material representations.

In addition, the Company has $1.5 million in outstanding letters of credit.

Net Lease Strategic Assets Fund L.P. (NLS)

Net Lease Strategic Assets Fund L.P. is a co-investment program with Inland American (Net Lease) Sub, LLC (Inland). NLS was established to acquire specialty real estate in the United States.

In addition to the properties already owned by NLS, NLS has a right to acquire an additional 13 properties from us. The acquisition of each of the 13 assets by NLS is subject to satisfaction of conditions precedent to closing, including the assumption of existing financing, obtaining certain consents and waivers, the continuing financial solvency of the tenants, and certain other customary conditions. Accordingly, neither the Company nor NLS can provide any assurance that the acquisition by NLS will be completed. In the event that NLS does not acquire 11 of the assets by March 31, 2008 and two of the assets by June 30, 2008, NLS will no longer have the right to acquire the assets.

Concord Debt Holdings LLC

Through the MLP, we have a 50% interest in a co-investment program, Concord Debt Holdings LLC, which we refer to as Concord, that invests in real estate loan assets and debt securities. Our co-investment partner and the holder of the other 50% interest in Concord is WRT Realty L.P., which we refer to as WRT. WRT is the operating partnership subsidiary of Winthrop Realty Trust, and Michael L. Ashner, our Executive Chairman and Director of Strategic Acquisitions, is the Chairman and Chief Executive Officer of Winthrop Realty Trust.

Concord acquires, originates and manages loan assets and debt securities collateralized by real estate assets, including mortgage loans (commonly referred to as whole loans), subordinate interests in whole loans (either through the acquisition of a B-Note or a participation interest), mezzanine loans, and preferred equity and commercial real estate securities, including collateralized mortgage-backed securities, which we refer to as CMBS, and real estate collateral debt obligations, which we refer to as a CDO.

To date, each of the MLP and WRT has committed to invest $162.5 million in Concord, $5.1 million of which remained committed and unfunded by each of the MLP and WRT at December 31, 2007. In addition to capital contributions, Concord currently seeks to finance its loan assets and debt securities, and expects to finance the acquisition of additional loan assets and debt securities, through the use of various structures including repurchase facilities, credit facilities, credit lines, term loans, securitizations and issuances of common and preferred equity to institutional or other investors.

Concord is managed, and all its investments are sourced, by WRP Management LLC, a joint venture 50% owned by each of the MLP and WRT. WRP Management LLC subcontracts its management obligations with WRP Sub-Management LLC, which we refer to as the Concord Advisor, a subsidiary of Winthrop Realty Partners, L.P., which we refer to as WRP. Michael L. Ashner, our Executive Chairman and Director of Strategic Acquisitions, holds an equity interest in and controls WRP. The Concord Advisor has substantially the same executive officers as Winthrop Realty Trust and WRP. Certain investments and other material decisions with respect to Concord s business require the consent of both us and WRT or our and WRT s representatives on Concord s investment committee.

Concord s objective is to produce a stable income stream from investments in loan assets and debt securities by carefully managing credit risk and interest rate risk. Concord derives earnings from interest income rather than trading gains and intends to hold its loan assets and debt securities to maturity. Accordingly, the loan assets and debt securities in which Concord invests are selected based on their long-term earnings potential and credit quality.

Concord seeks to achieve its objective by acquiring and originating loan assets and debt securities collateralized by the core real estate groups of existing income producing office, retail, multi-family, warehouse and hospitality assets. Concord does not generally invest in industrial, R&D, special use or healthcare assets and Concord does not invest in any development projects, single family projects, condominium or condo conversion projects, raw land, synthetic loans or loans originated on assets located outside of the United States but may have interest in such assets if the underlying asset experiences a change in use. Further, Concord does not directly invest in single family home mortgages nor does it acquire loan assets or debt securities where the underlying obligor is either Winthrop Realty Trust or us or our respective affiliates. Concord only invests in assets in which the pool of potential buyers is broad and seeks to avoid assets which lack existing cash flow and/or were developed on a for sale basis. Moreover, depending on the size of the loan class, Concord generally seeks to acquire between 51% and 100% of the ownership position in the loan assets or debt securities in which it invests so as to control any decision making which might occur with respect to such instrument in the future.

Concord s sole exposure to the single family residential market is with respect to an $11.5 million investment in a $1.0 billion bond, 18.5% of which is subordinate to Concord s position. Collateral for this bond can consist of up to 10% of residential loans, with the balance of the collateral consisting of commercial loans. At December 31, 2007, the collateral for this bond consisted of only 7% of residential loans, some of which are considered sub-prime. As of December 31, 2007, Concord recorded an other than temporary impairment charge on this investment of $4.9 million.

Simultaneous with or following the acquisition of a loan asset or debt security, Concord seeks to enhance the return on its investment by obtaining financing. Concord s original business model was to refinance its loan assets with long-term debt through the issuance of CDOs. To this end, Concord formed its first CDO, Concord Real Estate CDO 2006-1, Ltd., which we refer to as CDO-1, pursuant to which it refinanced approximately $464.6 million of its loan assets and debt securities.

The debt capital markets generally have experienced an increase in volatility and reduction in liquidity since the second quarter of 2007, which was initially triggered by credit concerns emanating from the single family residential market, particularly those loans commonly referred to as sub-prime loans. As a result of the increased volatility and reduction in liquidity in the debt capital markets, securitizations have become difficult if not impossible to execute. As a result, Concord has continued to finance its loan assets and debt securities through repurchase facilities that are either similar to (1) revolving loans where Concord has the ability to repurchase current assets on such facility (pay back the loan with respect to such asset) and finance other loan assets through such facility or (2) to term loans in that only specific loan assets secure such facility and once satisfied, Concord cannot use the facility for additional loan assets. See Credit Facilities, below. Concord expects to issue additional CDOs or other types of securitizations at such time, if at all, as such issuances will generate attractive risk-adjusted equity returns.

CDOs are a securitization structure whereby multiple classes of debt are issued to finance a portfolio of income producing assets, such as loan assets and debt securities. Cash flow from the portfolio of income producing assets is used to repay the CDO liabilities sequentially, in order of seniority. The most senior classes of debt typically have credit ratings of AAA through BBB- and therefore can be issued at yields that are lower than the average yield of the assets backing the CDO. That is, the gross interest payments on the senior classes of CDO securities are less than the average of the interest payment received by the CDO from its assets. On its existing CDO, Concord retained, and Concord expects that it will retain on any future CDOs, the equity and the junior CDO debt securities. As a result, assuming the CDO s assets are paid in accordance with their terms, Concord s return will be enhanced as Concord will retain the benefit of the spread between the yield on the CDO s assets and the yield on the CDO s debt. The equity and the junior CDO debt securities that Concord retained and intends to retain are the most junior securities in the CDO s capital structure and are usually unrated or rated below investment grade. Concord also earns ongoing management fees for its management of the CDO collateral. A portion of these management fees is senior to the AAA rated debt securities of each CDO. In CDO-1, the level of leverage on the underlying assets was approximately 80%. The leverage level of Concord s future CDOs may vary depending on the composition of the portfolio and market conditions at the time of the issuance of each CDO. Concord may increase or decrease leverage on its investment grade CDOs, at securitization, upward or downward to improve returns or to manage credit risk. In addition to CDO s, Concord may also use other capital markets vehicles and structures to finance its real estate debt portfolio.

The Concord Advisor provides accounting, collateral management and loan brokerage services to Concord and its subsidiaries, including CDO-1. For providing these services, in 2007 Concord paid to the Concord Advisor a management fee of $1.9 million, which fees were based on the gross amount of loan assets acquired, and $0.7 million as reimbursement for certain direct costs incurred by the Concord Advisor solely for the benefit of Concord.

CDO-1

Concord holds loan assets and loan securities. On December 21, 2006, Concord formed its first CDO, Concord Real Estate CDO 2006-1, Ltd., which we refer to as CDO-1, pursuant to which it financed approximately $464.6 million of its loan assets by issuing an aggregate of approximately $376.7 million of investment grade debt. Concord retained an equity and junior debt interest in the portfolio with a notional amount of $88.4 million. That is, if CDO-1 does not ultimately have sufficient funds to satisfy all of its obligations to its noteholders, Concord will bear the first $88.4 million in loss, one half of which would be attributable to our interest in Concord.

The financing through CDO-1 enhanced Concord s return on the loan assets and loan securities held in CDO-1 as the weighted average interest rate on the loan assets and loan securities held in CDO-1 at December 31, 2007 was 6.7% and the weighted average interest rate on the amount payable by Concord on its notes at December 31, 2007 was 5.4%. Accordingly, assuming the loan assets and loan securities are paid in accordance with their terms, Concord retains an average spread of the difference between the interest received on the loan assets and loan securities and the interest paid on the loan assets and loan securities. The following table summarizes the loan assets and loan securities and the note obligations for CDO-1 at December 31, 2007 are set forth below (amounts in thousands).

CDO Loan Assets and Loan Securities December 31, 2007				CDO Notes December 31, 2007			
Date Closed	Par Value of CDO Collateral(3)	Weighted Average Interest Rate	Weighted Averaged Life (Years)	Outstanding CDO Notes(1)	Weighted Average Interest Rate	Stated Maturity	Retained Interest(2)
12/21/2006	$ 464,601	6.70%	4.29	$ 376,650	5.37%	12/2016	$ 88,350

(1) Includes only notes held by third parties.

(2) Concord s potential economic loss is limited to the retained interest of its investment in CDO-1, of which the MLP would bear 50% of such loss.

(3) Consists of loan assets with a par value of $338,681 and loan securities with a par value of $125,920.

CDO-1 s loan assets were diversified by industry as follows at December 31, 2007:

Industry	% of Face Amount
Office	44.22%
Hospitality	30.54%
Multi-family	8.62%
Industrial	7.09%
Mixed Use	5.10%
Retail	4.43%
	100%

The following table sets forth the aggregate carrying values, allocation by loan type and weighted average coupons of the loan assets and loan securities held in CDO-1 as of December 31, 2007:

	Carrying Value(1)	Par Value	Allocation by Investment Type	Fixed Rate: Average Yield	Floating Rate: Average Spread over LIBOR(2)
	(In thousands)				

Whole loans, floating rate	$ 20,000	$ 20,000	4.31%		195 bps
Whole loans, fixed rate	20,900	20,900	4.50%	6.56%	
Subordinate interests in whole loans, floating rate	108,766	108,864	23.43%		244 bps
Subordinate interests in whole loans, fixed rate	24,567	27,619	5.95%	7.46%	
Mezzanine loans, floating rate	81,419	81,410	17.52%		270 bps
Mezzanine loans, fixed rate	77,669	79,888	17.19%	5.92%	
Loan securities, floating rate	100,955	103,428	22.26%		189 bps
Loan securities, floating rate	18,448	22,492	4.84%	5.97%	
Total/Average	$ 452,724	$ 464,601	100%	6.30%	230 bps

(1) Net of scheduled amortization payments and prepayments, unamortized fees and discounts.

(2) Spreads over an index other than LIBOR have been adjusted to a LIBOR based equivalent.

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The following table sets forth the maturity dates for the loan assets held in CDO-1 at December 31, 2007:

Year of Maturity	Number of Loan Assets Maturing	Carrying Value (In thousands)	% of Total
2008	7	$ 140,183	42.06%
2009	2	34,584	10.38%
2010	4	46,465	13.94%
2011	1	20,900	6.27%
2012	1	5,017	1.50%
Thereafter	7	86,172	25.85%
Total	22	$ 333,321	100%

Weighted average maturity is 3.45 years(1)

(1) The calculation of weighted average maturity is based upon the remaining initial term and does not take into account any maturity extension periods or the ability to prepay the investment after a negotiated lock-out period, which may be available to the borrower.

The following table sets forth a summary of the loan securities held in CDO-1 at December 31, 2007 (in thousands):

Description	Par Value	Gross Unrealized Loss	Impairment Loss	Carrying Value
Floating rate	$ 22,492	$ (321)	$ (1,601)	$ 18,448
Fixed rate	103,428	(2,355)		100,955
Total	$ 125,920	$ (2,676)	$ (1,601)	$ 119,403

The following table sets forth a summary of the underlying Standard & Poor s credit rating of the loan securities held in CDO-1 at December 31, 2007:

Rating	Par Value (In thousands)	Percentage
BBB+	$ 9,000	7.15%
BBB	2,151	1.71%
BBB-	44,384	35.25%

BB+		33,392	26.52%
BB		18,500	14.69%
B+		7,000	5.56%
Not rated		11,493	9.12%
Total	$	125,920	100%

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Concord s Loan Assets and Loan Securities

The following table sets forth the aggregate carrying values, allocation by loan type and weighted average coupons of Concord s loan assets and loan securities in addition to its equity and debt interest in CDO-1 as of December 31, 2007:

	Carrying Value(1)	Par Value	Allocation by Investment Type	Fixed Rate: Average Yield	Floating Rate: Average Spread over LIBOR(2)
	(In thousands)				
Whole loans, floating rate	$ 136,260	$ 136,260	19%		218 bps
Whole loans, fixed rate	6,300	6,300	1%	6.40%	
Subordinate interests in whole loans, floating rate	163,077	163,908	23%		223 bps
Subordinate interests in whole loans, fixed rate	14,196	15,750	2%	8.63%	
Mezzanine loans, floating rate	230,852	236,436	33%		222 bps
Mezzanine loans, fixed rate	68,028	71,718	10%	7.45%	
Loan securities, floating rate	43,260	56,400	8%		143 bps
Loan securities, fixed rate	25,411	27,084	4%	6.68%	
Total/Average	$ 687,384	$ 713,856	100%	7.38%	214 bps

(1) Net of scheduled amortization payments and prepayments, unamortized fees and discounts.

(2) Spreads over an index other than LIBOR have been adjusted to a LIBOR based equivalent.

The following table sets forth the maturity dates for Concord s loan assets:

Year of Maturity	Number of Loan Assets Maturing	Carrying Value (In thousands)	% of Total
2008	9	$ 185,500	30.0%
2009	9	134,052	21.7%
2010	3	81,903	13.2%
2011	1	6,300	1.0%
2012	3	72,968	11.8%
Thereafter	8	137,990	22.3%

Total	33	$	618,713	100%

Weighted average maturity is 2.72 years(1)

(1) The calculation of weighted average maturity is based upon the remaining initial term and does not take into account any maturity extension periods or the ability to prepay the investment after a negotiated lock-out period, which may be available to the borrower.

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The following table sets forth a summary of Concord s loan securities at December 31, 2007:

Description	Par Value	Gross Unrealized Loss	Impairment Loss	Carrying Value
Floating rate	$ 56,400	$ (3,487)	$ (9,427)	$ 43,260
Fixed rate	27,084	(1,673)		25,411
Total	$ 83,484	$ (5,160)	$ (9,427)	$ 68,671

The following table sets forth a summary of the underlying Standard & Poor s credit rating of Concord s loan securities at December 31, 2007:

Rating	Par Value	Percentage
AA-	$ 1,381	1.65%
A-	1,966	2.36%
BBB+	25,094	30.06%
BBB	15,833	18.97%
BBB-	30,392	36.40%
BB+	5,000	5.99%
Not rated	3,818	4.57%
Total	$ 83,484	100%

Concord s loan assets were diversified by industry as follows at December 31, 2007:

Industry	% of Par Value
Office	46.4%
Hospitality	41.7%
Multi-family	6.4%
Mixed Use	5.3%
Industrial	0.2%
	100%

Credit Facilities

As described above, Concord has financed certain of its loan assets and loan securities through credit facilities in the form of repurchase agreements. In the repurchase agreements entered into by Concord to date, the lender, referred to as the repurchase counterparty, purchases the loan asset or loan security from or on behalf of Concord and holds it on its balance sheet. Concord then repurchases the loan asset or loan security in cash on a specific repurchase date or, at the election of Concord, an earlier date. While the loan asset is held by the repurchase counterparty, the repurchase counterparty retains a portion of each interest payment made on such loan asset or loan security equal to the price differential , which is effectively the interest rate on the purchase price paid the repurchase counterparty to Concord for the loan asset or loan security, with the balance of such payments being paid to Concord. Pursuant to the terms of the repurchase agreements, if the market value of the loan assets or loan securities pledged or sold by Concord decline, which decline is determined, in most cases, by the repurchase counterparty, Concord may be required by the repurchase counterparty to provide additional collateral or pay down a portion of the funds advanced. During 2007, Concord was required to pay down an aggregate of $24.0 million against $472.3 million of outstanding repurchase obligations.

Concord currently has five repurchase facilities, two of which are not loan asset/loan security specific and three of which are loan asset/loan security specific. That is, under the non-loan asset/loan security specific repurchase facilities, Concord has the ability to pay back the loan with respect to such asset/loan security and finance other loan assets or loan securities through such facility. With respect to the loan asset/loan security specific repurchase facilities, once the loan assets or loan securities securing such facility satisfied, Concord cannot use the facility for additional loan assets or loan securities.

The following table summarizes the terms of Concord s current repurchase facilities at December 31, 2007 (in thousands):

Counterparty	Maximum Outstanding Balance	Outstanding Balance	Interest Rate LIBOR Plus(5)	Maturity Date	Carrying Value of Assets Securing Facility
Greenwich(1)	$ 39,079	$ 39,079	100 bps	12/08	$ 55,827
Greenwich(1)	59,613	59,613	100 bps	12/12	70,146
Column(1)	16,414	16,414	100 bps	3/09(3)	25,270
Column(2)	350,000	308,508	85-135 bps(4)	3/09	412,561
Bear Stearns(2)	150,000	48,710	85-115 bps(4)	11/08	82,258

(1) Repurchase facilities cover specific loan assets and may not be used for any other loan assets.

(2) Repurchase facilities may be used for multiple loan assets and loan securities subject to the repurchase counterparty s consent. Repurchase counterparties have advised that no additional advance will be made except, if at all, in connection with loans assets or debt securities acquired for the repurchase counterparty.

(3) May be extended for up to three one-year extensions.

(4) Interest rate is based on type of loan asset or loan security for which financing is provided. Weighted average at December 31, 2007 on the Column repurchase facility was 5.8% and on the Bear Stearns repurchase facility was 5.5%

(5) Concord has entered into interest rate swaps with a total national amount of $203.3 million as of December 31, 2007 to manage exposure to interest rate movements affecting interest payments on certain variable-rate obligations.

Item 7A. *Quantitative and Qualitative Disclosure about Market Risk*

Our exposure to market risk relates primarily to our debt. As of December 31, 2007, and 2006, our variable rate indebtedness represented 7.0% and 28.8%, respectively, of total mortgages and notes payable. During 2007 and 2006, this variable rate indebtedness had a weighted average interest rate of 7.0% and 6.8%, respectively. Had the weighted average interest rate been 100 basis points higher our interest expense would have been increased by $1.5 million and $0.1 million in 2007 and 2006, respectively. As of December 31, 2007 and 2006, our fixed rate debt, including discontinued operations, was $2,833.9 million and $1,516.6 million, respectively, which represented 93.0% and 71.2%, respectively, of total long-term indebtedness. The weighted average interest rate as of December 31, 2007 of fixed rate debt was 5.9%, which approximates the weighted average fixed rate for debt obtained by us during 2007. The weighted average interest rate as of December 31, 2006 of fixed rate debt was 6.0%. With only $31.8 million in consolidated debt maturing in 2008, we believe we have limited market risk exposure to rising interest rates as it relates to our fixed rate debt obligations. However, had the fixed interest rate been higher by 100 basis points, our interest expense would have been increased by $25.9 million and $11.9 million for years ended December 31, 2007 and 2006, respectively.

MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In assessing the effectiveness of our internal controls over financial reporting, management used as guidance the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the assessment performed, management believes that our internal controls over financial reporting are effective as of December 31, 2007.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and the members of our Board of Trustees; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of our internal controls over financial reporting. KPMG LLP has issued a report which is included on page 61 of this Annual Report.

Item 8. ***Financial Statements and Supplementary Data***

LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES
INDEX

Report of Independent Registered Public Accounting Firm

The Trustees and Shareholders
Lexington Realty Trust:

We have audited Lexington Realty Trust s (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management s annual report on internal controls over financial reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and trustees of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as listed in the accompanying index, and our report dated February 28, 2008 expressed an unqualified opinion on those consolidated financial statements.

New York, New York

February 28, 2008

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Report of Independent Registered Public Accounting Firm

The Trustees and Shareholders
Lexington Realty Trust:

We have audited the accompanying consolidated financial statements of Lexington Realty Trust and subsidiaries (the Company), as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lexington Realty Trust and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2008 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

New York, New York
February 28, 2008

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LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets
($000 except per share amounts)
Years ended December 31,

	2007	2006
ASSETS		
Real estate, at cost:		
Buildings and building improvements	$ 3,388,421	$ 3,107,234
Land and land estates	694,020	625,717
Land improvements	893	2,044
Fixtures and equipment	11,944	12,161
	4,095,278	3,747,156
Less: accumulated depreciation	379,831	276,129
	3,715,447	3,471,027
Properties held for sale discontinued operations	150,907	69,612
Intangible assets (net of accumulated amortization of $181,190 in 2007 and $33,724 in 2006)	516,698	468,244
Investment in and advances to non-consolidated entities	226,476	247,045
Cash and cash equivalents	412,106	97,547
Investment in marketable equity securities (cost of $2,647 in 2007 and $31,247 in 2006)	2,609	32,036
Deferred expenses (net of accumulated amortization of $12,154 in 2007 and $6,834 in 2006)	42,040	16,084
Rent receivable current	25,289	43,283
Rent receivable deferred	15,303	29,410
Notes receivable	69,775	50,534
Other assets, net	88,513	100,035
	$ 5,265,163	$ 4,624,857
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Mortgages and notes payable	$ 2,312,422	$ 2,126,810
Exchangable notes payable	450,000	
Trust notes payable	200,000	
Contract rights payable	13,444	12,231
Liabilities discontinued operations	119,093	6,064
Accounts payable and other liabilities	49,442	25,877
Accrued interest payable	23,507	10,818
Dividends payable	158,168	44,948
Prepaid rent	16,764	10,109

Deferred revenue (net of accretion of $14,076 in 2007 and $1,029 in 2006)	217,389	362,815
	3,560,229	2,599,672
Minority interests	765,863	902,741
	4,326,092	3,502,413
Commitments and contingencies (Notes 8, 9, 11, 12, 14, & 16)		
Shareholders equity:		
Preferred shares, par value $0.0001 per share; authorized 100,000,000 shares;		
Series B Cumulative Redeemable Preferred, liquidation preference, $79,000, 3,160,000 shares issued and outstanding	76,315	76,315
Series C Cumulative Convertible Preferred, liquidation preference $155,000; 3,100,000 shares issued and outstanding	150,589	150,589
Series D Cumulative Convertible Preferred, liquidation preference $155,000; 6,200,000 shares issued and outstanding in 2007	149,774	
Special Voting Preferred Share, par value $0.0001 per share; authorized and issued 1 share in 2007 and 2006		
Common shares, par value $0.0001 per share, authorized 400,000,000 shares, 61,064,334 and 69,051,781 shares issued and outstanding in 2007 and 2006, respectively	6	7
Additional paid-in-capital	1,033,332	1,188,900
Accumulated distributions in excess of net income	(468,167)	(294,640)
Accumulated other comprehensive income (loss)	(2,778)	1,273
Total shareholders equity	939,071	1,122,444
	$ 5,265,163	$ 4,624,857

The accompanying notes are an integral part of these consolidated financial statements.

LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Operations
($000 except per share amounts)
Years ended December 31,

	2007	2006	2005
Gross revenues:			
Rental	$ 385,898	$ 165,275	$ 146,848
Advisory and incentive fees	13,567	4,555	5,365
Tenant reimbursements	32,282	16,863	10,170
Total gross revenues	431,747	186,693	162,383
Expense applicable to revenues:			
Depreciation and amortization	(236,044)	(75,849)	(61,004)
Property operating	(61,095)	(30,947)	(20,641)
General and administrative	(39,389)	(35,514)	(17,554)
Impairment charges	(15,500)	(7,221)	
Non-operating income	10,726	8,913	1,502
Interest and amortization expense	(163,628)	(65,097)	(56,177)
Debt satisfaction gains (charges), net	(1,209)	7,228	4,409
Income (loss) before benefit (provision) for income taxes, minority interests, equity in earnings of non-consolidated entities, gains on sale of properties-affiliates and discontinued operations	(74,392)	(11,794)	12,918
Benefit (provision) for income taxes	(3,374)	238	150
Minority interests	2,652	(601)	(1,694)
Equity in earnings of non-consolidated entities	46,467	4,248	6,232
Gains on sale of properties-affiliates	17,864		
Income (loss) from continuing operations	(10,783)	(7,909)	17,606
Discontinued operations			
Income from discontinued operations	29,561	14,459	17,593
Provision for income taxes	(3,327)	(73)	
Debt satisfaction (charges) gains	(7,950)	4,492	(731)
Gains on sales of properties	92,878	22,866	12,291
Impairment charges	(1,670)	(28,209)	(13,006)
Minority interests share of (income) loss	(21,858)	2,127	(1,058)
Total discontinued operations	87,634	15,662	15,089
Net income	76,851	7,753	32,695
Dividends attributable to preferred shares Series B	(6,360)	(6,360)	(6,360)
Dividends attributable to preferred shares Series C	(10,075)	(10,075)	(10,075)

Dividends attributable to preferred shares Series D	(10,298)		
Net income (loss) allocable to common shareholders	$ 50,118	$ (8,682)	$ 16,260
Income (loss) per common share basic:			
Income (loss) from continuing operations	$ (0.58)	$ (0.47)	$ 0.03
Income from discontinued operations	1.35	0.30	0.30
Net income (loss)	$ 0.77	$ (0.17)	$ 0.33
Weighted average common shares outstanding basic	64,910,123	52,163,569	49,835,773
Income (loss) per common share diluted:			
Income (loss) from continuing operations	$ (0.58)	$ (0.47)	$ 0.03
Income from discontinued operations	1.35	0.30	0.30
Net income (loss)	$ 0.77	$ (0.17)	$ 0.33
Weighted average common shares outstanding diluted	64,910,123	52,163,569	49,902,649

The accompanying notes are an integral part of these consolidated financial statements.

LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income
($000)
Years ended December 31,

	2007	2006	2005
Net income	$ 76,851	$ 7,753	$ 32,695
Change in other comprehensive income:			
Unrealized gain (loss) in marketable equity securities	(896)	789	
Unrealized gain in foreign currency translation	371	484	
Unrealized loss on investments in non-consolidated entities	(3,526)		
Other comprehensive income (loss)	(4,051)	1,273	
Comprehensive income	$ 72,800	$ 9,026	$ 32,695

The accompanying notes are an integral part of these consolidated financial statements.

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LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Shareholders Equity
($000 except per share amounts)
Years ended December 31,

	Number of Preferred Shares	Amount	Number of Common Shares	Amount	Additional Paid-in Capital	Deferred Compensation, Net	Accumulated Distributions In Excess of Net Income	Accumulated Other Comprehensiv Income (Loss)	Total Shareholc Equity
nce at ember 31,	5,860,000	$ 207,441	48,621,273	$ 5	$ 766,882	$ (8,692)	$ (118,346)	$	$ 847,2
ncome							32,695		32,6
dends mon eholders							(72,617)		(72,6
dends rred eholders							(14,494)		(14,4
nce of mon es, net			3,534,582		81,682	(5,575)			76,
nce of rred es, net	400,000	19,463							19,4
rtization ferred pensation						2,866			2,8
nce at ember 31,	6,260,000	226,904	52,155,855	5	848,564	(11,401)	(172,762)		891,3
ncome							7,753		7,7
ption of accounting iple e 2)					(11,401)	11,401			
dends mon eholders							(109,088)		(109,0
dends rred eholders							(20,543)		(20,5

nce of mon es, net			16,895,926	2	351,737				351,7
nce of al voting rred	1								
r prehensive me								1,273	1,2
nce at ember 31,	6,260,001	226,904	69,051,781	7	1,188,900		(294,640)	1,273	1,122,4
ncome							76,851		76,8
dends mon eholders							(223,746)		(223,7
dends rred eholders							(26,733)		(26,7
nce of mon es, net			1,608,369		34,554		101		34,6
rchase of mon shares			(9,595,816)	(1)	(190,122)				(190,1
nce of rred es, net	6,200,000	149,774							149,7
r prehensive								(4,051)	(4,0
nce at ember 31,	12,460,001	$ 376,678	61,064,334	$ 6	$ 1,033,332	$	$ (468,167)	$ (2,778)	$ 939,0

The accompanying notes are an integral part of these consolidated financial statements.

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LEXINGTON REALTY TRUST
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Consolidated Statements of Cash Flows
($000 except per share amounts)
Years ended December 31,

	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 76,851	$ 7,753	$ 32,695
Adjustments to reconcile net income to net cash provided by operating activities, net of effects from acquisitions:			
Depreciation and amortization	253,535	84,734	73,034
Minority interests	19,206	(2,842)	2,165
Gains on sales of properties	(110,742)	(21,549)	(11,578)
Debt satisfaction charges (gains), net	2,250	(14,761)	(4,536)
Impairment charges	17,170	35,430	12,879
Straight-line rents	16,151	(4,923)	(3,447)
Other non-cash charges	16,774	17,233	4,196
Equity in earnings of non-consolidated entities	(46,474)	(4,186)	(6,220)
Distributions of accumulated earnings from non-consolidated entities	7,930	8,058	7,561
Deferred tax assets	2,358	(738)	(466)
Increase (decrease) in accounts payable and other liabilities	4,999	1,999	(788)
Change in rent receivable and prepaid rent, net	12,378	(3,521)	2,790
Increase in accrued interest payable	15,193	1,383	235
Other adjustments, net	72	3,950	(3,063)
Net cash provided by operating activities	287,651	108,020	105,457
Cash flows from investing activities:			
Net proceeds from sales/transfers of properties	423,634	76,627	96,685
Net proceeds from sales of properties-affiliates	126,628		
Cash paid relating to Merger		(12,395)	
Investments in real estate properties and intangible assets	(163,746)	(173,661)	(759,656)
Investments in and advances to non-consolidated entities	(97,942)	(9,865)	(41,943)
Acquisition of interest in certain non-consolidated entities	(366,614)		
Acquisition of additional interest in LSAC	(24,199)	(42,619)	
Collection of notes from affiliate		8,300	45,800
Issuance of notes receivable to affiliate		(8,300)	
Principal payments received on loans receivable	8,499		
Collection of notes			3,488
Real estate deposits	1,756	359	1,579
Investment in notes receivable		(11,144)	
Proceeds from the sale of marketable equity securities	29,462		
Investment in marketable equity securities	(723)	(5,019)	
Distribution from non-consolidated entities in excess of accumulated earnings	9,457	19,640	17,202

Increase in deferred leasing costs	(5,713)	(1,737)	(2,919)
Change in escrow deposits and restricted cash	28,011	5,734	(4,013)
Net cash used in investing activities	(31,490)	(154,080)	(643,777)
Cash flows from financing activities:			
Proceeds of mortgages and notes payable	246,965	147,045	516,520
Change in credit facility borrowing, net	(65,194)	65,194	
Dividends to common and preferred shareholders	(137,259)	(93,681)	(87,111)
Dividend reinvestment plan proceeds	5,652	12,525	13,815
Principal payments on debt, excluding normal amortization	(665,124)	(82,010)	(50,936)
Principal amortization payments	(73,351)	(28,966)	(25,313)
Debt deposits		291	1,334
Proceeds from term loan	225,000		
Proceeds from trust preferred notes	200,000		
Proceeds from exchangeable notes	450,000		
Issuance of common/preferred shares	149,898	272	80,671
Repurchase of common shares	(190,123)	(11,159)	
Contributions from minority partners		810	9,412
Cash distributions to minority partners	(84,858)	(8,554)	(7,028)
Increase in deferred financing costs	(18,707)	(1,169)	(6,403)
Purchases of partnership units	(3,926)	(115)	(83)
Net cash provided by financing activities	38,973	483	444,878
Cash acquired in co-investment program acquisition	20,867		
Cash associated with sale of interest in entity	(1,442)		
Cash attributable to newly consolidated entity		31,985	
Cash attributable to Merger		57,624	
Change in cash and cash equivalents	314,559	44,032	(93,442)
Cash and cash equivalents, beginning of year	97,547	53,515	146,957
Cash and cash equivalents, end of year	$ 412,106	$ 97,547	$ 53,515

The accompanying notes are an integral part of these consolidated financial statements.

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LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements
($000 except per share/unit amounts)
December 31, 2007 and 2006

(1) The Company

Lexington Realty Trust, formerly Lexington Corporate Properties Trust (the Company), is a self-managed and self-administered Maryland statutory real estate investment trust (REIT) that acquires, owns, and manages a geographically diversified portfolio of net leased office, industrial and retail properties and provides investment advisory and asset management services to institutional investors in the net lease area. As of December 31, 2007, the Company owned or had interests in approximately 280 consolidated properties located in 42 states and the Netherlands. The real properties owned by the Company are generally subject to net leases to corporate tenants, however certain leases provide for the Company to be responsible for certain operating expenses. As of December 31, 2006, the Company owned or had interests in approximately 365 consolidated properties in 44 states and the Netherlands.

On December 31, 2006, the Company completed its merger (the Merger) with Newkirk Realty Trust, Inc., (Newkirk). Newkirk s primary business was similar to the primary business of the Company. All of Newkirk s operations were conducted and all of its assets were held through its master limited partnership, The Newkirk Master Limited Partnership which we refer to as the MLP. Newkirk was the general partner and owned 31.0% of the units of limited partnership in the MLP (the MLP units). In connection with the Merger, the Company changed its name to Lexington Realty Trust, the MLP was renamed The Lexington Master Limited Partnership and an affiliate of the Company became the general partner of the MLP and another affiliate of the Company became the holder of a 31.0% ownership interest in the MLP. As of December 31, 2007, the Company owns 50.0% of the MLP.

In the Merger, Newkirk merged with and into the Company, with the Company as the surviving entity. Each holder of Newkirk s common stock received 0.80 common shares of the Company in exchange for each share of Newkirk s common stock, and the MLP effected a reverse unit-split pursuant to which each outstanding MLP unit was converted into 0.80 units, resulting in 35.5 million MLP units applicable to the minority interest being outstanding after the Merger. Each MLP unit is currently redeemable at the option of the holder for cash based on the value of a common share of the Company or, if the Company elects, on a one-for-one basis for Lexington common shares.

The Company believes it has qualified as a REIT under the Internal Revenue Code of 1986, as amended (the Code). Accordingly, the Company will not be subject to federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. The Company is permitted to participate in certain activities from which it was previously precluded in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable REIT subsidiaries (TRS) under the Code. As such, the TRS will be subject to federal income taxes on the income from these activities.

During the first quarter of 2007, the Company s Board of Trustees authorized the Company to repurchase, from time to time, up to 10.0 million common shares and/or operating partnership units in the Company s operating partnership subsidiaries (OP units) depending on market conditions and other factors. During the fourth quarter of 2007, with the majority of the authorized repurchases made, the Board of Trustees increased the authorization by 5.0 million common shares/OP units. During the year ended December 31, 2007, the Company repurchased and retired approximately 9.8 million common shares/OP units at an average price of approximately $19.83 per common share/OP unit, in the open market and through private transactions with employees and third parties.

During 2007, the Company announced a strategic restructuring plan. The plan, when and if completed, will restructure the Company into a company consisting primarily of:

- a wholly-owned portfolio of core office assets;
- a wholly-owned portfolio of core warehouse/distribution assets;

**LEXINGTON REALTY TRUST
AND CONSOLIDATED SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)**

a continuing 50% interest in a co-investment program that invests in senior and subordinated debt interests secured by both net leased and multi-tenanted real estate collateral;

a minority interest in a co-investment program that invests in specialty single tenant real estate assets; and

equity securities in other net lease companies owned either individually or through an interest in one or more joint ventures or co-investment program.

In connection with the strategic restructuring plan, the Company:

acquired all of the outstanding interests not otherwise owned by the Company in Triple Net Investment Company LLC, one of the Company s co-investment programs, which resulted in the Company becoming the sole owner of the co-investment program s 15 primarily single tenant net leased properties;

acquired all of the outstanding interests not otherwise owned by the Company in Lexington Acquiport Company, LLC and Lexington Acquiport Company II, LLC, two of the Company s co-investment programs, which resulted in the Company becoming the sole owner of the co-investment program s 26 primarily single tenant net leased properties;

terminated Lexington/Lion Venture L.P., one of its co-investment programs, and was distributed seven primarily single tenant net leased properties owned by the co-investment program;

announced a disposition program, whereby the Company began marketing non-core assets for sale; and

formed a co-investment program with a subsidiary of Inland American Real Estate Trust, Inc., which acquired 30 assets previously owned by the Company, and which, in addition is under contract to acquire an additional 13 assets currently owned by the Company and may invest in core plus net leased assets, such as manufacturing assets, call centers and other specialty assets.

The Company can provide no assurances that it will dispose of any remaining assets under its disposition program or complete the sale/contribution of the remaining 13 assets under contract for sale/contribution, or acquire any additional assets through its newly formed co-investment program.

(2) Summary of Significant Accounting Policies

Basis of Presentation and Consolidation. The Company s consolidated financial statements are prepared on the accrual basis of accounting. The financial statements reflect the accounts of the Company and its consolidated subsidiaries, including Lepercq Corporate Income Fund L.P. (LCIF), Lepercq Corporate Income Fund II L.P. (LCIF II), Net 3 Acquisition L.P. (Net 3), the MLP, Lexington Realty Advisors, Inc. (LRA), Lexington Contributions, Inc. (LCI), and Six Penn Center L.P. LRA and LCI are wholly owned taxable REIT subsidiaries, and the Company is the sole unitholder of the general partner, and the sole unitholder of a significant limited partner, of each of LCIF, LCIF

II, Net 3, the MLP and Six Penn Center L.P. Lexington Strategic Asset Corp. (LSAC), formerly a majority owned taxable REIT subsidiary, was merged with and into the Company as of June 30, 2007. The Company determines whether an entity for which it holds an interest should be consolidated pursuant to Financial Accounting Standards Board (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46R). FIN 46R requires the Company to evaluate whether it has a controlling financial interest in an entity through means other than voting rights. If the entity is not a variable interest entity, and the Company controls the entity s voting shares or similar rights, the entity is consolidated.

Earnings Per Share. Basic net income (loss) per share is computed by dividing net income reduced by preferred dividends, if applicable, by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share amounts are similarly computed but include the effect, when dilutive, of

LEXINGTON REALTY TRUST
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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

in-the-money common share options, OP units, put options of certain partners interests in non-consolidated entities and convertible preferred shares.

Recently Issued Accounting Standards. In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123, (revised 2004) Share-Based Payment (SFAS 123R), which supersedes Accounting Principals Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The cost will be recognized over the period in which an employee is required to provide services in exchange for the award. SFAS 123R was effective for the fiscal year beginning on January 1, 2006. The impact of adopting this statement resulted in the elimination of $11,401 of deferred compensation and additional paid-in-capital from the Consolidated Statements of Changes in Shareholders Equity and the adoption did not have a material impact on the Company s results of operations or cash flow.

In March 2005, the FASB issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations an Interpretation of SFAS Statement No. 143 (FIN 47). FIN 47 clarifies the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and/or method of settlement are conditional on a future event. FIN 47 was effective for fiscal years ending after December 15, 2005. The application of FIN 47 did not have a material impact on the Company s consolidated financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154) which replaces APB Opinions No. 20 Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28. SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 was effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of adopting this statement did not have a material impact on the Company s financial position or results of operations.

In June 2005, the FASB ratified the Emerging Issues Task Force s (EITF) consensus on EITF 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (EITF 04-05). EITF 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. It was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships were required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The impact of the adoption of EITF 04-05 did not have a material impact on the Company s financial position or results of operations.

In 2005, the EITF released Issue No. 05-06, Determining the Amortization Period for Leasehold Improvements (EITF 05-06), which clarifies the period over which leasehold improvements should be amortized. EITF 05-06 requires all leasehold improvements to be amortized over the shorter of the useful life of the assets, or the applicable lease term, as defined. The applicable lease term is determined on the date the leasehold improvements are acquired and includes renewal periods for which exercise is reasonably assured. EITF 05-06 was effective for leasehold improvements acquired in reporting periods beginning after June 29, 2005. The impact

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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

of the adoption of EITF 05-06 did not have a material impact on the Company s financial position or results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 did not have an impact on the Company s consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, except for non-financial assets and liabilities, which is deferred for one additional year. The adoption of this statement is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin No. 108 (SAB 108). SAB 108 provides guidance on how the effects of the carryover or reversal of prior year financial statements misstatements should be considered in quantifying a current period misstatement. In addition, upon adoption, SAB 108 permits the Company to adjust the cumulative effect of immaterial errors relating to prior years in the carrying amount of assets and liabilities as of the beginning of the current fiscal year, with an offsetting adjustment to the opening balance of retained earnings. SAB 108 also requires the adjustment of any prior quarterly financial statement within the fiscal year of adoption for the effects of such errors on the quarters when the information is next presented. The Company adopted SAB 108 effective December 31, 2006, and its adoption had no impact on the Company s financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial assets and liabilities and certain other items at fair value. An enterprise will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied on an instrument-by-instrument basis, with several exceptions, such as investments accounted for by the equity method, and once elected, the option is irrevocable unless a new election date occurs. The fair value option can be applied only to entire instruments and not to portions thereof. SFAS 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. Management has determined that the Company will not adopt the fair value provisions of this pronouncement so it will have no impact on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (SFAS 141R). SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value . SFAS 141R is effective for acquisitions in periods beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements (SFAS No. 160). SFAS No. 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity.
SFAS No. 160 is effective for periods beginning on or after December 15, 2008. The adoption of this statement will result in the minority interest currently classified in the mezzanine section of the balance sheet to be reclassified as a component of shareholders equity, and minority interest expense will no longer be recorded in the income statement.

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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

In December 2007, the FASB ratified EITF consensus on EITF 07-06, Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, Accounting for Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause (EITF 07-06). EITF 07-06 clarifies that a buy-sell clause in a sale of real estate that otherwise qualifies for partial sale accounting does not by itself constitute a form of continuing involvement that would preclude partial sale accounting under SFAS No. 66. EITF 07-06 is effective for fiscal years beginning after December 15, 2007. The adoption of EITF 07-06 is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In June 2007, the Securities and Exchange staff announced revisions to EITF Topic D-98 related to the release of SFAS 159. The Securities and Exchange Commission announced that it will no longer accept liability classification for financial instruments that meet the conditions for temporary equity classification under ASR 268, Presentation in Financial Statements of Redeemable Preferred Stocks and EITF Topic No. D-98. As a consequence, the fair value option under SFAS 159 may not be applied to any financial instrument (or host contract) that qualifies as temporary equity. This is effective for all instruments that are entered into, modified, or otherwise subject to a remeasurement event in the first fiscal quarter beginning after September 15, 2007. The adoption of this announcement is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

Use of Estimates. Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these consolidated financial statements in conformity with generally accepted accounting principles. The most significant estimates made include the recoverability of accounts and notes receivable, allocation of property purchase price to tangible and intangible assets, the determination of impairment of long-lived assets and investment in and advances to non-consolidated entities and the useful lives of long-lived assets. Actual results could differ from those estimates.

Business Combinations. The Company follows the provisions of Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141) and records all assets acquired and liabilities assumed at fair value. On December 31, 2006, the Company acquired Newkirk which was a variable interest entity (VIE). The Company follows the provisions of Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46R), and as a result has recorded the minority interest in Newkirk at estimated fair value on the date of acquisition. The value of the consideration issued in common shares is based upon a reasonable period before and after the date that the terms of the Merger were agreed to and announced.

Purchase Accounting for Acquisition of Real Estate. The fair value of the real estate acquired, which includes the impact of mark-to-market adjustments for assumed mortgage debt related to property acquisitions, is allocated to the acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair values.

The fair value of the tangible assets of an acquired property (which includes land, building and improvements and fixtures and equipment) is determined by valuing the property as if it were vacant, and the as-if-vacant value is then allocated to land, building and improvements based on management s determination of relative fair values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions.

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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the difference between the current in-place lease rent and a management estimate of current market rents. Below-market lease intangibles are recorded as part of deferred revenue and amortized into rental revenue over the non-cancelable periods and bargain renewal periods of the respective leases. Above-market leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable portion of the respective leases.

The aggregate value of other acquired intangible assets, consisting of in-place leases and customer relationships, is measured by the excess of (1) the purchase price paid for a property over (2) the estimated fair value of the property as if vacant, determined as set forth above. This aggregate value is allocated between in-place lease values and customer relationships based on management s evaluation of the specific characteristics of each tenant s lease. The value of in-place leases are amortized to expense over the remaining non-cancelable periods and any bargain renewal periods of the respective leases. Customer relationships are amortized to expense over the applicable lease term plus expected renewal periods.

Revenue Recognition. The Company recognizes revenue in accordance with Statement of Financial Accounting Standards No. 13 Accounting for Leases, as amended (SFAS 13). SFAS 13 requires that revenue be recognized on a straight-line basis over the term of the lease unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property. Renewal options in leases with rental terms that are lower than those in the primary term are excluded from the calculation of straight line rent if they do not meet the criteria of a bargain renewal option. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term.

Gains on sales of real estate are recognized pursuant to the provisions of Statement of Financial Accounting Standards No. 66 Accounting for Sales of Real Estate, as amended (SFAS 66). The specific timing of the sale is measured against various criteria in SFAS 66 related to the terms of the transactions and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria are not met, the gain is deferred and the finance, installment or cost recovery method, as appropriate, is applied until the sales criteria are met. To the extent we sell a property and retain a partial ownership interest in the property, we recognize gain to the extent of the third party ownership interest in accordance with SFAS 66.

Accounts Receivable. The Company continuously monitors collections from its tenants and would make a provision for estimated losses based upon historical experience and any specific tenant collection issues that the Company has identified. As of December 31, 2007 and 2006, the Company s allowance for doubtful accounts was insignificant.

Impairment of Real Estate and Investments in Non-consolidated Entities. The Company evaluates the carrying value of all real estate and investments in non-consolidated entities and intangible assets held when a triggering event under Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived

Assets, as amended (SFAS 144) has occurred to determine if an impairment has occurred which would require the recognition of a loss. The evaluation includes reviewing anticipated cash flows of the property, based on current leases in place, coupled with an estimate of proceeds to be realized upon sale. However, estimating future sale proceeds is highly subjective and such estimates could differ materially from actual results.

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Depreciation is determined by the straight-line method over the remaining estimated economic useful lives of the properties. The Company generally depreciates buildings and building improvements over periods ranging from 8 to 40 years, land improvements from 15 to 20 years, and fixtures and equipment from 2 to 16 years.

Only costs incurred to third parties in acquiring properties are capitalized. No internal costs (rents, salaries, overhead) are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations which extend the useful life of the properties are capitalized.

Properties Held For Sale. The Company accounts for properties held for sale in accordance with SFAS 144. SFAS 144 requires that the assets and liabilities of properties that meet various criteria in SFAS 144 be presented separately in the Consolidated Balance Sheets, with assets and liabilities being separately stated. The operating results of these properties are reflected as discontinued operations in the Consolidated Statements of Operations. Properties that do not meet the held for sale criteria of SFAS 144 are accounted for as operating properties.

Investments in Non-consolidated Entities. The Company accounts for its investments in 50% or less owned entities under the equity method, unless pursuant to FIN 46R consolidation is required or if its investment in the entity is less than 3% and it has no influence over the control of the entity and then the entity is accounted for under the cost method.

Marketable Equity Securities. The Company classifies its existing marketable equity securities as available-for-sale in accordance with the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. These securities are carried at fair market value, with unrealized gains and losses, including the Company s proportionate share of the unrealized gains or losses from non-consolidated entities, reported in shareholders equity as a component of accumulated other comprehensive income. Gains or losses on securities sold and other than temporary impairments are included in the Consolidated Statement of Operations. Sales of securities are recorded on the trade date and gains and losses are generally determined by the specific identification method.

Investments in Debt Securities. Investments in debt securities are classified as held-to-maturity, reported at amortized cost and are included with other assets in the accompanying Consolidated Balance Sheet and amounted to $15,926 and $16,372 at December 31, 2007 and 2006, respectively. A decline in the market value of any held-to-maturity security below cost that is deemed to be other-than-temporary results in an impairment and would reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Notes Receivable. The Company evaluates the collectability of both interest and principal of each of its notes, if circumstances warrant, to determine whether it is impaired. A note is considered to be impaired, when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. When a note is considered to be impaired, the amount of the loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the note s effective interest rate. Interest on impaired notes is recognized on a cash basis.

Deferred Expenses. Deferred expenses consist primarily of debt and leasing costs. Debt costs are amortized using the straight-line method, which approximates the interest method, over the terms of the debt instruments and leasing costs are amortized over the term of the related lease.

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Derivative Financial Instruments. The Company accounts for its interest rate cap agreement and its interest rate swap agreement in accordance with FAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted (SFAS 133). In accordance with SFAS 133, interest rate cap agreements are carried on the balance sheet at their fair value, as an asset, if their fair value is positive, or as a liability, if their fair value is negative. The interest rate swap is designated as a cash flow hedge and the interest rate cap agreement is not designated as a hedge instrument and is measured at fair value with the resulting gain or loss recognized in interest expense in the period of change. Any ineffective amount of the interest rate swap is to be recognized in earnings each quarter. The fair value of these derivatives is included in other assets in the Consolidated Balance Sheet. As of December 31, 2007, only the interest rate cap agreement remains outstanding.

Upon entering into hedging transactions, the Company documents the relationship between the interest rate swap and cap agreements and the hedged liability. The Company also documents its risk-management policies, including objectives and strategies, as they relate to its hedging activities. The Company assesses, both at inception of a hedge and on an on-going basis, whether or not the hedge is highly effective, as defined by SFAS 133. The Company will discontinue hedge accounting on a prospective basis with changes in the estimated fair value reflected in earnings when: (1) it is determined that the derivative is no longer effective in offsetting cash flows of a hedge item (including forecasted transactions); (2) it is no longer probable that the forecasted transaction will occur; or (3) it is determined that designating the derivative as an interest rate swap is no longer appropriate. The Company may utilize interest rate swap and cap agreements to manage interest rate risk and does not anticipate entering into derivative transactions for speculative trading purposes.

Tax Status. The Company has made an election to qualify, and believes it is operating so as to qualify, as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under Sections 856 through 860 of the Code.

The Company is permitted to participate in certain activities from which it was previously precluded in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable REIT subsidiaries under the Code. LRA and LCI are, and LSAC was, a taxable REIT subsidiaries. As such, the Company is subject to federal and state income taxes on the income from these activities.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

During the fourth quarter of 2007, the Board of Trustees declared a special common share dividend of $2.10 per common share, which was paid in January 2008. During the fourth quarter of 2006, the Board of Trustees declared a special common share dividend of $0.2325 per common share, which was paid in January 2007.

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A summary of the average taxable nature of the Company s common dividends for each of the years in the three year period ended December 31, 2007, is as follows:

	2007	2006	2005
Total dividends per share	$ 2.93342(i)	$ 1.46	$ 1.44
Ordinary income	42.36%	68.89%	87.29%
15% rate qualifying dividend	2.50	0.77	1.04
15% rate gain	35.62	7.97	8.72
25% rate gain	19.52	5.13	2.95
Return of capital		17.24	
	100.00%	100.00%	100.00%

(i) Includes the special dividend of $0.2325 paid in January 2007 and a portion of the special dividend of $2.10 paid in January 2008. Of the total dividend paid in January 2008, $1.21092 is allocated to 2007 and $1.26408 is allocated to 2008.

A summary of the average taxable nature of the Company s dividend on Series B Cumulative Redeemable Preferred Shares for each of the years in the three year period ended December 31, 2007, is as follows:

	2007	2006	2005
Total dividends per share	$ 2.0125	$ 2.0125	$ 2.0125
Ordinary income	42.36%	83.24%	87.29%
15% rate qualifying dividend	2.50	0.93	1.04
15% rate gain	35.62	9.63	8.72
25% rate gain	19.52	6.20	2.95
	100.00%	100.00%	100.00%

A summary of the average taxable nature of the Company s dividend on Series C Cumulative Convertible Preferred Shares for each of the years in the three year period ended December 31, 2007, is as follows:

	2007	2006	2005
Total dividends per share	$ 3.25	$ 3.25	$ 2.624
Ordinary income	42.36%	83.24%	87.29%
15% rate qualifying dividend	2.50	0.93	1.04
15% rate gain	35.62	9.63	8.72
25% rate gain	19.52	6.20	2.95
	100.00%	100.00%	100.00%

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A summary of the average taxable nature of the Company s dividend on Series D Cumulative Redeemable Preferred shares for the year ended December 31, 2007, is as follows:

	2007
Total dividends per share	$ 1.662
Ordinary income	42.36%
15% rate qualifying dividend	2.50
15% rate gain	35.62
25% rate gain	19.52
	100.00%

Cash and Cash Equivalents. The Company considers all highly liquid instruments with maturities of three months or less from the date of purchase to be cash equivalents.

Restricted Cash. Restricted cash, which is included in other assets in the consolidated balance sheet, is comprised primarily of cash balances held by lenders for construction and tenant improvement reserves and amounts deposited to complete tax-free exchanges.

Foreign Currency. The Company has determined that the functional currency of its foreign operations is the respective local currency. As such, assets and liabilities of the Company s foreign operations are translated using period-end exchange rates, and revenues and expenses are translated using exchange rates as determined throughout the period. Unrealized gains or losses resulting from translation are included in accumulated other comprehensive income (loss) and as a separate component of the Company s shareholders equity.

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Common Share Options. All common share options outstanding were fully vested as of December 31, 2005. Common share options granted generally vested ratably over a four-year term and expired five years from the date of grant. The following table illustrates the effect on net income and net income per share if the fair value based method had been applied historically to all outstanding share option awards in each period:

	2005
Net income allocable to common shareholders, as reported basic	$ 16,260
Add: Stock based employee compensation expense included in reported net income	
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards	6
Pro forma net income basic	$ 16,254
Net income per share basic	
Basic as reported	$ 0.33
Basic pro forma	$ 0.33
Net income allocable to common shareholders, as reported diluted	$ 16,260
Add: Stock based employee compensation expense included in reported net income	
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards	6
Pro forma net income diluted	$ 16,254
Net income per share diluted	
Diluted as reported	$ 0.33
Diluted pro forma	$ 0.33

There were no common share options issued in 2007, 2006 and 2005.

Environmental Matters. Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. Although the Company s tenants are primarily responsible for any environmental damage and claims related to the leased premises, in the event of the bankruptcy or inability of the tenant of such premises to satisfy any obligations with respect to such environmental liability, the Company may be required to satisfy any obligations. In addition, the Company as the owner of such properties may be held directly liable for any such damages or claims irrespective of the provisions of any lease. As of December 31, 2007 and 2006, the Company is not aware of any environmental matter that could have a material impact on the financial statements.

Segment Reporting. The Company operates generally in one industry segment, investment in net-leased real properties.

Reclassifications. Certain amounts included in prior years financial statements have been reclassified to conform with the current year presentation, including reclassifying certain income statement captions for properties held for sale as of December 31, 2007 and properties sold during 2007, which are presented as discontinued operations.

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(3) Earnings Per Share

The following is a reconciliation of numerators and denominators of the basic and diluted earnings per share computations for each of the years in the three year period ended December 31, 2007:

	2007	2006	2005
BASIC			
Income (loss) from continuing operations	$ (10,783)	$ (7,909)	$ 17,606
Less dividends attributable to preferred shares	(26,733)	(16,435)	(16,435)
Income (loss) attributable to common shareholders from continuing operations	(37,516)	(24,344)	1,171
Total discontinued operations	87,634	15,662	15,089
Net income (loss) attributable to common shareholders	$ 50,118	$ (8,682)	$ 16,260
Weighted average number of common shares outstanding	64,910,123	52,163,569	49,835,773
Income (loss) per common share basic:			
Income (loss) from continuing operations	$ (0.58)	$ (0.47)	$ 0.03
Income from discontinued operations	1.35	0.30	0.30
Net income (loss)	$ 0.77	$ (0.17)	$ 0.33
DILUTED			
Income (loss) attributable to common shareholders from continuing operations basic	$ (37,516)	$ (24,344)	$ 1,171
Add incremental income attributable to assumed conversion of dilutive interests			
Income (loss) attributable to common shareholders from continuing operations	(37,516)	(24,344)	1,171
Income from discontinued operations	87,634	15,662	15,089
Net income (loss) attributable to common shareholders	$ 50,118	$ (8,682)	$ 16,260
Weighted average number of shares used in calculation of basic earnings per share	64,910,123	52,163,569	49,835,773
Add incremental shares representing:			
Shares issuable upon exercise of employee share options			66,876

Weighted average number of shares used in calculation of diluted earnings per common share		64,910,123		52,163,569		49,902,649
Income (loss) per common share diluted:						
Income (loss) from continuing operations	$	(0.58)	$	(0.47)	$	0.03
Income from discontinued operations		1.35		0.30		0.30
Net income (loss)	$	0.77	$	(0.17)	$	0.33

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(4) Investments in Real Estate and Intangible Assets

During 2007 and 2006, the Company made acquisitions, excluding (1) properties acquired in the Merger, (2) acquired from the acquisition of the four co-investment programs, and (3) acquisitions made directly by non-consolidated entities (including LSAC), totaling $131,532 and $124,910, respectively.

In 2007 the Company acquired additional shares in LSAC for $16,781 and LSAC paid $7,418 to repurchase its common stock in a tender offer. On June 30, 2007, LSAC was merged with and into the Company and ceased to exist.

During the second quarter of 2007, the Company, including through its consolidated subsidiaries, completed transactions with its joint venture partners as summarized as follows:

Triple Net Investment Company LLC (TNI)

The Company entered into a purchase agreement with the Utah State Retirement Investment Fund, its partner in one of its co-investment programs, TNI, and acquired the 70% of TNI it did not already own. Accordingly, the Company became the sole owner of the 15 primarily single tenant net leased real estate properties owned by TNI. The Company acquired the interest through a cash payment of approximately $82,600 and the assumption of approximately $156,600 in non-recourse mortgage debt. The debt assumed by the Company bears stated interest at rates ranging from 4.9% to 9.4% with a weighted-average stated rate of 5.9% and matures at various dates ranging from 2010 to 2021. In connection with this transaction, the Company recognized $2,064 as an incentive fee in accordance with the TNI partnership agreement.

Lexington Acquiport Company LLC (LAC) and Lexington Acquiport Company II LLC (LAC II)

The Company entered into purchase agreements with the Common Retirement Fund of the State of New York, its 66.67% partner in one of its co-investment programs, LAC and 75% partner in another of its co-investment programs, LAC II, and acquired the interests in LAC and LAC II it did not already own. Accordingly, the Company became the sole owner of the 26 primarily single tenant net leased real estate properties owned collectively by LAC and LAC II. The Company acquired the interest through a cash payment of approximately $277,400 and the assumption of approximately $515,000 in non-recourse mortgage debt. The debt assumed by the Company bears interest at stated rates ranging from 5.0% to 8.2% with a weighted average stated rate of 6.2% and matures at various dates ranging from 2009 to 2021.

Lexington/Lion Venture L.P. (LION)

The Company and its 70% partner in LION agreed to terminate LION and distribute the 17 primarily net leased properties owned by LION. Accordingly, the Company was distributed seven of the properties, which are subject to non-recourse mortgage debt of approximately $112,500. The debt assumed by the Company bears interest at stated rates ranging from 4.8% to 6.2% with a weighted average stated rate of 5.4% and matures at various dates ranging from 2012 to 2016. In addition, the Company paid approximately $6,600 of additional consideration to its former partner in connection with the termination. In connection with this transaction, the Company recognized $8,530 as an incentive fee in accordance with the LION partnership agreement and was allocated equity in earnings of $34,164 related to its share of earnings relating to the 10 properties transferred to the partner.

In accordance with U.S. generally accepted accounting principles, the Company recorded the assets and liabilities at fair value to the extent of the interests acquired, with a carryover basis for all assets and liabilities to the extent of the Company s ownership. The allocation of the purchase price is based upon estimates and assumptions. The Company engaged a third party valuation expert to assist with the fair value assessment of the real estate. The current allocations are substantially complete; however, there may be certain items that the Company will finalize

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once it receives additional information. Accordingly, the allocations are subject to revision when final information is available, although the Company does not expect future revisions to have a significant impact on its financial position or results of operations.

Other

The Company sold to unrelated parties, 53 properties in 2007, seven properties in 2006 and seven properties in 2005, for aggregate net proceeds of $423,634, $76,627 and $41,151, respectively, which resulted in gains in 2007, 2006 and 2005 of $92,878, $22,866 and $12,291 respectively, which are included in discontinued operations.

During 2007, the Company formed a new co-investment program. See note 8 for a discussion of this transaction.

During 2007, the Company recorded an impairment charge of $15,500 on two properties in the Detroit, Michigan area, which are currently vacant. Management changed its strategy from a long-term hold to held for disposal. The Company will commence marketing these properties in 2008, however, management is unsure if the properties will be sold within 12 months.

During the second quarter of 2006, the Company recorded an impairment charge of $1,121 and accelerated amortization of an above market lease of $2,349 relating to the write-off of lease intangibles and the above-market lease for the disaffirmed lease of a property whose lease was rejected by the previous tenant in bankruptcy. The Company sold to an unrelated third party its bankruptcy claim to the disaffirmed lease for $5,376, which resulted in a gain of $5,242, which is included in non-operating income. In the fourth quarter of 2006, the Company recorded an additional impairment charge of $6,100 relating to this property.

For properties acquired during 2007, including those acquired from our four co-investment programs, the components of intangible assets and their respective weighted average lives are as follows:

	Costs	Weighted Average Life (yrs)
Lease origination costs	$ 165,885	8.9
Customer relationships	117,636	7.0
Above market leases	22,560	7.0
	$ 306,081	

As of December 31, 2007 and 2006, the components of intangible assets, are as follows:

	2007	2006
Lease origination costs	$ 404,820	$ 301,449
Customer relationships	178,716	93,323
Above-market leases	114,352	107,196
	$ 697,888	$ 501,968

The estimated amortization of the above intangibles for the next five years is $125,462 in 2008, $90,330 in 2009, $58,715 in 2010, $52,257 in 2011 and $44,434 in 2012.

Below-market leases, net of amortization, which are included in deferred revenue, are $216,923 and $360,227, respectively in 2007 and 2006. The estimated amortization for the next five years is $13,234 in 2008, $13,139 in 2009, $12,151 in 2010, $11,883 in 2011 and $11,440 in 2012.

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(5) Newkirk Merger

On December 31, 2006 Newkirk merged with and into the Company pursuant to an Agreement and Plan of Merger dated as of July 23, 2006. The Company believes this strategic combination of two real estate companies achieved key elements of its then strategic business plan. The Company believed that the Merger enhanced its property portfolio in key markets, reduced its exposure to any one property or tenant credit, enabled the Company to gain immediate access to a debt platform and will allow it to build on its existing customer relationships. At the time of the Merger, Newkirk owned or held an ownership interest in approximately 170 industrial, office and retail properties.

Under the terms of the Merger Agreement, Newkirk stockholders received common shares of the Company for their Newkirk common stock. The Merger Agreement provided that each Newkirk stockholder received 0.8 of a common share of the Company, for each share of Newkirk common stock that the stockholder owned. Fractional shares, which were not material, were paid in cash. In connection with the Merger, the Company issued approximately 16.0 million common shares of the Company to former Newkirk stockholders.

The calculation of the purchase price was as follows:

Fair value of common shares issued	$ 332,050
Merger costs	13,537
Purchase price, net of assumed liabilities and minority interests	345,587
Fair value of liabilities assumed, including debt and minority interest	2,049,801
Purchase price	$ 2,395,388

The allocation of the purchase price is based upon estimates and assumptions. The Company engaged a third party valuation expert to assist with the fair value assessment of the real estate. During 2007, certain estimates were revised and these revisions did not have a significant impact on its financial position or results of operations. The reallocation to real estate was $8,235 during 2007.

The assets acquired and liabilities assumed were recorded at their estimated fair value at the date of acquisition, as summarized below:

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Allocation of purchase price:

Total real estate assets, including intangibles	$ 2,081,704
Investment in and advances to non-consolidated entities	99,396
Cash and cash equivalents	57,624
Accounts receivable	46,905
Restricted cash	39,640
Marketable equity securities	25,760
Other assets	44,359
Total assets acquired	2,395,388
Less:	
Debt assumed	838,735
Minority interest	833,608
Below market leases	356,788
Accounts payable, accrued expenses and other liabilities assumed	20,670
Purchase price, net of assumed liabilities and minority interest	$ 345,587

In connection with the Merger, the Company allocated the purchase price to the following intangibles, included in total real estate assets above:

	Cost	Weighted Average Useful Life (yrs)
Lease origination costs	$ 175,658	13.1
Customer relationships	57,543	7.2
Above-market leases	85,511	3.2
	$ 318,712	

The following unaudited pro forma financial information for the year ended December 31, 2006, gives effect to the Merger as if it had occurred on January 1, 2005. The pro forma results are based on historical data and are not intended to be indicative of the results of future operations.

Year Ending

	December 31, 2006	December 31, 2005
Total gross revenues	$ 376,659	$ 346,080
Income (loss) from continuing operations	586	(3,163)
Net income	34,967	15,338
Net income (loss) per common share basic	0.27	(0.02)
Net income (loss) per common share diluted	0.27	(0.02)

Certain non-recurring charges recognized historically by Newkirk have been eliminated for purposes of the unaudited pro forma consolidated information.

(6) Discontinued Operations and Assets Held For Sale

At December 31, 2007, the Company had three properties held for sale with aggregate assets of $150,907 and liabilities, principally mortgage notes payable and below-market lease obligations, aggregating $119,093. As of

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December 31, 2006, the Company had nine properties held for sale, with aggregate assets of $69,612 and liabilities of $6,064. In 2007, 2006 and 2005, the Company recorded impairment charges, of $1,670, $28,209 and $13,006, respectively, related to discontinued operations.

The following presents the operating results for the properties sold and held for sale during the years ended December 31, 2007, 2006 and 2005:

	Year Ending December 31, 2007	2006	2005
Total gross revenues	$ 53,613	$ 32,599	$ 42,057
Pre-tax income, including gains on sales	$ 90,961	$ 15,735	$ 15,089

The provision for income taxes included in discontinued operations in 2007 of $3,327 relates primarily to taxes incurred on the sale of properties by taxable REIT subsidiaries, including C-Corp built in gain taxes. The federal and state portion of the $3,327 is $2,731 and $596, respectively.

Scheduled principal and balloon payments for mortgage and notes payable included in discontinued operations for the next five years and thereafter are as follows:

Year Ended December 31,	Total
2008	$ 759
2009	987
2010	1,230
2011	1,299
2012	1,371
Thereafter	79,482
	$ 85,128

During 2007, the Company sold one property for a sale price of $35,700 and provided $27,700 in secured financing to the buyer at a rate of 6.45%. The note matures in 2015 when a balloon payment of 25,731 is due.

During 2006, the Company conveyed a property to a lender for full satisfaction of a loan and satisfied the related mortgages on properties sold, which resulted in a net debt satisfaction gain of $4,492. In addition, the Company sold one property for a sale price of $6,400 and provided $3,200 in interest only secured financing to the buyer at a rate of 6.0%, which matures in 2017.

During 2006, the tenant in a property in Warren, Ohio exercised its option to purchase the property at fair market value, as defined in the lease. Based on the appraisals received and the procedure set forth in the lease, the Company estimated that the fair market value, as defined in the lease, would not exceed approximately $15,800. Accordingly, the Company recorded an impairment charge of $28,209 in the third quarter of 2006. The Company sold the property in 2007 for $15,800.

During 2005, the Company sold one property for an aggregate sales price of $14,500 and provided $11,050 in secured financing to the buyer at a rate of 5.46% which matures on August 1, 2015. The note is interest only through August 2007 and requires annual debt service payments of $750 thereafter and a balloon payment of $9,688 at maturity. In addition, annual real estate tax and insurance escrows are required.

The Company has not treated properties sold to Net Lease Strategic Assets Fund LP as discontinued operations as it has continuing involvement with such assets through its partnership interest. In addition, management will not

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consider non-core assets being marketed for sale as discontinued operations until all criteria of SFAS 144 have been met, including that it is probable that a sale will take place within 12 months.

(7) Notes Receivable

As of December 31, 2007 and 2006, the Company s notes receivable, including accrued interest, are comprised of first and second mortgage loans on real estate aggregating $69,775 and $50,534, respectively, bearing interest, including imputed interest, at rates ranging from 5.46% to 8.33% and maturing at various dates between 2011 and 2022

(8) Investment in Non-Consolidated Entities

In 2007 the Company acquired additional shares in LSAC for $16,781 and LSAC paid $7,418 to repurchase its common stock in a tender offer. On June 30, 2007, LSAC was merged with and into Company and ceased to exist.

During 2007, the Company acquired all the interests it did not already own in TNI, LAC, LACII and LION. See note 4.

The Company received a waiver from the Securities and Exchange Commission to not provide audited financial statements of LION, which was dissolved in June 2007, for the period January 1, 2007 through May 31, 2007 as long as summarized financial data of LION for such period is provided.

The following is a summary income statement data for LION for the period January 1, 2007 through May 31, 2007 and the years ended December 31, 2006 and 2005:

	2007	2006	2005
Gross rental revenues	$ 21,883	$ 51,425	$ 42,362
Depreciation and amortization	(9,349)	(21,895)	(18,508)
Interest expense	(6,669)	(15,657)	(13,619)
Property operating and other	(5,272)	(12,461)	(8,227)
Income before gain on sale	$ 593	$ 1,412	$ 2,008

Concord Debt Holdings LLC (Concord)

The MLP and WRT Realty L.P. (Winthrop) have a co-investment program to acquire and originate loans secured, directly and indirectly, by real estate assets through Concord. The Company s Executive Chairman and Director of Strategic Acquisitions is also the Chief Executive Officer of the parent of Winthrop. The co-investment program is equally owned and controlled by the MLP and Winthrop. The MLP and Winthrop have committed to invest up to $162,500 each in Concord. As of December 31, 2007 and 2006, $155,830 and $93,051, respectively, was the

Company s investment in Concord. All profits, losses and cash flows are distributed in accordance with the respective membership interests.

Concord is governed by an investment committee which consists of three members appointed by each of Winthrop and the MLP with one additional member being appointed by an affiliate of Winthrop. All decisions requiring the consent of the investment committee require the affirmative vote of the members appointed by Winthrop and the MLP. Pursuant to the terms of the limited liability company agreement of Concord, all material actions to be taken by Concord, including investments in excess of $20,000, require the consent of the investment committee; provided, however, the consent of both Winthrop and the MLP is required for the merger or consolidation of Concord, the admission of additional members, the taking of any action that, if taken directly

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by Winthrop or the MLP would require consent of Winthrop s Conflicts Committee or the Company s independent trustees.

Concord has various repurchase agreements. As of December 31, 2007 and 2006, these facilities have an aggregate of $472,324 and $43,893, respectively, outstanding. In 2006, Concord completed its first collateralized debt obligation offering by issuing $376,650 of debt and retaining a notional equity investment of $88,350. As the securitization did not satisfy the conditions to be accounted for as a sale under generally accepted accounting principles, the assets and related debt have been retained on Concord s balance sheet.

The following is summary balance sheet data as of December 31, 2007 and 2006 and income statement data for the year ended December 31, 2007 for Concord:

	As of 12/31/07	As of 12/31/06
Investments	$ 1,140,108	$ 450,870
Cash, including restricted cash	19,094	148,261
Warehouse debt facilities obligations	472,324	43,893
Collateralized debt obligations	376,650	376,650
Members equity	310,922	186,515

	For the Year Ended 12/31/07
Interest and other income	$ 68,453
Interest expense	(41,675)
Impairment charge	(11,028)
Other expenses and minority interests	(5,554)
Net income	10,196
Other comprehensive loss (unrealized loss on investments and swaps)	(16,780)
Comprehensive loss	$ (6,584)

Concord s loan assets are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, repayments and unfunded commitments unless such loan is deemed to be impaired. Concord s bonds are treated as available for sale securities and, accordingly, are marked-to-market on a quarterly basis based on valuations performed by Concord s management. The unrealized loss on Concord s bonds is the result of a decrease in the value compared to the acquisition cost of the securities. The MLP s share of Concord s net income and other comprehensive loss were $5,098 and $(8,390), respectively.

Net Lease Strategic Assets Fund L.P. (NLS)

Net Lease Strategic Assets Fund L.P. is a co-investment program with Inland American (Net Lease) Sub, LLC (Inland). NLS was established to acquire specialty real estate in the United States. In connection with the formation of NLS and on December 20, 2007, the Company contributed 12 properties to NLS along with $6,721 in cash and Inland contributed $121,676 in cash. In addition, the Company sold for cash 18 properties, or interest therein, to NLS and recorded an aggregate gain of $19,422, which was limited by the Company s aggregate ownership interest in NLS s common and preferred equity of 47.23%. The properties, including interests therein, were subject to $186,302 in mortgage debt. After such formation transaction Inland and the Company owned 85% and 15%, respectively, of NLS s common equity and the Company owns 100% of NLS s $87,615 preferred equity.

Inland and the Company are entitled to a return on/of their respective investments as follows: (1) Inland –9% on its common equity, (2) the Company –6.5% on its preferred equity, (3) the Company –9% on its common equity, (4) return of the Company preferred equity, (5) return of Inland common equity (6) return of the Company

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common equity and (7) any remaining cash flow is allocated 65% to Inland and 35% to the Company as long as the Company is the general partner, if not, allocations are 85% to Inland and 15% to the Company.

In addition to the initial capital contributions, the Company and Inland may invest an additional $22,500 and $127,500, respectively, in NLS to acquire additional specialty single-tenant net leased assets. LRA has entered into a management agreement with NLS whereby LRA will receive (1) a management fee of 0.375% of the equity capital, (2) a property management fee of up to 3.0% of actual gross revenues from certain assets for which the landlord is obligated to provide property management services (contingent upon the recoverability under the applicable lease), and (3) an acquisition fee of 0.5% of the gross purchase price of each acquired asset by the NLS.

In addition, NLS has a right to acquire an additional 13 properties from the Company. The acquisition of each of the 13 assets by NLS is subject to satisfaction of conditions precedent to closing, including the assumption of existing financing, obtaining certain consents and waivers, the continuing financial solvency of the tenants, and certain other customary conditions. Accordingly, neither the Company nor NLS can provide any assurance that the acquisition by NLS will be completed. In the event that NLS does not acquire 11 of the assets by March 31, 2008 and two of the assets by June 30, 2008, NLS will no longer have the right to acquire such assets.

The mortgage debt assumed by NLS has stated rates ranging from 5.2% to 8.5%, with a weighted average rate of 5.9% and maturity dates ranging from 2009 to 2025.

The following is summary historical cost basis selected balance sheet data as of December 31, 2007 and income statement data for the period from December 20, 2007 (date of sale/contribution) to December 31, 2007.

	As of 12/31/07
Real estate, including intangibles	$ 405,834
Cash	1,884
Mortgages payable	171,556

	For the Period 12/20/07 to 12/31/07
Gross rental revenues	$ 951
Expenses	(352)
Net income	$ 599

The Company incurred transaction costs relating to the formation of NLS of $2,316 which are included in general and administrative expenses in the consolidated statements of operations.

LEX-Win Acquisition LLC (Lex-Win)

During 2007, Lex-Win, an entity in which the Company holds a 28% ownership interest, commenced a tender offer to acquire up to 45,000,000 shares of common stock in Wells Real Estate Investment Trust, Inc., (Wells), a non-exchange traded entity, at a price per share of $9.30. The tender offer expired in 2007 at which time Lex-Win received tenders based on the letters of transmittal it received for approximately 4,800,000 shares representing approximately 1% of the outstanding shares in Wells. After submission of the letters to Wells, the actual number of shares acquired in Wells was approximately 3,900,000. During 2007, the Company funded $12,542 relating to this tender and received $1,890 relating to the adjustment of the tendered shares. WRT Realty, L.P. also holds a 28% interest in Lex-Win. The Executive Chairman and Director of Strategic Acquisitions of the Company is an affiliate of WRT Realty, L.P. Profits, losses and cash flows are allocated in accordance with the membership interests.

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Other Equity Method Investment Limited Partnerships

The Company is a partner in eight partnerships with ownership percentages ranging between 26% and 40%, which own net leased properties. All profits, losses and cash flows are distributed in accordance with the respective partnership agreements. The partnerships are encumbered by $100,944 in mortgage debt (the Company s proportionate share is $32,987) with interest rates ranging from 5.2% to 15.0% with a weighted average rate of 8.6% and maturity dates ranging from 2008 to 2018.

The Company, through LRA, earns advisory fees from certain of these non-consolidated entities for services related to acquisitions, asset management and debt placement. Advisory fees earned from these non-consolidated investments were $1,226, $3,815, and $4,742 in 2007, 2006 and 2005, respectively. In addition, the Company earned incentive fees in 2007 of $11,685.

(9) Mortgages and Notes Payable and Contract Rights Payable

The Company had outstanding mortgages and notes payable of $2,312,422 and $2,126,810 as of December 31, 2007 and 2006, respectively, excluding discontinued operations. Interest rates, including imputed rates on mortgages and notes payable, ranged from 3.89% to 10.5% at December 31, 2007 and the mortgages and notes payable mature between 2008 and 2022. Interest rates, including imputed rates, ranged from 3.89% to 10.5% at December 31, 2006. The weighted average interest rate at December 31, 2007 and 2006 was approximately 5.9% and 6.1%, respectively.

During 2007 and 2006, the Company obtained $246,965 and $187,447 in non-recourse mortgages that bear interest at a weighted average fixed rate of 6.1% and 6.0% respectively and have maturity dates ranging from 2014 to 2021.

The MLP had a secured loan, which bore interest, at the election of the MLP, at a rate equal to either (1) LIBOR plus 175 basis points or (2) the prime rate. This loan was fully repaid during 2007. As of December 31, 2006, $547,199 was outstanding.

The Company has a $200,000 revolving credit facility, which expires June 2008, bears interest at 120-170 basis points over LIBOR, depending on the amount of the Company s leverage level and has an interest rate period of one, three or six months, at the option of the Company. The credit facility contains various leverage, debt service coverage, net worth maintenance and other customary covenants, which the Company was in compliance with as of December 31, 2007 and 2006. As of December 31, 2007, there were no outstanding borrowings under the credit facility, approximately $198,500 was available to be borrowed and the Company has outstanding letters of credit aggregating $1,500. The Company pays an unused facility fee equal to 25 basis points if 50% or less of the credit facility is utilized and 15 basis points if greater than 50% of the credit facility is utilized. As of December 31, 2006 approximately $65,194 was outstanding under this line of credit and is included in the $2,126,810 above.

The Company obtained a $225,000 secured term loan from KeyBank N.A. The interest only secured term loan matures June 2009 and bears interest at LIBOR plus 60 basis points. The loan contains customary covenants which the Company was in compliance with as of December 31, 2007. The loan requires the Company to make principal payments from the proceeds of certain property sales, unless the proceeds are used to complete a tax-free exchange, and financing of certain properties. As of December 31, 2007, there was $213,635 outstanding relating to this note, which is included in the $2,312,422 above. The proceeds of the secured term loan were used to purchase the interests in the co-investment programs.

As of December 31, 2007, the MLP has a LIBOR rate cap agreement at 6% with SMBC Derivative Products Limited until August 2008 for a notional amount of $290,000. During 2007, the Company settled an interest rate swap agreement for $1,870 in cash and recognized a loss of $649.

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Included in the Consolidated Statements of Operations, the Company recognized debt satisfaction gains (losses), excluding discontinued operations, of $(1,209), $7,228 and $4,409 for the years ended December 31, 2007, 2006 and 2005, respectively.

Contract rights payable is a promissory note with a fixed interest rate of 9.68%, which provides for the following amortization payments:

Year ending December 31,	Total
2008	$
2009	229
2010	491
2011	540
2012	593
Thereafter	11,591
	$ 13,444

Mortgages payable and secured loans are generally collateralized by real estate and the related leases. Certain mortgages payable have yield maintenance or defeasance requirements relating to any repayments. In addition, certain mortgages are cross-collateralized and cross-defaulted.

Scheduled principal and balloon payments for mortgages and notes payable, excluding mortgages payable relating to discontinued operations, for the next five years and thereafter are as follows:

Years ending December 31,	Total
2008	$ 99,324
2009	338,565
2010	163,319
2011	182,760
2012	226,621
Thereafter	1,301,833
	$ 2,312,422

(10) Exchangeable Notes and Trust Notes Payable

The Company issued an aggregate $450,000 of 5.45% Exchangeable Guaranteed Notes due in 2027. These notes can be put to the Company commencing in 2012 and every five years thereafter through maturity and upon certain events. The notes are convertible by the holders into common shares at a price of $25.25 per share, subject to adjustment upon certain events. The initial exchange rate is subject to adjustment under certain events including increases in the Company s rate of dividends. Due to the special dividend declared by the Board of Trustees in 2007, the exchange price per share is currently $21.99. Upon exchange the holders of the notes would receive (1) cash equal to the principal amount of the note and (2) to the extent the conversion value exceeds the principal amount of the note, either cash or common shares at the Company s option.

The Company, through a wholly-owned subsidiary, issued $200,000 in Trust Preferred Securities. The Trust Preferred Securities, which are classified as debt, are due in 2037, are redeemable by the Company

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commencing April 2012 and bear interest at a fixed rate of 6.804% through April 2017 and thereafter, at a variable rate of three month LIBOR plus 170 basis points through maturity.

Scheduled principal payments for these debt instrument for the next five years and thereafter are as follows:

Year ending December 31,		Total
2008	$	
2009		
2010		
2011		
2012		450,000(1)
Thereafter		200,000
	$	650,000

(1) Although the exchangeable guaranteed notes mature in 2037, the notes can be put to the Company in 2012.

The estimated fair value of these debt instruments is $593,750. In addition, the Company is in compliance with its obligations under the documents governing these debt instruments.

(11) Leases

Lessor:

Minimum future rental receipts under the non-cancellable portion of tenant leases, excluding leases on properties held for sale, assuming no new or re-negotiated leases, for the next five years and thereafter are as follows:

Years ending December 31,		Total
2008	$	422,579
2009		359,495
2010		308,388
2011		286,200
2012		254,431
Thereafter		983,308

	$ 2,614,401

The above minimum lease payments do not include reimbursements to be received from tenants for certain operating expenses and real estate taxes and do not include early termination payments provided for in certain leases.

Certain leases allow for the tenant to terminate the lease if the property is deemed obsolete, as defined, but must make a termination payment to the Company, as stipulated in the lease. In addition, certain leases provide the tenant with the right to purchase the leased property at fair market value or a stipulated price.

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Lessee:

The Company holds leasehold interests in various properties. Generally, the ground rents on these properties are either paid directly by the tenants to the fee holder or reimbursed to the Company as additional rent. Certain properties are economically owned through the holding of industrial revenue bonds and as such neither ground lease payments nor bond debt service payments are made or received, respectively. For certain of the properties, the Company has an option to purchase the land.

Minimum future rental payments under non-cancellable leasehold interests, excluding leases held through industrial revenue bonds and lease payments in the future that are based upon fair market value for the next five years and thereafter are as follows:

Years ending December 31,	Total
2008	$ 3,744
2009	3,768
2010	3,538
2011	3,140
2012	2,806
Thereafter	16,720
	$ 33,716

Rent expense for the leasehold interests was $3,255, $604 and $528 in 2007, 2006 and 2005, respectively.

The Company leases its corporate headquarters. The lease expires December 2015, with rent fixed at $599 per annum through December 2008 and will be adjusted to fair market value, as defined, thereafter. The Company is also responsible for its proportionate share of operating expenses and real estate taxes. As an incentive to enter the lease, the Company received a payment of $845 which it is amortizing as a reduction of rent expense. The Company also leases an office in San Francisco until March 2012. The minimum lease payments for these offices are $686 for 2008, $90 for 2009, $92 for 2010, $95 for 2011 and $24 for 2012. Rent expense for these offices for 2007, 2006 and 2005 was $975, $877 and $861, respectively, and is included in general and administrative expenses.

(12) Minority Interests

In conjunction with several of the Company s acquisitions, property owners were issued OP units as a form of consideration in exchange for the property. In connection with the Merger, the MLP effected a reverse unit-split pursuant to which each outstanding MLP unit was converted into 0.80 MLP units totaling 35.5 million, excluding MLP units held directly or indirectly by the Company. Holders of certain MLP units have voting rights equivalent to common shareholders of the Company through the Special Voting Preferred Share. Pursuant to a voting trustee agreement, NKT Advisors, LLC, an affiliate of Michael L. Ashner, the Company s Executive Chairman, holds the one share of the Company s special voting preferred stock and is required to cast the votes attached to the special voting preferred stock in proportion to the votes it receives from holders of voting MLP units, other than the general partner of the MLP or any other Lexington affiliate, provided that Vornado Realty Trust (Vornado) will not have the right to vote for board members of the Company at any time when an affiliate of Vornado is serving or standing for election as a board member of the Company. NKT Advisors, LLC will be entitled to vote Vornado s voting MLP units in its sole discretion to the extent the voting rights of Vornado s affiliates are so limited. Substantially all of OP units, other than the OP units held directly or indirectly by the Company, are redeemable at certain times, only at the option of the holders, for common shares or, on a one-for-one basis, at the Company s option, cash at various dates and are not otherwise mandatorily redeemable by the Company. During 2006, one of the Company s operating

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partnerships issued 33,954 OP units ($750) in connection with an acquisition. During 2005, one of the Company s operating partnerships issued 352,244 OP units for $7,714 in cash. As of December 31, 2007, there were 39.7 million OP units outstanding. Of the total OP units outstanding, 29.2 million are held by related parties. Generally, holders of OP units are entitled to receive distributions equal to the dividends paid to our common shareholders, except that certain OP units have stated distributions in accordance with their respective partnership agreement. To the extent that the Company s dividend per share is less than the stated distribution per unit per the applicable partnership agreement, the stated distributions per unit are reduced by the percentage reduction in the Company s dividend. No OP units have a liquidation preference. As of December 31, 2006, there were 41.2 million OP units outstanding. As of December 31, 2007, the Company s common shares had a closing price of $14.54 per share. Assuming all outstanding OP units not held by the Company were redeemed on such date the estimated fair value of the OP units is $577,517. The Company has the ability and intent to settle such redemptions in common shares.

(13) Preferred and Common Shares

During 2007, the Company issued 6,200,000 of its Series D Cumulative Redeemable Preferred Stock (Series D Preferred) with a liquidation amount of $155,000, which pays dividends at an annual rate of 7.55%, raising net proceeds of $149,774. The Series D Preferred has no maturity date and the Company is not required to redeem the Series D Preferred at any time. Accordingly, the Series D Preferred will remain outstanding indefinitely, unless the Company decides at its option on or after February 14, 2012, to exercise its redemption right. If at any time following a change of control, the Series D Preferred are not listed on any of the national stock exchanges, the Company will have the option to redeem the Series D Preferred, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and the Series D Preferred are not so listed, for cash at a redemption price of $25.00 per share, plus accrued and unpaid dividends (whether or not declared) up to but excluding the redemption date. If the Company does not redeem the Series D Preferred and the Series D Preferred are not so listed, the Series D Preferred will pay dividends at an annual rate of 8.55%.

During 2006, the Company issued 15,994,702 common shares relating to the Merger. During 2005, the Company issued 2,500,000 common shares in public offerings raising $60,722 in proceeds, which was used to retire mortgage debt and fund acquisitions.

Pursuant to a voting trustee agreement, NKT Advisors, LLC, an affiliate of Michael L. Ashner, the Company s Executive Chairman, holds the one share of the Company s special voting preferred stock and is required to cast the votes attached to the special voting preferred stock in proportion to the votes it receives from holders of voting MLP units, other than the general partner of the MLP or any other Lexington affiliate, provided that Vornado will not have the right to vote for board members of the Company at any time when an affiliate of Vornado is serving or standing for election as a board member of the Company. NKT Advisors, LLC will be entitled to vote Vornado s voting MLP units in its sole discretion to the extent the voting rights of Vornado s affiliates are so limited.

During 2005, the Company issued 400,000 shares (which were issued pursuant to an underwriters over allotment option) of Series C Cumulative Convertible Preferred Stock, raising net proceeds of $19,463. The shares have a dividend of $3.25 per share per annum, have a liquidation preference of $20,000, and the Company commencing November 2009, if certain common share prices are achieved, can force conversion into common shares. At issuance each share was convertible into 1.8643 common shares. This conversion ratio may increase over time if the Company s common share dividend exceeds certain quarterly thresholds. Due to the special dividend declared by the Company s Board of Trustees, each share is convertible into 2.1683 common shares as of December 31, 2007.

If certain fundamental changes occur, holders may require the Company, in certain circumstances, to repurchase all or part of their Series C Cumulative Convertible Preferred Stock. In addition, upon the occurrence

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of certain fundamental changes, the Company will under certain circumstances increase the conversion rate by a number of additional common shares or, in lieu thereof, may in certain circumstances elect to adjust the conversion rate upon the Series C Cumulative Convertible Preferred Stock becoming convertible into shares of the public acquiring or surviving company.

On or after November 16, 2009, the Company may, at the Company s option, cause the Series C Cumulative Convertible Preferred Stock to be automatically converted into that number of common shares that are issuable at the then prevailing conversion rate. The Company may exercise its conversion right only if, at certain times, the closing price of the Company s common shares equals or exceeds 125% of the then prevailing conversion price of the Series C Cumulative Convertible Preferred Stock.

Investors in the Series C Cumulative Convertible Preferred Stock generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters and under certain other circumstances. Upon conversion the Company may choose to deliver the conversion value to investors in cash, common shares, or a combination of cash and common shares.

During 2007 and 2006, holders of an aggregate of 1,283,629 and 96,205 OP Units redeemed such OP Units for common shares of the Company. These redemptions resulted in an increase in shareholders equity and corresponding decrease in minority interest of $25,223 and $1,099, respectively.

During 2007 and 2006, the Company issued 0 and 639,353 common shares, respectively, to certain employees. These common shares generally vest ratably, primarily over a 5 year period, however in certain situations the vesting is cliff-based after 5 years and in other cases vesting only occurs if certain performance criteria are met (see Note 14).

During 2007 and 2006, the Company issued 282,051 and 627,497 common shares, respectively, under its dividend reinvestment plan which allows shareholders to reinvest dividends to purchase common shares.

(14) Benefit Plans

The Company maintains a common share option plan pursuant to which qualified and non-qualified options may be issued. Options granted under the plan generally vest over a period of one to four years and expire five years from date of grant. No compensation cost is reflected in net income as all options granted under the plan had an exercise price equal to the market value of the underlying common shares on the date of grant.

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Share option activity during the years indicated is as follows:

	Number of Shares	Weighted-Average Exercise Price Per Share
Balance at December 31, 2004	$ 176,330	$ 14.70
Granted		
Exercised	(133,830)	14.71
Forfeited	(2,000)	13.66
Expired		
Balance at December 31, 2005	40,500	14.71
Granted		
Exercised	(20,500)	14.15
Forfeited	(2,000)	15.50
Expired	(1,500)	11.82
Balance at December 31, 2006	16,500	15.56
Granted		
Exercised	(15,500)	15.56
Forfeited		
Expired	(1,000)	15.50
Balance at December 31, 2007	$	$

The Company has a 401(k) retirement savings plan covering all eligible employees. The Company will match 100% of the first 2.5% of employee contributions. In addition, based on its profitability, the Company may make a discretionary contribution at each fiscal year end to all eligible employees. The matching and discretionary contributions are subject to vesting under a schedule providing for 25% annual vesting starting with the first year of employment and 100% vesting after four years of employment. Approximately $382, $229 and $179 of contributions are applicable to 2007, 2006 and 2005, respectively.

Non-vested share activity for the year ended December 31, 2007, is as follows:

	Number of Shares	Weighted-Average Value Per Share
Balance at December 31, 2006	654,761	$ 21.52

Granted			
Forfeited	(8,430)		21.99
Vested	(224,608)		20.48
Balance at December 31, 2007	421,723	$	22.06

As of December 31, 2007, of the remaining 421,723 non-vested shares, 140,424 are subject to time vesting and 281,299 are subject to performance vesting. There are 4,999,422 awards available for grant at December 31, 2007 and the Company has $6,394 in unrecognized compensation costs that will be charged to compensation expense over an average of approximately 3.5 years.

In 2006, the Board of Trustees approved the accelerated vesting of certain time based non-vested shares, which resulted in a charge to earnings of $10,758, which is included in general and administrative expenses.

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During 2007, 2006 and 2005, the Company recognized $3,645, $16,950 (including the $10,758 in accelerated amortization of non-vested shares), and $3,595, respectively, in compensation relating to share grants to trustees and employees.

The Company has established a trust for certain officers in which non-vested common shares, which generally vest ratably over five years, granted for the benefit of the officers are deposited. The officers exert no control over the common shares in the trust and the common shares are available to the general creditors of the Company. As of December 31, 2007 and 2006, there were 427,531 common shares in the trust.

On February 6, 2007, the Board of Trustees established the Lexington Realty Trust 2007 Outperformance Program, a long-term incentive compensation program. Under this program, participating officers will share in an outperformance pool if the Company s total shareholder return for the three-year performance period beginning on the effective date of the Program, January 1, 2007, exceeds the greater of an absolute compounded annual total shareholder return of 10% or 110% of the compounded annual return of the MSCI US REIT INDEX during the same period measured against a baseline value equal to the average of the ten consecutive trading days immediately prior to April 1, 2007. The size of the outperformance pool for this program will be 10% of the Company s total shareholder return in excess of the performance hurdle, subject to a maximum amount of $40,000. On April 2, 2007, the Compensation Committee modified the effective date of the program from January 1, 2007 to April 1, 2007. On December 20, 2007, the program was modified to clarify the definition of annual shareholder return.

The awards are considered liability awards because the number of shares issued to the participants are not fixed and determinable as of the grant date. These awards contain both a service condition and a market condition. As these awards are liability based awards, the measurement date for liability instruments is the date of settlement. Accordingly, liabilities incurred under share-based payment arrangements were initially measured on the grant date of February 6, 2007 and are required to be measured at the end of each reporting period until settlement.

A third party was engaged to value the awards and the Monte Carlo simulation approach was used to estimate the compensation expense of the outperformance pool. As of grant date, it was determined that the value of the awards was $1,901. As of December 31, 2007, the value of the awards was $715. The Company recognized $111 in compensation expenses relating to the award during the year ended December 31, 2007.

Each participating officer s award under this program will be designated as a specified participation percentage of the aggregate outperformance pool. On February 6, 2007, the Compensation Committee allocated 83% of the outperformance pool to certain of the Company s officers. During the second quarter of 2007, one officer separated from the Company and the rights relating to his allocated 8% were forfeited. The remaining unallocated balance of 25% may be allocated by the Compensation Committee in its discretion.

If the performance hurdle is met, the Company will grant each participating officer non-vested common shares as of the end of the performance period with a value equal to such participating officer s share of the outperformance pool. The non-vested common shares would vest in two equal installments on the first two anniversaries of the date the performance period ends provided the executive continues employment. Once issued, the non-vested common shares would be entitled to dividends and voting rights.

In the event of a change in control (as determined for purposes of the program) during the performance period, the performance period will be shortened to end on the date of the change in control and participating officers awards will be based on performance relative to the hurdle through the date of the change in control and participating officers awards will be based on performance relative to the hurdle through the date of the change in control. Any common shares earned upon a change in control will be fully vested. In addition, the performance period will be shortened to each for an executive officer if he or she is terminated by the Company without cause or he or she resigns for good reason, as such terms are defined in the executive officer s employment agreement.

LEXINGTON REALTY TRUST
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Notes to Consolidated Financial Statements (Continued)
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All determinations, interpretations, and assumptions relating to the vesting and the calculation of the awards under this program will be made by the Compensation Committee.

During the second quarter of 2007, the Company and an executive officer entered into an employment separation agreement. In addition to a cash payment of $3,600, non-vested common shares were accelerated and immediately vested which resulted in a charge of $933.

(15) Income Taxes

The benefit (provision) for income taxes relates primarily to the taxable income of the Company s taxable REIT subsidiaries. The earnings, other than in taxable REIT subsidiaries, of the Company are not generally subject to Federal income taxes at the Company level due to the REIT election made by the Company.

Income taxes have been provided for on the asset and liability method as required by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities.

The Company s benefit (provision) for income taxes for the years ended December 31, 2007, 2006 and 2005 is summarized as follows:

	2007	2006	2005
Current:			
Federal	$ (928)	$ (139)	$ (222)
State and local	(2,679)	(331)	(93)
NOL utilized	799		
Deferred:			
Federal	(407)	561	358
State and local	(159)	147	107
	$ (3,374)	$ 238	$ 150

Deferred tax assets of $872 and $3,230 are included in other assets on the accompanying Consolidated Balance Sheets at December 31, 2007 and 2006, respectively. These deferred tax assets relate primarily to differences in the timing of the recognition of income/(loss) between GAAP and tax, basis of real estate investments and net operating loss carry forwards.

The income tax benefit (provision) differs from the amount computed by applying the statutory federal income tax rate to pre-tax operating income as follows:

	2007	2006	2005
Federal benefit at statutory tax rate (34)%	$ 488	$ 548	$ 96
State and local taxes, net of Federal benefit	4	86	24
Other	(3,866)	(396)	30
	$ (3,374)	$ 238	$ 150

The other amount of $3,866 is comprised primarily of state taxes of $2,396 and the write-off of deferred tax assets of $1,605 relating to the dissolution of LSAC and the acquisition of our co-investment programs.

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Notes to Consolidated Financial Statements (Continued)
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As of December 31, 2007 and 2006, the Company has estimated net operating loss carry forwards for federal income tax reporting purposes of $5,126 and $11,781, respectively, which would begin to expire in tax year 2025. No valuation allowances have been recorded against deferred tax assets as the Company believes they are fully realizable, based upon projected future taxable income.

(16) Commitments and Contingencies

From time to time the Company is involved in legal proceedings arising in the ordinary course of business. In management s opinion, after consultation with legal counsel, the outcome of such matters, including the matters set forth below, are not expected to have a material adverse effect on the Company s financial position, result of operations or cash flows.

Lexington Streetsboro LLC v. Alfred Geis, et al.

Beginning in January 2005, on behalf of one of the Company s co-investment programs, the Company received notices from the tenant in the Streetsboro, Ohio facility regarding certain alleged deficiencies in the construction of the facility as compared to the original building specifications. Upon acquisition of the facility from the developer, the then owner of the facility obtained an indemnity from the principals of the developer covering a breach of construction warranties, the construction and/or the condition of the premises. After two years of correspondence among the owner of the facility, the developer and the tenant, the Company (after the acquisition of the facility from our co-investment program) entered into an amendment to the lease with the tenant providing for the repair of a portion of the alleged deficiencies and commenced such repairs beginning in the summer of 2007.

Following a demand for reimbursement under the indemnity agreement, the Company filed suit against the developer and the principals of the developer in the Federal District Court for the Northern District of Ohio on August 10, 2007 to enforce our rights (*Lexington Streestboro LLC v. Alfred Geis, et al.,* Case No. 5:07CV2450). On November 1, 2007, the developer filed (1) counter-claims against the Company for unjust enrichment regarding the repair work performed and for a declaration of its obligations under the indemnity agreement and (2) multiple cross-claims against its sub-contractors asking to be reimbursed for any deficiencies in the building specifications for which they are held liable. The developer was also permitted by the Court to file a claim against the tenant. The suit is on-going.

As of December 31, 2007, the Company has incurred $3.7 million of expenses in connection with the work covered by the lease amendment and the enforcement of the Company s rights under the indemnity agreement. The Company may seek an additional $2.5 million for future costs that may be incurred in connection with other potential deficiencies. The Company intends to vigorously pursue its claims and reimbursement under the indemnity agreement, and believes that the receivable recorded is collectable.

Deutsche Bank Securities, Inc.

On June 30, 2006, the Company, including a non-consolidated entity, sold to Deutsche Bank Securities, Inc., (Deutsche Bank), (1) a $7,680 bankruptcy damage claim against Dana Corporation for $5,376, (Farmington Hills claim), and (2) a $7,727 bankruptcy damage claim against Dana Corporation for $5,680, (Antioch claim). Under the terms of the agreements covering the sale of the claims, the Company is obligated to reimburse Deutsche Bank should the claim ever be disallowed, subordinated or otherwise impaired, to the extent of such disallowance, subordination or impairment, plus interest at the rate of 10% per annum from the date of payment of the purchase price by Deutsche Bank. On October 12, 2007, Dana Corporation filed an objection to both claims. The Company assisted Deutsche Bank and the then holders of the claims in the preparation and filing of a response to the objection. Despite a belief by the Company that the objections were without merit, the holders of the claims, without the Company s consent, settled the allowed amount of the claims at $6,500 for the Farmington Hills claim and $7,200

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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

for the Antioch claim. Deutsche Bank has made a formal demand with respect to the Farmington Hills claim in the amount of $826 plus interest, but has not made a formal demand with respect to the Antioch claim, which the estimate is $388 plus interest. The Company informed Deutsche Bank that it does not intend to honor any demand for a variety of reasons, including that (1) the holders of the claims arbitrarily settled the claims for reasons based on factors other than the merits and (2) the holders of the claims voluntarily reduced the claims to participate in certain settlement pools. The Company intends to vigorously defend any further claims or demands by Deutsche Bank or the holders of the claims. The Company believes that no material amount will be paid to Deutsche Bank relating to this item.

Certain employees have employment contracts and are entitled to severance benefits in the case of a change of control, as defined in the employment contract.

The Company, including its non-consolidated entities, are obligated under certain tenant leases to fund the expansion of the underlying leased properties.

The Company has agreed with Vornado Realty Trust (Vornado), a significant OP unitholder in the MLP, to operate the MLP as a real estate investment trust and to indemnify Vornado for any actual damages incurred by Vornado if the MLP is not operated as a REIT. Clifford Broser, a member of the Company s Board of Trustees, is a Senior Vice President of Vornado.

During 2007, the Company wrote off approximately $431 relating to costs incurred for the LSAC initial public offering. The costs were written off when LSAC decided not to pursue an initial public offering of its shares.

(17) Related Party Transactions

Certain officers of the Company own OP units or other interests in entities consolidated or accounted for under the equity method.

All related party acquisitions, sales and loans were approved by the independent members of the Board of Trustees or the Audit Committee.

As of December 31, 2007 and 2006, the Company, through the MLP, has an ownership interest in a securitized pool of first mortgages which includes two mortgage loans encumbering MLP properties. As of December 31, 2007 and 2006, the value of the ownership interests was $15,926 and $16,371, respectively.

An affiliate of our Executive Chairman and Director of Strategic Acquisitions provides certain asset management, investor and administrative services to certain partnerships in which the Company owns an equity interest. The total fees earned by and overhead reimbursed to this affiliate in 2007 was $2,606.

In addition, an affiliate of the Executive Chairman and Director of Strategic Acquisitions provides management services on certain of the Company s properties. The total fees earned by this affiliate in 2007 was $901.

As of December 31, 2007 and 2006, $21,378 and $20,886, respectively, in mortgage notes payable are due to entities owned by significant OP unitholders and the Executive Chairman and Director of Strategic Acquisitions. The mortgages were assumed in connection with the Merger. In addition, the Company leases four properties to these entities. During 2007, the Company recognized $1,575 in rental revenue from these properties. The Company leases its corporate office in New York City from Vornado, a significant OP unitholder. Rent expense for this property was $829 in 2007.

During 2007, the Company repurchased common shares from two of its officers for an aggregate of $405 and purchased LSAC shares from several of its officers for $2,200.

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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

During 2007, the MLP and Winthrop Realty L.P., an entity affiliated with the Company s Executive Chairman, entered into a joint venture with other unrelated partners, to acquire shares of Wells Real Estate Investment Trust (see note 8).

The Company has agreed with Vornado to operate the MLP as a real estate investment trust and to indemnify Vornado for any actual damages incurred by Vornado if the MLP is not operated as a REIT. Clifford Broser, a member of the Company s Board of Trustees, is a Senior Vice President of Vornado.

Winthrop Realty L.P., an affiliate of the Company s Executive Chairman and Director of Strategic Acquisitions, is the 50% partner in Concord Debt Holdings LLC (see note 8).

In addition, the Company earns fees from certain of its non-consolidated investments (see note 8).

(18) Fair Market Value of Financial Instruments

Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable. The Company estimates that the fair value approximates carrying value due to the relatively short maturity of the instruments.

Notes Receivable. The Company has determined that the fair value of these instruments approximates carrying costs as their interest rates approximate market.

Mortgages, Notes Payable and Contract Rights Payable. The Company determines the fair value of these instruments based on a discounted cash flow analysis using a discount rate that approximates the current borrowing rates for instruments of similar maturities. Based on this, the Company has determined that the fair value of these instruments approximates the carrying value as of December 31, 2007 and 2006.

(19) Concentration of Risk

The Company seeks to reduce its operating and leasing risks through diversification achieved by the geographic distribution of its properties, avoiding dependency on a single property and the creditworthiness of its tenants.

For the years ended December 31, 2007, 2006 and 2005, no tenant represented 10% or more of gross revenues.

Cash and cash equivalent balances may exceed insurable amounts. The Company believes it mitigates risk by investing in or through major financial institutions.

(20) Supplemental Disclosure of Statement of Cash Flow Information

During 2007, 2006 and 2005, the Company paid $154,917, $70,256 and $65,635, respectively, for interest and $3,452, $273, and $1,703, respectively, for income taxes.

During 2007 and 2006, the Company had a change in the unrealized gain (loss) on marketable equity securities of $(896) and $789 and an unrealized gain in foreign currency translation of $371 and $484, respectively. In addition, the

Company had an unrealized loss from investments held by non-consolidated entities of $3,526 in 2007. As of December 31, 2007 the Company had a cumulative (1) unrealized loss on marketable securities of $107, (2) unrealized gain on foreign currency translation of $855 and (3) unrealized loss on investment from non-consolidated entities of $3,526.

During 2007, 2006 and 2005, the Company recognized $3,645, $16,950 (including the $10,758 in accelerated amortization of non-vested shares), $3,595, respectively, in compensation relating to share grants to trustees and employees.

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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

During 2007, the Company sold one property for a sale price of $35,700 and provided $27,700 in secured financing to the buyer.

During 2006, the Company sold a property in which the purchaser assumed a mortgage note encumbering the property in the amount of $14,170. In addition, the Company provided a $3,200, 6.00% interest only mortgage due in 2017 relating to the sale of another property.

During 2005, the Company provided $11,050 in secured financing related to the sale of a property.

During 2005, in connection with certain mortgage financings the lender withheld $5,600 in proceeds which was disbursed upon expansion of the mortgaged properties in 2006.

During 2007 and 2006, the Company recorded a derivative asset of $0 and $2,745 and a derivative liability of $0 and $512, respectively.

During 2007, 2006 and 2005, holders of an aggregate of 1,283,629, 96,205 and 37,200 OP Units, respectively, redeemed such units for common shares of the Company. These redemptions resulted in increases in shareholders equity and corresponding decreases in minority interests of $25,223, $1,099 and $441, respectively.

In connection with the acquisition of the co-investment programs, the Company paid approximately $366,600 in cash and acquired approximately $1,071,000 in real estate, $264,000 in intangibles, $21,000 in cash, assumed $785,000 in mortgages payable, $40,000 in below-market leases and $14,000 in all other assets and liabilities (see note 8).

In connection with the formation of NLS in 2007, the Company contributed real estate and intangibles, net of accumulated depreciation and amortization, of $129,427, to NLS and consolidated mortgage notes payable in the amount of $171,502 were assumed by NLS.

During 2006, the Company issued 33,954 OP Units valued at $750 to acquire a single net leased property.

Effective November 1, 2006, LSAC became a consolidated subsidiary of the Company. The assets and liabilities of LSAC are treated as non-cash activities for the Statement of Cash Flows, were as follows:

Real estate	$ 106,112
Cash	$ 31,985
Other assets	$ 23,476
Mortgage payable	$ 72,057
Other liabilities	$ 1,341

In 2005, the Company contributed properties (along with non-recourse mortgage notes of $36,041) to joint venture entities for capital contributions of $32,170. In addition, during 2004 the Company issued mortgage notes receivable of $45,800 relating to these contributions, which were repaid in 2005.

See footnote 5 for discussion of the Merger.

LEXINGTON REALTY TRUST
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Notes to Consolidated Financial Statements (Continued)
($000 except per share/unit amounts)

(21) Unaudited Quarterly Financial Data

	2007			
	3/31/2007	6/30/2007	9/30/2007	12/31/2007
Total gross revenues(1)	$ 81,943	$ 109,510	$ 118,032	$ 122,262
Net income	$ 2,215	$ 28,939	$ 14,463	$ 31,234
Net income (loss) allocable to common shareholders basic	$ (3,416)	$ 21,906	$ 7,429	$ 24,199
Net income (loss) allocable to common shareholders per share:				
Basic	$ (0.05)	$ 0.34	$ 0.12	$ 0.39
Diluted	$ (0.05)	$ 0.34	$ 0.12	$ 0.39

	2006			
	3/31/2006	6/30/2006	9/30/2006	12/31/2006
Total gross revenues(1)	$ 46,367	$ 44,209	$ 46,216	$ 49,901
Net income (loss)	$ 6,078	$ 25,520	$ (17,596)	$ (6,249)
Net income (loss) allocable to common shareholders basic	$ 1,969	$ 21,411	$ (21,704)	$ (10,358)
Net income (loss) allocable to common shareholders per share:				
Basic	$ 0.04	$ 0.41	$ (0.42)	$ (0.20)
Diluted	$ 0.04	$ 0.41	$ (0.42)	$ (0.20)

(1) All periods have been adjusted to reflect the impact of properties sold during the years ended December 31, 2007 and 2006, and properties classified as held for sale, which are reflected in discontinued operations in the Consolidated Statements of Income.

The sum of the quarterly income (loss) per common share amounts may not equal the full year amounts primarily because the computations of the weighted average number of common shares outstanding for each quarter and the full year are made independently.

(22) Subsequent Events

Subsequent to December 31, 2007, the Company:

Sold two properties, which are classified as held for sale at December 31, 2007, for an aggregate sales price of $6,060;

Repurchased approximately 963,000 common shares for $13,998 or $14.53 per share; and

Repurchased $89,500 face amount of the 5.45% exchangeable guaranteed notes for $78,503, including accrued interest.

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Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000)

Initial cost to Company and Gross Amount at which carried at End of Year(A)

	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful lif depreci income stat
	Glendale, AZ	$ 14,084	$ 4,996	$ 24,392	$ 29,388	$ 14,557	Nov-86	1985	12
	Marshall, MI	0	40	900	940	526	Aug-87	1979	12,
	Marshall, MI	0	129	3,836	3,965	1,992	Aug-87	1968/1972	12, 20
se	Tampa, FL	7,941	1,900	9,854	11,754	4,758	Nov-87	1986	28,
se	Memphis, TN	***	1,053	11,538	12,591	9,566	Feb-88	1987	8
	Tampa, FL	5,741	2,160	7,127	9,287	4,234	Jul-88	1986	10, 24,
	Oxon Hill, MD	0	403	2,765	3,168	1,616	Aug-95	1976	18.
	Rockville, MD	0	0	1,784	1,784	1,041	Aug-95	1977	20
ub	Canton, OH	427	602	3,819	4,421	1,145	Dec-95	1987	
	Salt Lake City, UT	4,712	0	55,404	55,404	24,821	May-96	1982	
	Honolulu, HI	***	0	11,147	11,147	9,458	Dec-96	1980	
	Tulsa, OK	0	447	2,432	2,879	1,492	Dec-96	1981	14
	Clackamas, OR	0	523	2,847	3,370	1,747	Dec-96	1981	14
	Lynwood, WA	0	488	2,658	3,146	1,631	Dec-96	1981	14
	New Kingston, PA	3,230	674	5,360	6,034	1,446	Mar-97	1981	
	Mechanicsburg, PA	5,005	1,012	8,039	9,051	2,169	Mar-97	1985	
	New Kingston, PA	6,780	1,380	10,963	12,343	2,958	Mar-97	1989	
	Dallas, TX	0	3,582	37,246	40,828	8,563	Sep-97	1981	
	Decatur, GA	6,106	975	14,252	15,227	3,438	Dec-97	1983	
	Richmond, VA	15,745	0	27,282	27,282	8,460	Dec-97	1990	3
	Hebron, OH	***	1,063	4,271	5,334	645	Dec-97	2000	
se	Bristol, PA	9,262	2,508	10,915	13,423	2,446	Mar-98	1982	
	Hebron, KY	0	1,615	7,958	9,573	1,830	Mar-98	1987	6, 1
	Palm Beach Gardens, FL	10,536	3,578	14,848	18,426	3,435	May-98	1996	
	Auburn Hills, MI	6,590	2,788	6,648	9,436	2,638	Jul-98	1989/1998	
ribution	Baton Rouge, LA	1,581	685	3,316	4,001	764	Oct-98	1998	9
	Herndon, VA	18,041	5,127	20,730	25,857	4,135	Dec-99	1987	
	Bristol, PA	5,442	1,073	7,709	8,782	1,550	Dec-99	1998	
	Hampton, VA	6,984	2,333	9,352	11,685	1,431	Mar-00	1999	
	Phoenix, AZ	18,807	4,666	19,966	24,632	3,689	May-00	1997	6
	Danville, IL	6,161	1,796	7,182	8,978	1,266	Dec-00	2000	

Eau Claire, WI	1,583	860	3,441	4,301	527	Nov-01	1994	
Canton, OH	2,993	884	3,534	4,418	541	Nov-01	1995	
Plymouth, MI	4,442	1,533	6,130	7,663	939	Nov-01	1996	
Spartanburg, SC	2,486	834	3,334	4,168	510	Nov-01	1996	
Henderson, NC	4,007	1,488	5,953	7,441	912	Nov-01	1998	
Hampton, VA	4,283	1,353	5,441	6,794	1,060	Nov-01	2000	
Westland, MI	1,087	1,444	5,777	7,221	884	Nov-01	1987/1997	
Phoenix, AZ	***	2,287	20,584	22,871	2,009	Nov-01	1995/1994	20
Hebron, OH	***	1,681	6,779	8,460	1,038	Dec-01	1999	5
Dillon, SC	22,950	3,223	26,054	29,277	3,254	Dec-01	2001/2005	22
Lake Forest, CA	10,352	3,442	13,769	17,211	1,994	Mar-02	2001	
Fort Mill, SC	10,903	3,601	14,404	18,005	1,815	Dec-02	2002	
Boca Raton, FL	20,400	4,290	17,160	21,450	2,091	Feb-03	1983/2002	

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Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

tion	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life compu depreciation in la income statements
al	Dubuque, IA	10,597	2,052	8,443	10,495	955	Jul-03	2002	12 & 40
	Wallingford, CT	3,371	1,049	4,198	5,247	424	Dec-03	1978/1985	40
al	Waxahachie, TX	0	652	13,045	13,697	3,709	Dec-03	1996/1997	10, 16 & 40
	Wall Township, NJ	29,430	8,985	26,961	35,946	4,160	Jan-04	1983	22 & 40
al	Moody, AL	7,241	654	9,943	10,597	2,024	Feb-04	2004	10, 15 & 40
al	Houston, TX	24,498	13,894	14,488	28,382	1,358	Mar-04	1992	40
	Sugar Land, TX	15,670	1,834	16,536	18,370	1,550	Mar-04	1997	40
	Houston, TX	6,948	644	7,424	8,068	696	Mar-04	1981/1999	40
	Florence, SC	8,678	3,235	12,941	16,176	1,920	May-04	1998	40
	Clive, IA	5,784	2,761	7,453	10,214	1,590	Jun-04	2003	12, 13 & 40
	Carrollton, TX	13,921	2,487	18,157	20,644	2,379	Jun-04	2003	19 & 40
al	High Point, NC	8,146	1,330	11,183	12,513	1,718	Jul-04	2002	18 & 40
	Southfield, MI	***	0	12,124	12,124	2,707	Jul-04	1963/1965	7, 16 & 40
al	San Antonio, TX	28,671	2,482	38,535	41,017	6,416	Jul-04	2001	17 & 40
	Fort Mill, SC	20,238	1,798	25,192	26,990	4,497	Nov-04	2004	15 & 40
R&D	Foxboro, MA	14,091	1,586	18,245	19,831	2,971	Nov-04	1965/1988	15 & 40

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Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

on	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life comp depreciation in income statement
	Foxboro, MA	18,351	2,231	25,653	27,884	3,952	Dec-04	1982	16 & 40
	Olive Branch, MS	0	198	10,276	10,474	2,234	Dec-04	1989	8, 15 & 40
	Los Angeles, CA	11,235	5,110	10,911	16,021	1,952	Dec-04	2000	13 & 40
	Knoxville, TN	7,628	1,079	10,762	11,841	1,598	Mar-05	2001	14 & 40
	Tempe, AZ	13,336	0	14,564	14,564	2,285	Apr-05	1998	13 & 40
	Farmington Hills, MI	0	3,400	6,040	9,440	2,333	Apr-05	1999	22 & 40
	Kalamazoo, MI	17,243	960	17,714	18,674	1,867	Apr-05	1999	22 & 40
	Millington, TN	17,427	723	19,119	19,842	2,549	Apr-05	1997	16 & 40
	Fort Meyers, FL	8,912	1,820	10,198	12,018	1,644	Apr-05	1997	13 & 40
	Harrisburg, PA	8,968	900	10,526	11,426	2,406	Apr-05	1998	9 & 40
	Indianapolis, IN	12,881	1,700	16,448	18,148	3,422	Apr-05	1999	10 & 40
	Tulsa, OK	7,509	2,126	8,493	10,619	1,727	Apr-05	2000	11 & 40
	Houston, TX	17,261	3,750	21,149	24,899	3,410	Apr-05	2000	13 & 40
	Houston, TX	16,589	800	22,538	23,338	4,152	Apr-05	2000	11 & 40
	San Antonio, TX	12,784	2,800	14,587	17,387	2,761	Apr-05	2000	11 & 40
	Richmond, VA	10,373	1,100	11,919	13,019	1,725	Apr-05	2000	15 & 40
	Suwannee, GA	11,325	3,200	10,903	14,103	1,885	Apr-05	2001	12 & 40
	Indianapolis, IN	9,419	1,360	13,067	14,427	2,160	Apr-05	2002	12 & 40
	Lakewood, CO	8,493	1,400	8,653	10,053	1,478	Apr-05	2002	12 & 40
	Atlanta, GA	44,228	4,600	55,333	59,933	8,715	Apr-05	2003	13 & 40
	Houston, TX	12,955	1,500	14,581	16,081	2,146	Apr-05	2003	14 & 40
	Allen, TX	30,582	7,600	35,343	42,943	6,759	Apr-05	1981/1983	11 & 40
	Philadelphia, PA	48,727	13,209	50,744	63,953	7,284	Jun-05	1957	10, 14, 15 &
	Dry Ridge, KY	7,112	560	12,553	13,113	1,091	Jun-05	1988	25 & 40
	Elizabethtown, KY	2,994	352	4,862	5,214	422	Jun-05	2001	25 & 40
	Elizabethtown, KY	15,874	890	26,868	27,758	2,334	Jun-05	1995/2001	25 & 40
	Owensboro, KY	6,346	393	11,956	12,349	1,011	Jun-05	1998/2000	25 & 40
	Hopkinsville, KY	9,304	631	16,154	16,785	1,355	Jun-05	Various	25 & 40
	Southington, CT	13,456	3,240	25,339	28,579	11,828	Nov-05	1983	12, 28 & 4
	Omaha, NE	8,802	2,566	8,324	10,890	538	Nov-05	1995	20 & 40

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

n	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life co depreciation income stateme
	Sugarland, TX	9,742	2,725	10,027	12,752	878	Nov-05	2004	20 & 4
	Tempe, AZ	8,313	0	9,443	9,443	586	Dec-05	1998	30 & 4
	Collierville, TN	***	714	2,455	3,169	204	Dec-05	2005	20 & 4
	Crossville, TN	0	545	6,999	7,544	692	Jan-06	1989/2006	17 & 4
	Renswoude, Netherlands	39,178	2,913	26,403	29,316	2,386	Jan-06	1994/2003	17 & 4
	Memphis, TN	3,951	464	4,467	4,931	207	Nov-06	1888	20 & 4
	Charleston, SC	7,350	1,189	8,724	9,913	427	Nov-06	2006	40
	Hanover, NJ	16,627	4,063	19,711	23,774	913	Nov-06	2006	20 & 4
	Hilliard, OH	28,960	3,214	29,028	32,242	1,405	Dec-06	2006	40
	Honolulu, HI	***	21,094	13,163	34,257	326	Dec-06	1917/1980	40
	Long Beach, CA	5,902	6,230	7,802	14,032	386	Dec-06	1981	40
	Palo Alto, CA	***	12,398	16,977	29,375	2,224	Dec-06	1974	40
	Orlando, FL	***	1,030	10,869	11,899	306	Dec-06	1981	40
	McDonough, GA	23,000	2,463	24,291	26,754	585	Dec-06	2000	40
	Rockford, IL	4,278	509	5,289	5,798	145	Dec-06	1992	40
	Rockford Central, IL	2,622	371	2,573	2,944	76	Dec-06	1998	40
	Owensboro, KY	4,666	819	2,439	3,258	159	Dec-06	1975	40
	North Berwick, ME	***	1,383	31,817	33,200	820	Dec-06	1965	40
	Lumberton, NC	***	405	12,049	12,454	387	Dec-06	1998	40
	Statesville, NC	14,100	891	16,494	17,385	638	Dec-06	1999	40
	Saugerties, NY	0	508	2,837	3,345	73	Dec-06	1979	40
	Cincinnati, OH	***	1,009	7,007	8,016	212	Dec-06	1991	40
	Columbus, OH	***	1,990	10,580	12,570	348	Dec-06	1973	40
	N. Myrtle Beach, SC	***	1,481	2,078	3,559	91	Dec-06	1983	40
	Franklin, TN	0	964	8,783	9,747	449	Dec-06	1970	40
	Memphis, TN	0	1,553	12,326	13,879	379	Dec-06	1973	40
	Garland, TX	0	2,606	20,452	23,058	434	Dec-06	1980	40
	Baltimore, MD	0	4,571	0	4,571	0	Dec-06	N/A	N/A
	Little Rock, AR	***	1,353	2,260	3,613	68	Dec-06	1980	40
	Irvine, CA	4,079	4,758	36,262	41,020	930	Dec-06	1983	40

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

iption	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life comput depreciation in lat income statements (y
	Long Beach, CA	15,923	19,672	67,478	87,150	2,501	Dec-06	1981	40
	Pleasanton, CA	4,414	2,671	2,839	5,510	276	Dec-06	1984	40
	San Francisco, CA	22,455	14,539	36,505	51,044	932	Dec-06	1959	40
	Walnut Creek,, CA	***	4,214	13,803	18,017	374	Dec-06	1983	40
	Colorado Springs, CO	***	1,018	2,459	3,477	109	Dec-06	1982	40
	Clinton, CT	721	285	4,044	4,329	112	Dec-06	1971	40
	Orlando, FL	***	586	35,012	35,598	908	Dec-06	1982	40
	Orlando, FL	***	11,498	33,671	45,169	1,874	Dec-06	1984	40
	Lisle, IL	10,450	3,236	13,667	16,903	451	Dec-06	1985	40
	Columbus, IN	42,800	235	45,729	45,964	941	Dec-06	1983	40
	Baltimore, MD	***	16,959	78,959	95,918	2,572	Dec-06	1973	40
	Bridgeton, MO	***	1,016	4,469	5,485	151	Dec-06	1980	40
	Bridgewater, NJ	14,805	4,738	27,331	32,069	724	Dec-06	1986	40
	Carteret, NJ	0	3,834	16,653	20,487	621	Dec-06	1980	40
	Elizabeth, NJ	***	1,324	6,484	7,808	164	Dec-06	1984	40
	Plainsboro, NJ	0	383	176	559	25	Dec-06	1980	40
	Rockaway, NJ	14,900	4,646	20,428	25,074	648	Dec-06	2002	40
	Las Vegas, NV	52,782	8,824	53,164	61,988	1,359	Dec-06	1982	40
	Rochester, NY	18,800	645	25,892	26,537	702	Dec-06	1988	40
	Glenwillow, OH	17,000	2,228	24,530	26,758	668	Dec-06	1996	40
	Johnson City, TN	***	1,214	7,568	8,782	212	Dec-06	1983	40
	Memphis, TN	***	1,353	8,124	9,477	241	Dec-06	1982	40
	Memphis, TN	76,800	5,291	97,032	102,323	2,527	Dec-06	1985	40
	Beaumont, TX	0	456	3,454	3,910	106	Dec-06	1978	40
	Beaumont, TX	***	0	22,988	22,988	1,900	Dec-06	1983	40
	Bedford, TX	***	1,983	6,486	8,469	124	Dec-06	1983	40
	Dallas, TX	***	4,042	18,104	22,146	522	Dec-06	1981	40
	Sun City, AZ	0	2,154	2,775	4,929	71	Dec-06	1982	40
	Carlsbad, NM	0	918	775	1,693	25	Dec-06	1980	40

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

Description	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life computing depreciation in latest income statements (years)
Other	Corpus Christi, TX	0	987	974	1,961	26	Dec-06	1983	40
Other	El Paso, TX	0	220	1,749	1,969	45	Dec-06	1982	40
Other	McAllen, TX	0	606	1,257	1,863	33	Dec-06	2004	40
Other	Victoria, TX	0	300	1,149	1,449	30	Dec-06	1981	40
Retail	Florence, AL	***	796	3,747	4,543	114	Dec-06	1983	40
Retail	Montgomery, AL	0	730	3,255	3,985	148	Dec-06	1980	40
Retail	Bisbee, AZ	0	478	2,426	2,904	73	Dec-06	1984	40
Retail	Tucson, AZ	0	1,459	3,596	5,055	128	Dec-06	1984	40
Retail	Mammoth Lakes, CA	0	6,279	2,761	9,040	228	Dec-06	1982	40
Retail	Aurora, CO	0	1,224	1,431	2,655	77	Dec-06	1981	40
Retail	Port Richey, FL	0	2,214	2,656	4,870	101	Dec-06	1980	40
Retail	Tallahassee, FL	0	0	3,700	3,700	92	Dec-06	1980	40
Retail	Atlanta, GA	0	1,014	269	1,283	36	Dec-06	1972	40
Retail	Atlanta, GA	0	870	187	1,057	28	Dec-06	1975	40
Retail	Chamblee, GA	0	770	186	956	32	Dec-06	1972	40
Retail	Cumming, GA	0	1,558	1,368	2,926	76	Dec-06	1968	40
Retail	Duluth, GA	0	660	1,014	1,674	45	Dec-06	1971	40
Retail	Forest Park, GA	0	668	1,242	1,910	54	Dec-06	1969	40
Retail	Jonesboro, GA	0	778	146	924	25	Dec-06	1971	40
Retail	Stone Mountain, GA	0	672	276	948	26	Dec-06	1973	40
Retail	Rock Falls, IL	***	135	702	837	41	Dec-06	1991	40
Retail	Lawrence, IN	0	404	1,737	2,141	49	Dec-06	1983	40
Retail	Minden, LA	0	334	4,888	5,222	123	Dec-06	1982	40
Retail	Columbia, MD	942	4,297	3,664	7,961	99	Dec-06	1979	40
Retail	Billings, MT	0	506	3,062	3,568	110	Dec-06	1981	40
Retail	Charlotte, NC	***	606	2,561	3,167	64	Dec-06	1982	40
Retail	Concord, NC	***	685	943	1,628	48	Dec-06	1983	40
Retail	Jacksonville, NC	0	1,151	221	1,372	35	Dec-06	1982	40
Retail	Jefferson, NC	0	71	884	955	23	Dec-06	1979	40
Retail	Lexington, NC	0	832	1,429	2,261	37	Dec-06	1983	40

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization Schedule III ($000) (continued)

Description	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life computing depreciation in latest income statements (years
etail	Thomasville, NC	***	610	1,854	2,464	47	Dec-06	1998	40
etail	Garwood, NJ	95	3,920	8,052	11,972	259	Dec-06	1980	40
etail	Portchester, NY	0	7,086	9,313	16,399	468	Dec-06	1982	40
etail	Cincinnati, OH	0	0	0	0	0	Dec-06	1980	40
etail	Franklin, OH	0	1,089	1,699	2,788	43	Dec-06	1961	40
etail	Lawton, OK	0	663	1,288	1,951	50	Dec-06	1984	40
etail	Grants Pass, OR	0	1,894	1,470	3,364	84	Dec-06	1984	40
etail	Doylestown, PA	0	980	589	1,569	22	Dec-06	1976	40
etail	Lansdale, PA	0	488	85	573	10	Dec-06	1966	40
etail	Lima, PA	0	1,011	656	1,667	23	Dec-06	1983	40
etail	Philadelphia, PA	0	92	771	863	28	Dec-06	1920	40
etail	Philadelphia, PA	0	122	973	1,095	36	Dec-06	1920	40
etail	Philadelphia, PA	0	106	485	591	14	Dec-06	1975	40
etail	Philadelphia, PA	0	165	1,362	1,527	50	Dec-06	1960	40
etail	Philadelphia, PA	0	92	791	883	36	Dec-06	1921	40
etail	Philadelphia, PA	0	629	459	1,088	29	Dec-06	1970	40
etail	Philadelphia, PA	0	114	551	665	24	Dec-06	1922	40
etail	Philadelphia, PA	0	267	963	1,230	38	Dec-06	1980	40
etail	Philadelphia, PA	0	2,548	8,370	10,918	319	Dec-06	1980	40
etail	Richboro, PA	0	686	649	1,335	23	Dec-06	1976	40
etail	Wayne, PA	0	1,877	503	2,380	25	Dec-06	1983	40
etail	Moncks Corner, SC	0	13	1,510	1,523	41	Dec-06	1982	40
etail	Chattanooga, TN	***	550	1,241	1,791	53	Dec-06	1982	40
etail	Paris, TN	***	247	547	794	21	Dec-06	1982	40
etail	Carrollton, TX	0	2,262	1,085	3,347	73	Dec-06	1984	40
etail	Dallas, TX	0	1,637	5,381	7,018	209	Dec-06	1960	40
etail	Fort Worth, TX	0	1,003	3,304	4,307	128	Dec-06	1985	40
etail	Garland, TX	***	763	3,448	4,211	586	Dec-06	1983	40
etail	Granbury, TX	0	1,131	3,986	5,117	129	Dec-06	1982	40

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

cription	Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life computing depreciation in lates income statements (yea
il	Grand Prairie, TX	0	1,132	4,754	5,886	150	Dec-06	1984	40
il	Greenville, TX	0	562	2,743	3,305	84	Dec-06	1985	40
il	Hillsboro, TX	0	139	1,581	1,720	44	Dec-06	1982	40
il	Houston, TX	0	1,336	5,183	6,519	167	Dec-06	1982	40
il	Lubbock, TX	***	417	1,783	2,200	55	Dec-06	1978	40
il	Sandy, UT	***	1,505	3,375	4,880	145	Dec-06	1981	40
il	Staunton, VA	0	1,028	325	1,353	37	Dec-06	1971	40
il	Edmonds, WA	0	0	2,600	2,600	65	Dec-06	1981	40
il	Graham, WA	0	2,195	4,478	6,673	168	Dec-06	1984	40
il	Milton, WA	0	1,941	5,310	7,251	183	Dec-06	1989	40
il	Port Orchard, WA	0	2,167	1,293	3,460	96	Dec-06	1983	40
il	Redmond, WA	0	4,654	5,355	10,009	252	Dec-06	1985	40
il	Spokane, WA	0	449	3,070	3,519	89	Dec-06	1984	40
il	Cheyenne, WY	***	956	1,974	2,930	49	Dec-06	1981	40
ce	Evanston, WY	***	362	2,554	2,916	73	Dec-06	1975	40
ce	Orlando, FL	9,975	3,538	9,019	12,557	557	Jan-07	2003	12 & 40
ce	Boston, MA	***	3,814	14,728	18,542	291	Mar-07	1910	40
ce	Coppell, TX	14,400	2,470	12,793	15,263	253	Mar-07	2002	40
strial	Shreveport, LA	19,000	860	21,840	22,700	432	Mar-07	2006	40
ce	Westlake, TX	18,981	2,361	22,396	24,757	1,547	May-07	2007	40
strial	Antioch, TN	14,781	5,568	16,609	22,177	1,097	May-07	1983	14-40
ce	Canonsburg, PA	9,070	1,055	10,910	11,965	756	May-07	1997	8-40
il	Galesburg, IL	1,307	560	2,366	2,926	123	May-07	1992	12-40
il	Lewisburg, WV	1,538	501	1,985	2,486	54	May-07	1993	12-40
il	Lorain, OH	3,297	1,893	7,025	8,918	254	May-07	1993	23-40
il	Manteca, CA	2,329	2,082	6,464	8,546	232	May-07	1993	23-40
il	San Diego, CA	1,484	0	13,310	13,310	258	May-07	1993	23-40
il	Watertown, NY	2,190	386	5,162	5,548	217	May-07	1993	23-40
ce	Irving, TX	39,580	7,476	42,692	50,168	2,964	May-07	1999	6-40

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

Location	Encumbrances	Land, Improvements and Land Estates	Buildings and Improvements	Total	Accumulated Depreciation and Amortization	Date Acquired	Date Constructed	Useful life depreciat income state
aton Rouge, LA	6,461	1,252	10,244	11,496	644	May-07	1997	6
entenial, CO	15,322	4,851	15,187	20,038	1,107	May-07	2001	1
esterville, OH	0	2,085	9,265	11,350	210	May-07	2000	
verland Park, KS	37,465	4,769	41,956	46,725	1,815	Jun-07	1980	12
arrollton, TX	20,246	3,427	22,050	25,477	1,020	Jun-07	2003	8
urham, NH	19,273	3,464	18,094	21,558	833	Jun-07	1986	
allas, TX	18,563	3,984	27,308	31,292	1,084	Jun-07	2002	
armington Hills, MI	19,616	4,876	21,115	25,991	1,811	Jun-07	1999	1
rlington, TX	20,860	4,424	22,826	27,250	1,637	Jun-07	2003	7
ansas City, MO	17,876	2,433	20,154	22,587	864	Jun-07	1980	1
treetsboro, OH	19,462	2,441	22,171	24,612	1,064	Jun-07	2004	1
ssaquah, WA	31,588	5,126	13,554	18,680	917	Jun-07	1987	8
ssaquah, WA	0	6,268	16,058	22,326	1,043	Jun-07	1987	8
ouston, TX	19,663	12,835	26,690	39,525	2,395	Jun-07	2000	2
lymouth, MI	11,847	2,296	13,398	15,694	1,202	Jun-07	1996	
emperance, MI	10,909	3,040	14,738	17,778	828	Jun-07	1980	
ogan, NJ	7,318	1,825	10,776	12,601	416	Jun-07	1998	
aurens, SC	16,240	5,552	20,886	26,438	1,220	Jun-07	1991	
inchester, VA	10,606	3,823	12,226	16,049	848	Jun-07	2001	
olorado prings, CO	11,381	2,748	12,554	15,302	652	Jun-07	1980	
ake Mary, FL	13,079	4,535	13,950	18,485	1,248	Jun-07	1997	
ake Mary, FL	13,040	4,438	13,716	18,154	1,220	Jun-07	1999	
hicago, IL	28,975	5,155	45,904	51,059	3,013	Jun-07	1986	
ishers, IN	14,283	2,808	18,661	21,469	1,570	Jun-07	1999	
ary, NC	12,589	5,342	14,866	20,208	1,034	Jun-07	1999	
arisppany, NJ	40,151	7,478	84,051	91,529	5,272	Jun-07	2000	
ilford, OH	16,220	3,124	15,396	18,520	1,637	Jun-07	1991	
rving , TX	26,408	4,889	22,806	27,695	2,536	Jun-07	1999	
len Allen, VA	19,485	2,361	28,504	30,865	2,222	Jun-07	1998	
erndon, VA	11,930	9,409	12,853	22,262	1,034	Jun-07	1987	
uncan, SC	0	884	7,944	8,828	124	Jun-07	2005	
rea, CA	78,092	37,270	45,691	82,961	3,074	Dec-07	1983	

Iouston, TX	60,193	16,613	52,682	69,295	4,939	Dec-07	1976/1984
ubtotal	2,098,787	694,913	3,400,365	4,095,278	379,831		
** (see note elow)	213,635						
Total	$ 2,312,422	$ 694,913	$ 3,400,365	$ 4,095,278	$ 379,831		

*** Property is collateral for a $213,635 secured loan.

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

Real Estate and Accumulated Depreciation and Amortization
Schedule III ($000) (continued)

(A) The initial cost includes the purchase price paid by the Company and acquisition fees and expenses. The total cost basis of the Company s properties at December 31, 2007 for Federal income tax purposes was approximately $4.1 billion.

	2007	2006	2005
Reconciliation of real estate owned:			
Balance at the beginning of year	$ 3,747,156	$ 1,883,115	$ 1,407,872
Merger basis reallocation	8,235		
Additions during year	146,252	1,918,700	671,955
Properties sold during year	(634,560)	(53,696)	(34,120)
Property contributed to joint venture during year	(132,054)		(117,411)
Properties consolidated during the year	1,109,064	110,728	
Reclassified held for sale properties	(138,163)	(113,033)	(32,339)
Properties impaired during the year	(15,500)	(6,100)	(12,842)
Properties held for sale placed back in service	1,830	7,442	
Translation adjustment on foreign currency	3,018		
Balance at end of year	$ 4,095,278	$ 3,747,156	$ 1,883,115
Balance of beginning of year	$ 276,129	$ 241,188	$ 180,610
Depreciation and amortization expense	137,525	67,456	60,096
Accumulated depreciation and amortization of properties sold and held for sale during year	(54,737)	(37,178)	1,506
Accumulated depreciation of property contributed to joint venture	(16,887)		(1,024)
Accumulated depreciation of properties consolidated during the year	37,597	4,616	
Translation adjustment on foreign currency	204	47	
Balance at end of year	$ 379,831	$ 276,129	$ 241,188

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Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act), as of the end of the period covered by this Annual Report was made under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control Over Financial Reporting

Management s Report on Internal Control Over Financial Reporting, which appears on page 59, is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal controls over financial reporting during the fourth quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. *Other Information*

Not applicable.

PART III.

Item 10. *Trustees and Executive Officers of the Registrant*

The information regarding our trustees and executive officers required to be furnished pursuant to this item is set forth in Part I, Item 4A of this Annual Report. Information relating to our Code of Business Conduct and Ethics, is included in Part I, Item 1 of this Annual Report. The information relating to our trustees, including the audit committee of our Board of Trustees and our audit committee financial expert, and our executive officers will be in our Definitive Proxy Statement for our 2008 Annual Meeting of Shareholders, which we refer to as our Proxy Statement and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required to be furnished pursuant to this item will be set forth under the appropriate captions in the Proxy Statement, and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required to be furnished pursuant to this item will be set forth under the appropriate captions in the Proxy Statement, and is incorporated herein by reference.

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Item 13. *Certain Relationships and Related Transactions*

The information required to be furnished pursuant to this item will be set forth under the appropriate captions in the Proxy Statement, and is incorporated herein by reference.

Item 14. *Principal Accounting Fees and Services*

The information required to be furnished pursuant to this item will be set forth under the appropriate captions in the Proxy Statement, and is incorporated herein by reference.

PART IV.

Item 15. *Exhibits, Financial Statement Schedules*

	Page
(a)(1) Financial Statements	60-101
(2) Financial Statement Schedule	102-111
(3) Exhibits	

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated July 23, 2006, by and between Newkirk Realty Trust, Inc. (Newkirk) and Lexington Realty Trust (formerly known as Lexington Corporate Properties Trust, the Company) (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K filed July 24, 2006 (the 07/24/06 8-K))(1)
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of September 11, 2006, by and between Newkirk and the Company (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K filed September 13, 2006 (the 09/13/06 8-K))(1)
2.3	Amendment No. 2 to Agreement and Plan of Merger, dated as of October 13, 2006, by and between Newkirk and the Company (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K filed October 13, 2006)(1)
3.1	Articles of Merger and Amended and Restated Declaration of Trust of the Company, dated December 31, 2006 (filed as Exhibit 3.1 to the Company s Current Report on Form 8-K filed January 8, 2007 (the 01/08/07 8-K))(1)
3.2	Articles Supplementary Relating to the 7.55% Series D Cumulative Redeemable Preferred Stock, par value $.0001 per share (filed as Exhibit 3.3 to the Company s Registration Statement on Form 8A filed February 14, 2007 (the 02/14/07 Registration Statement))(1)
3.3	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the 01/08/07 8-K)(1)
3.4	Fifth Amended and Restated Agreement of Limited Partnership of Lepercq Corporate Income Fund L.P. (LCIF), dated as of December 31, 1996, as supplemented (the LCIF Partnership Agreement) (filed as Exhibit 3.3 to the Company s Registration Statement of Form S-3/A filed September 10, 1999 (the 09/10/99 Registration Statement))(1)
3.5	Amendment No. 1 to the LCIF Partnership Agreement dated as of December 31, 2000 (filed as Exhibit 3.11 to the Company s Annual Report on Form 10-K for the year ended December 31, 2003, filed February 26, 2004 (the 2003 10-K))(1)
3.6	

	First Amendment to the LCIF Partnership Agreement effective as of June 19, 2003 (filed as Exhibit 3.12 to the 2003 10-K)(1)
3.7	Second Amendment to the LCIF Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 3.13 to the 2003 10-K)(1)
3.8	Third Amendment to the LCIF Partnership Agreement effective as of December 31, 2003 (filed as Exhibit 3.13 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004, filed on March 16, 2005 (the 2004 10-K))(1)
3.9	Fourth Amendment to the LCIF Partnership Agreement effective as of October 28, 2004 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed November 4, 2004)(1)

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Exhibit No.	Description
3.10	Fifth Amendment to the LCIF Partnership Agreement effective as of December 8, 2004 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed December 14, 2004 (the 12/14/04 8-K))(1)
3.11	Sixth Amendment to the LCIF Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed January 3, 2005 (the 01/03/05 8-K))(1)
3.12	Seventh Amendment to the LCIF Partnership Agreement (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed November 3, 2005)(1)
3.13	Second Amended and Restated Agreement of Limited Partnership of Lepercq Corporate Income Fund II L.P. (LCIF II), dated as of August 27, 1998 the (LCIF II Partnership Agreement) (filed as Exhibit 3.4 to the 9/10/99 Registration Statement)(1)
3.14	First Amendment to the LCIF II Partnership Agreement effective as of June 19, 2003 (filed as Exhibit 3.14 to the 2003 10-K)(1)
3.15	Second Amendment to the LCIF II Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 3.15 to the 2003 10-K)(1)
3.16	Third Amendment to the LCIF II Partnership Agreement effective as of December 8, 2004 (filed as Exhibit 10.2 to 12/14/04 8-K)(1)
3.17	Fourth Amendment to the LCIF II Partnership Agreement effective as of January 3, 2005 (filed as Exhibit 10.2 to 01/03/05 8-K)(1)
3.18	Fifth Amendment to the LCIF II Partnership Agreement effective as of July 23, 2006 (filed as Exhibit 99.5 to the 07/24/06 8-K)(1)
3.19	Sixth Amendment to the LCIF II Partnership Agreement effective as of December 20, 2006 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed December 22, 2006)(1)
3.20	Amended and Restated Agreement of Limited Partnership of Net 3 Acquisition L.P. (the Net 3 Partnership Agreement) (filed as Exhibit 3.16 to the Company s Registration Statement of Form S-3 filed November 16, 2006)(1)
3.21	First Amendment to the Net 3 Partnership Agreement effective as of November 29, 2001 (filed as Exhibit 3.17 to the 2003 10-K)(1)
3.22	Second Amendment to the Net 3 Partnership Agreement effective as of June 19, 2003 (filed as Exhibit 3.18 to the 2003 10-K)(1)
3.23	Third Amendment to the Net 3 Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 3.19 to the 2003 10-K)(1)
3.24	Fourth Amendment to the Net 3 Partnership Agreement effective as of December 8, 2004 (filed as Exhibit 10.3 to 12/14/04 8-K)(1)
3.25	Fifth Amendment to the Net 3 Partnership Agreement effective as of January 3, 2005 (filed as Exhibit 10.3 to 01/03/05 8-K)(1)
3.26	Second Amended and Restated Agreement of Limited Partnership of The Lexington Master Limited Partnership (formerly known as The Newkirk Master Limited Partnership, the MLP), dated as of December 31, 2006, between Lex GP-1 Trust and Lex LP-1 Trust (filed as Exhibit 10.4 to the 01/08/07 8-K)(1)
4.1	Specimen of Common Shares Certificate of the Company (filed as Exhibit 4.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006 (the 2006 10-K))(1)
4.2	Form of 8.05% Series B Cumulative Redeemable Preferred Stock certificate (filed as Exhibit 4.1 to the Company s Registration Statement on Form 8A filed June 17, 2003)(1)
4.3	Form of 6.50% Series C Cumulative Convertible Preferred Stock certificate (filed as Exhibit 4.1 to the Company s Registration Statement on Form 8A filed December 8, 2004)(1)

4.4	Form of 7.55% Series D Cumulative Redeemable Preferred Stock certificate (filed as Exhibit 4.1 to the 02/14/07 Registration Statement)(1)
4.5	Form of Special Voting Preferred Stock certificate (filed as Exhibit 4.5 to the 2006 10-K)(1)

Exhibit No.	Description
4.6	Indenture, dated as of January 29, 2007, among The Lexington Master Limited Partnership, the Company, the other guarantors named therein and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed January 29, 2007 (the 01/29/07 8-K))(1)
4.7	First Supplemental Indenture, dated as of January 29, 2007, among The Lexington Master Limited Partnership, the Company, the other guarantors named therein and U.S. Bank National Association, as trustee, including the Form of 5.45% Exchangeable Guaranteed Notes due 2027 (filed as Exhibit 4.2 to the 01/29/07 8-K)(1)
4.8	Second Supplemental Indenture, dated as of March 9, 2007, among The Lexington Master Limited Partnership, the Company, the other guarantors named therein and U.S. Bank National Association, as trustee, including the Form of 5.45% Exchangeable Guaranteed Notes due 2027 (filed as Exhibit 4.3 to the Company s Current Report on form 8-k filed on March 9, 2007 (the 03/09/07 8-K))(1)
4.9	Amended and Restated Trust Agreement, dated March 21, 2007, among Lexington Realty Trust, The Bank of New York Trust Company, National Association, The Bank of New York (Delaware), the Administrative Trustees (as named therein) and the several holders of the Preferred Securities from time to time (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed on March 27, 2007 (the 03/27/2007 8-K))(1)
4.10	Third Supplemental Indenture, dated as of June 19, 207, among the MLP, the Company, the other guarantors named therein and U.S. bank National Association, as trustee, including the form of 5.45% Exchangeable Guaranteed Notes due 2027 (filed as Exhibit 4.1 to the Company s Report on form 8-k filed on June 22, 2007(1)
4.11	Junior Subordinated Indenture, dated as of March 21, 2007, between Lexington Realty Trust and The Bank of New York Trust Company, National Association (filed as Exhibit 4.2 to the 03/27/07 8-K)(1)
9.1	Voting Trustee Agreement, dated as of December 31, 2006, among the Company, The Lexington Master Limited Partnership and NKT Advisors LLC (filed as Exhibit 10.6 to the 01/08/07 8-K)(1)
10.1	Form of 1994 Outside Director Shares Plan of the Company (filed as Exhibit 10.8 to the Company s Annual Report on Form 10-K for the year ended December 31, 1993) (1, 4)
10.2	Amended and Restated 2002 Equity-Based Award Plan of the Company (filed as Exhibit 10.54 to the Company s Annual Report on Form 10-K for the year ended December 31, 2002, filed on March 24, 2003 (the 2002 10-K))(1)
10.3	1994 Employee Stock Purchase Plan (filed as Exhibit D to the Company s Definitive Proxy Statement dated April 12, 1994) (1, 4)
10.4	1998 Share Option Plan (filed as Exhibit A to the Company s Definitive Proxy Statement filed on April 22, 1998) (1, 4)
10.5	Amendment to 1998 Share Option Plan (filed as Exhibit 10.3 to the Company s Current Report on Form 8-K filed on February 6, 2006 (the 02/06/06 8-K)) (1, 4)
10.6	Amendment to 1998 Share Option Plan (filed as Exhibit 10.3 to the Company s Current Report on Form 8-K filed on January 3, 2007 (the 01/03/07 8-K)) (1, 4)
10.7	2007 Outperformance Program (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on April 5, 2007) (1,4)
10.8	Amendment to 2007 Outperformance Program (filed as Exhibit 10.6 to the Company s Current Report on form 8-K filed on December 20,2007 (the 12/26/07 8-K)) (1,4)
10.9	

	Form of Compensation Agreement (Long-Term Compensation) between the Company and each of the following officers: Richard J. Rouse and Patrick Carroll (filed as Exhibit 10.15 to the 2004 10-K) (1, 4)
10.10	Form of Compensation Agreement (Bonus and Long-Term Compensation) between the Company and each of the following officers: E. Robert Roskind and T. Wilson Eglin (filed as Exhibit 10.16 to the 2004 10-K) (1, 4)

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Exhibit No.	Description
10.11	Form of Nonvested Share Agreement (Performance Bonus Award) between the Company and each of the following officers: E. Robert Roskind, T. Wilson Eglin, Richard J. Rouse and Patrick Carroll (filed as Exhibit 10.1 to the 02/06/06 8-K) (1, 4)
10.12	Form of Nonvested Share Agreement (Long-Term Incentive Award) between the Company and each of the following officers: E. Robert Roskind, T. Wilson Eglin, Richard J. Rouse and Patrick Carroll and (filed as Exhibit 10.2 to the 02/06/06 8-K) (1, 4)
10.13	Form of the Company s Nonvested Share Agreement, dated as of December 28, 2006 (filed as Exhibit 10.2 to the 01/03/07 8-K) (1,4)
10.14	Form of Lock-Up and Claw-Back Agreement, dated as of December 28, 2006 (filed as Exhibit 10.4 to the 01/03/07 8-K)(1)
10.15	Form of 2007 Annual Long-Term Incentive Award Agreement (filed as Exhibit 10.1 to the Company s current Report on Form 8-k filed on January 11, 2008 (1,4)
10.16	Employment Agreement between the Company and E. Robert Roskind, dated May 4, 2006 (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K filed May 5, 2006 (the 05/05/06 8-K)) (1, 4)
10.17	Employment Agreement between the Company and T. Wilson Eglin, dated May 4, 2006 (filed as Exhibit 99.2 to the 05/05/06 8-K) (1, 4)
10.18	Employment Agreement between the Company and Richard J. Rouse, dated May 4, 2006 (filed as Exhibit 99.3 to the 05/05/06 8-K) (1, 4)
10.19	Employment Agreement between the Company and Patrick Carroll, dated May 4, 2006 (filed as Exhibit 99.4 to the 05/05/06 8-K) (1, 4)
10.20	Employment Agreement, effective as of December 31, 2006, between the Company and Michael L. Ashner (filed as Exhibit 10.16 to the 01/08/07 8-K) (1,4)
10.21	Waiver Letters, dated as of July 23, 2006 and delivered by each of E. Robert Roskind, Richard J. Rouse, T. Wilson Eglin and Patrick Carroll (filed as Exhibit 10.17 to the 01/08/07 8-K)(1)
10.22	2007 Trustee Fees Term Sheet (detailed on the Company s Current Report on Form 8-K filed February 12, 2007) (1, 4)
10.23	Form of Indemnification Agreement between the Company and certain officers and trustees (filed as Exhibit 10.3 to the 2002 10-K)(1)
10.24	Credit Agreement, dated as of June 2, 2005 (Credit Facility) among the Company, LCIF, LCIF II, Net 3 Acquisition L.P., jointly and severally as borrowers, certain subsidiaries of the Company, as guarantors, Wachovia Capital Markets, LLC, as lead arranger, Wachovia Bank, National Association, as agent, Key Bank, N.A., as Syndication agent, each of Sovereign Bank and PNC Bank, National Association, as co-documentation agent, and each of the financial institutions initially a signatory thereto together with their assignees pursuant to Section 12.5(d) therein (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed June 30, 2005)(1)
10.25	First Amendment to Credit facility, dated as of June 1, 2006 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed June 2, 2006)(1)
10.26	Second Amendment to Credit facility, dated as of December 27, 2006 (filed as Exhibit 10.1 to the 01/03/07 8-K)(1)
10.27	Third Amendment to Credit Agreement, dated as of December 20, 2007(filed as Exhibit 10.1 to the 12/26/07 8-K)(1)
10.28	Credit Agreement, dated as of June 1, 2007, among the Company, the MLP, LCIF, LCIF II and Net 3, jointly and severally as borrowers, KeyBanc Capital Markets, as lead arranger and book running manager, KeyBank National Association, as agent, and each of the financial institutions

initially a signatory thereto together with their assignees pursuant to Section 12.5.(d) therein (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on June 7, 2007 (the 06/07/2007 8-K))(1)

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Exhibit No.	Description
10.29	Master Repurchase Agreement, dated May 24, 2006, between Bear, Stearns International Limited and 111 Debt Acquisition-Two LLC (filed as Exhibit 10.1 to Newkirk s Current Report on Form 8-K filed May 30, 2006)(1)
10.30	Master Repurchase Agreement, dated March 30, 2006, among Column Financial Inc., 111 Debt Acquisition LLC, 111 Debt Acquisition Mezz LLC and Newkirk (filed as Exhibit 10.2 to Newkirk s Current Report on Form 8-K filed April 5, 2006 (the NKT 04/05/06 8-K))(1)
10.31	Amended and Restated Limited Liability Company Agreement of Concord Debt Holdings LLC, dated as of September 21, 2007, among the MLP, WRT Realty, L.P. and FUR Holdings LLC (filed as Exhibit 10.1 to the Company s current Report on Form 8-K filed on September 24, 2007)
10.32	Amendment No. 1 to Amended and Restated Limited Liability Company Agreement of Concord Debt Holdings LLC, dated as of January 7, 2008(filed as Exhibit 10.1 to the Company s Current Report on form 8-K filed January 11, 2008)(1)
10.33	Funding Agreement, dated as of July 23, 2006, by and among LCIF, LCIF II and Net 3 Acquisition L.P. (Net 3) and the Company (filed as Exhibit 99.4 to the 07/24/06 8-K)(1)
10.34	Funding Agreement, dated as of December 31, 2006, by and among LCIF, LCIF II, Net 3, the MLP and the Company (filed as Exhibit 10.2 to the 01/08/07 8-K)(1)
10.35	Guaranty Agreement, effective as of December 31, 2006, between the Company and the MLP (filed as Exhibit 10.5 to the 01/08/07 8-K)(1)
10.36	Amended and Restated Exclusivity Services Agreement, dated as of December 31, 2006, between the Company and Michael L. Ashner (filed as Exhibit 10.1 to the 01/08/07 8-K)(1)
10.37	Transition Services Agreement, dated as of December 31, 2006, between the Company and First Winthrop Corporation (filed as Exhibit 10.3 to the 01/08/07 8-K)(1)
10.38	Acquisition Agreement, dated as of November 7, 2005, between Newkirk and First Union Real Estate Equity and Mortgage Investments (First Union) (filed as Exhibit 10.4 to First Union s Current Report on Form 8-K filed on November 10, 2005)(1)
10.39	Amendment to Acquisition Agreement and Assignment and Assumption, dated as of December 31, 2006, among NKT, Winthrop Realty Trust and the Company (filed as Exhibit 10.7 to the 01/08/07 8-K)(1)
10.40	Letter Agreement among Newkirk, Apollo Real Estate Investment Fund III, L.P., the MLP, NKT Advisors LLC, Vornado Realty Trust, VNK Corp., Vornado Newkirk LLC, Vornado MLP GP LLC and WEM Bryn Mawr Associates LLC (filed as Exhibit 10.15 to Amendment No. 5 to Newkirk Registration Statement on Form S-11/A filed October 28, 2005 (Amendment No. 5 to NKT s S-11))(1)
10.41	Amendment to the Letter Agreement among Newkirk, Apollo Real Estate Investment Fund III, L.P., the MLP, NKT Advisors LLC, Vornado Realty Trust, Vornado Realty L.P., VNK Corp., Vornado Newkirk LLC, Vornado MLP GP LLC, and WEM-Brynmawr Associates LLC (filed as Exhibit 10.25 to Amendment No. 5 to Newkirk s S-11)(1)
10.42	Ownership Limit Waiver Agreement, dated as of December 31, 2006, between the Company and Vornado Realty, L.P. (filed as Exhibit 10.8 to the 01/08/07 8-K)(1)
10.43	Ownership Limit Waiver Agreement, dated as of December 31, 2006, between the Company and Apollo Real Estate Investment Fund III, L.P. (filed as Exhibit 10.9 to the 01/08/07 8-K)(1)
10.44	Registration Rights Agreement, dated as of December 31, 2006, between the Company and Michael L. Ashner (filed as Exhibit 10.10 to the 01/08/07 8-K)(1)
10.45	Registration Rights Agreement, dated as of December 31, 2006, between the Company and WEM-Brynmawr Associates LLC (filed as Exhibit 10.11 to the 01/08/07 8-K)(1)
10.46	

Registration Rights Agreement, dated as of November 7, 2005, between Newkirk and Vornado Realty Trust (filed as Exhibit 10.4 to Newkirk s Current Report on Form 8-K filed November 15, 2005 (NKT s 11/15/05 8-K))(1)

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Exhibit No.	Description
10.47	Registration Rights Agreement, dated as of November 7, 2005, between Newkirk and Apollo Real Estate Investment Fund III, L.P. (Apollo) (filed as Exhibit 10.5 to NKT s 11/15/05 8-K)(1)
10.48	Registration Rights Agreement, dated as of November 7, 2005, between the Company and First Union (filed as Exhibit 10.6 to NKT s 11/15/05 8-K)(1)
10.49	Assignment and Assumption Agreement, effective as of December 31, 2006, among Newkirk, the Company, and Vornado Realty L.P. (filed as Exhibit 10.12 to the 01/08/07 8-K)(1)
10.50	Assignment and Assumption Agreement, effective as of December 31, 2006 among Newkirk, the Company, and Apollo Real Estate Investment Fund III, L.P. (filed as Exhibit 10.13 to the 01/08/07 8-K)(1)
10.51	Assignment and Assumption Agreement, effective as of December 31, 2006, among Newkirk, the Company, and Winthrop Realty Trust filed as Exhibit 10.14 to the 01/08/07 8-K)(1)
10.52	Registration Rights Agreement, dated as of January 29, 2007, among the MLP, the Company, LCIF, LCIF II, Net 3, Lehman Brothers Inc. and Bear, Stearns & Co. Inc., for themselves and on behalf of the initial purchasers named therein (filed as Exhibit 4.3 to the 01/29/07 8-K)(1)
10.53	Common Share Delivery Agreement, made as of January 29, 2007, between the MLP and the Company (filed as Exhibit 10.77 to the 2006 10-K)(1)
10.54	Registration Rights Agreement, dated as of March 9, 2007, among the MLP, the Company, LCIF, LCIF II, Net 3, Lehman Brothers Inc. and Bear, Stearns & Co. Inc., for themselves and on behalf of the initial purchasers named therein (filed as Exhibit 4.4 to the 03/09/07 8-K)(1)
10.55	Common Share Delivery Agreement, made as of January 29, 2007 between the MLP and the Company (filed as Exhibit 4.5 to the 03/09/2007 8-K)(1)
10.56	Property Management Agreement, made as of December 31, 2006, among the Company (Filed as Exhibit 10.15 to the 01/08/07 8-K)(1)
10.57	Second Amendment and Restated Limited Partnership Agreement, dated as of February 20, 2008, among LMLP GP LLC, The Lexington Master Limited Partnership and Inland American (Net Lease) Sub, LLC (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on February 21, 2008 (the 2/21/08 8-K))(1)
10.58	Contribution Agreement, dated as of August 10, 2007, between The Lexington Master Limited Partnership and Net Lease Strategic Assets Fund L.P. (filed as Exhibit 10.2 to the Company s Current Report on form 8-K filed on August 16, 2007 (the 08/16/2007 8-K))(1)
10.59	Amendment No. 1 to Contribution Agreement, dated as of December 20, 2007(filed as Exhibit 10.3 to the 12/26/07 8-K)(1)
10.60	Amendment No. 2 to Contribution Agreement, dated as of February 20, 2008 (filed as Exhibit 10.2 to the 02/21/08 8-K)(1)
10.61	Purchase and Sale Agreement, dated as of August 10, 2007, between The Lexington Master Limited Partnership and Net Lease Strategic Assets Fund L.P. (filed as Exhibit 10.3 to the 08/16/2007 8-K)(1)
10.62	Amendment No. 1 to Purchase and Sale Agreement, dated as of December 20, 2007 (filed as Exhibit 10.4 to the 12/26/07 8-K)(1)
10.63	Amendment No. 2 to Purchase and Sale Agreement, dated as of February 20, 2008 (filed as Exhibit 10.3 to the 02/20/08 8-K)(1)
10.64	Management Agreement, dated as of August 10, 2007, between Net Lease Strategic Assets Fund L.P. and Lexington Realty Advisors, Inc. (filed as Exhibit 10.4 to the 08/16/2007 8-K)(1)
10.65	Purchase Agreement, dated as of June 1, 2007, between the Company and the Common Retirement Fund of the State of New York for interests in Lexington Acquiport Company II, LLC (filed as Exhibit 10.4 to the 06/07/2007 8-K)(1)

10.66	Partial Redemption Agreement, dated as of June 5, 2007, between Lexington/Lion Venture L.P., CLPF-LXP/LV, L.P. and the Company (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on June 28, 2007 (the 06/28/2007 8-K)(1)

Exhibit No.	Description
10.67	Contribution Agreement, dated as of June 5, 2007, between the Company and the MLP (filed as Exhibit 10.2 to the 06/28/2007 8-K)(1)
10.68	Redemption Agreement, dated as of June 5, 2007, between Lexington/Lion Venture L.P., CLPF-LXP/LV, L.P. and CLPF-LXP/Lion Venture GP, LLC (filed as Exhibit 10.3 to the 06/28/2007 8-K)(1)
10.69	Form of Contribution Agreement dated as of December 20, 2007 (filed as Exhibit 10.5 to the 12/26/07 8-K)(1)
12	Statement of Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends(2)
14.1	Amended and Restated Code of Business Conduct and Ethics(2)
21	List of Subsidiaries(2)
23	Consent of KPMG LLP(2)
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(3)
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)

(1) Incorporated by reference.

(2) Filed herewith.

(3) Furnished herewith.

(4) Management Contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Lexington Realty Trust

By: /s/ T. Wilson Eglin
T. Wilson Eglin
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael L. Ashner and T. Wilson Eglin, and each of them severally, his true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the U.S. Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully for all intents and purposes as he might or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated.

Signature	Title
/s/ Michael L. Ashner Michael L. Ashner	Chairman of the Board of Trustees And Director of Strategic Acquisitions
/s/ E. Robert Roskind E. Robert Roskind	Co-Vice Chairman of the Board of Trustees
/s/ Richard J. Rouse Richard J. Rouse	Co-Vice Chairman of the Board of Trustees and Chief Investment Officer
/s/ T. Wilson Eglin T. Wilson Eglin	Chief Executive Officer, President, Chief Operating Officer and Trustee
/s/ Patrick Carroll Patrick Carroll	Chief Financial Officer, Treasurer and Executive Vice President

/s/ Paul R. Wood	Vice President, Chief Accounting Officer and Secretary
Paul R. Wood	
/s/ Clifford Broser	Trustee
Clifford Broser	
/s/ Geoffrey Dohrmann	Trustee
Geoffrey Dohrmann	

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Signature	Title
/s/ Carl D. Glickman	Trustee
Carl D. Glickman	
/s/ James Grosfeld	Trustee
James Grosfeld	
/s/ Harold First	Trustee
Harold First	
/s/ Richard Frary	Trustee
Richard Frary	
/s/ Kevin W. Lynch	Trustee
Kevin W. Lynch	

DATE: February 29, 2008

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Exhibit 31.1

CERTIFICATION

I, T. Wilson Eglin, certify that:

1. I have reviewed this report on Form 10-K of Lexington Realty Trust (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 15(e) and 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15(d) 15(f)) for the Company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting and

5. The Company s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company s auditors and the Audit Committee of the Company s board of trustees (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal control over financial reporting.

/s/ T. Wilson Eglin

T. Wilson Eglin
Chief Executive Officer

February 29, 2008

Exhibit 31.2

CERTIFICATION

I, Patrick Carroll, certify that:

1. I have reviewed this report on Form 10-K of Lexington Realty Trust (the Company);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 15(e) and 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15(d) 15(f)) for the Company and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Company s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company s internal control over financial reporting that occurred during the Company s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting and

5. The Company s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company s auditors and the Audit Committee of the Company s board of trustees (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal control over financial reporting.

/s/ Patrick Carroll

Patrick Carroll
Chief Financial Officer

February 29, 2008

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Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Lexington Realty Trust (the Company) on Form 10-K for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, T. Wilson Eglin, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ T. Wilson Eglin

T. Wilson Eglin
Chief Executive Officer
February 29, 2008

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Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Lexington Realty Trust (the Company) on Form 10-K for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Patrick Carroll certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Patrick Carroll

Patrick Carroll
Chief Financial Officer

February 29, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2008.

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition period from __________ to __________

Commission File Number 1-12386
LEXINGTON REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland	13-3717318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Penn Plaza Suite 4015 New York, NY	10119
(Address of principal executive offices)	(Zip code)

(212) 692-7200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

Indicate the number of shares outstanding of each of the registrant s classes of common shares, as of the latest practicable date: 93,922,557 common shares, par value $0.0001 per share on November 3, 2008.

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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007
(Unaudited and in thousands, except share and per share data)

	September 30, 2008	December 31, 2007
Assets:		
Real estate, at cost	$ 3,836,321	$ 4,109,097
Less: accumulated depreciation and amortization	439,531	379,831
	3,396,790	3,729,266
Properties held for sale discontinued operations	8,408	150,907
Intangible assets, net	375,212	516,698
Cash and cash equivalents	108,039	412,106
Restricted cash	27,481	41,026
Investment in and advances to non-consolidated entities	205,021	226,476
Deferred expenses, net	37,329	42,040
Notes receivable	68,631	69,775
Rent receivable current	16,630	25,289
Rent receivable deferred	16,967	15,303
Other assets	33,824	36,277
	$ 4,294,332	$ 5,265,163
Liabilities and Shareholders Equity:		
Liabilities:		
Mortgages and notes payable	$ 2,052,955	$ 2,312,422
Exchangeable notes payable	299,500	450,000
Trust preferred securities	129,120	200,000
Contract rights payable	14,435	13,444
Dividends payable	28,297	158,168
Liabilities discontinued operations	902	119,093
Accounts payable and other liabilities	33,974	49,442
Accrued interest payable	10,822	23,507
Deferred revenue below market leases, net	155,134	217,389
Prepaid rent	20,352	16,764
	2,745,491	3,560,229
Minority interests	624,839	765,863
	3,370,330	4,326,092
Commitments and contingencies (notes 6, 7, 12, 13 and 15)		
Shareholders equity:		

Preferred shares, par value $0.0001 per share; authorized 100,000,000 shares,		
Series B Cumulative Redeemable Preferred, liquidation preference $79,000; 3,160,000 shares issued and outstanding	76,315	76,315
Series C Cumulative Convertible Preferred, liquidation preference $129,915 and $155,000, respectively; 2,598,300 and 3,100,000 shares issued and outstanding in 2008 and 2007, respectively	126,217	150,589
Series D Cumulative Redeemable Preferred, liquidation preference $155,000; 6,200,000 shares issued and outstanding	149,774	149,774
Special Voting Preferred Share, par value $0.0001 per share; 1 share authorized, issued and outstanding		
Common shares, par value $0.0001 per share; authorized 400,000,000 shares, 65,666,569 and 61,064,334 shares issued and outstanding in 2008 and 2007, respectively	6	6
Additional paid-in-capital	1,097,176	1,033,332
Accumulated distributions in excess of net income	(525,788)	(468,167)
Accumulated other comprehensive income (loss)	302	(2,778)
Total shareholders equity	924,002	939,071
	$ 4,294,332	$ 5,265,163

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and nine months ended September 30, 2008 and 2007
(Unaudited and in thousands, except share and per share data)

	Three Months ended September 30,		Nine Months ended September 30,	
	2008	2007	2008	2007
Gross revenues:				
Rental	$ 94,146	$ 105,974	$ 308,382	$ 269,803
Advisory and incentive fees	396	239	1,072	12,182
Tenant reimbursements	10,927	10,057	31,178	22,114
Total gross revenues	105,469	116,270	340,632	304,099
Expense applicable to revenues:				
Depreciation and amortization	(51,197)	(63,843)	(191,596)	(164,785)
Property operating	(21,733)	(17,921)	(60,804)	(41,982)
General and administrative	(7,117)	(7,530)	(25,468)	(28,673)
Non-operating income	1,802	2,633	22,599	7,502
Interest and amortization expense	(37,279)	(48,129)	(120,519)	(114,747)
Debt satisfaction gains, net	2,309		39,020	
Gains on sale-affiliates			31,806	
Income (loss) before provision for income taxes, minority interests, equity in earnings (losses) of non-consolidated entities and discontinued operations	(7,746)	(18,520)	35,670	(38,586)
Provision for income taxes	(662)	(369)	(2,636)	(2,547)
Minority interests share of (income) losses	2,823	3,336	5,372	(3,546)
Equity in earnings (losses) of non-consolidated entities	(1,525)	4,054	(23,171)	45,951
Income (loss) from continuing operations	(7,110)	(11,499)	15,235	1,272
Discontinued operations:				
Income from discontinued operations	26	8,441	1,628	25,720
Provision for income taxes	(181)	(44)	(330)	(2,721)
Debt satisfaction charges	(120)	(3,596)	(433)	(3,685)
Gains on sales of properties	7,374	26,980	11,986	39,808
Impairment charges	(1,063)		(3,757)	
Minority interests share of income	(2,643)	(5,819)	(4,509)	(14,777)
Total discontinued operations	3,393	25,962	4,585	44,345
Net income (loss)	(3,717)	14,463	19,820	45,617
Dividends attributable to preferred shares Series B	(1,590)	(1,590)	(4,770)	(4,770)
Dividends attributable to preferred shares Series C	(2,110)	(2,519)	(6,740)	(7,556)

Dividends attributable to preferred shares Series D	(2,926)	(2,925)	(8,777)	(7,372)
Redemption discount Series C			5,678	
Net income (loss) allocable to common shareholders	$ (10,343)	$ 7,429	$ 5,211	$ 25,919
Income (loss) per common share basic:				
Income (loss) from continuing operations, after preferred dividends	$ (0.21)	$ (0.29)	$ 0.01	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss) allocable to common shareholders	$ (0.16)	$ 0.12	$ 0.08	$ 0.39
Weighted average common shares outstanding basic	64,433,457	63,458,167	61,485,277	65,735,321
Income (loss) per common share diluted:				
Income (loss) from continuing operations, after preferred dividends	$ (0.21)	$ (0.29)	$ (0.14)	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss) allocable to common shareholders	$ (0.16)	$ 0.12	$ (0.07)	$ 0.39
Weighted average common shares outstanding diluted	64,433,457	63,458,167	101,789,804	65,735,321

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Three and nine months ended September 30, 2008 and 2007
(Unaudited and in thousands)

	Three Months ended September 30,		Nine Months ended September 30,	
	2008	2007	2008	2007
Net income (loss)	$ (3,717)	$ 14,463	$ 19,820	$ 45,617
Other comprehensive income (loss):				
Change in unrealized gain (loss) in marketable equity securities		(1,140)	107	(1,661)
Change in unrealized gain (loss) on foreign currency translation	(299)	249	3	290
Change in unrealized gain (loss) on interest rate swap, net of minority interest share	(395)		900	(357)
Change in unrealized loss from non-consolidated entities, net of minority interest share	(431)	(2,443)	(3,424)	(2,443)
Less reclassification adjustment from losses included in net income (loss)			5,494	357
Other comprehensive income (loss)	(1,125)	(3,334)	3,080	(3,814)
Comprehensive income (loss)	$ (4,842)	$ 11,129	$ 22,900	$ 41,803

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 30, 2008 and 2007
(Unaudited and in thousands)

	2008	2007
Net cash provided by operating activities:	$ 187,412	$ 235,893
Cash flows from investing activities:		
Acquisition of interest in certain non-consolidated entities		(366,614)
Investment in real estate, including intangibles	(83,345)	(140,559)
Acquisitions of additional interests in LSAC		(24,199)
Net proceeds from sale of properties affiliates	95,576	
Purchase of minority interests	(5,311)	
Net proceeds from sale/transfer of properties	189,476	225,915
Proceeds from the sale of marketable equity securities	2,506	27,698
Real estate deposits	223	(722)
Principal payments received on loans receivable	1,480	8,429
Issuance of loans receivable	(1,000)	
Distributions from non-consolidated entities in excess of accumulated earnings	25,090	5,032
Investment in and advances to/from non-consolidated entities	(12,953)	(71,308)
Investment in marketable equity securities		(723)
Increase in deferred leasing costs	(10,142)	(3,823)
(Increase) decrease in escrow deposits	(849)	24,455
Net cash provided by (used in) investing activities	200,751	(316,419)
Cash flows from financing activities:		
Dividends to common and preferred shareholders	(213,010)	(106,374)
Repurchase of exchangeable notes	(117,758)	
Repurchase of trust preferred securities	(44,561)	
Principal payments on debt, excluding normal amortization	(205,215)	(650,202)
Dividend reinvestment plan proceeds		5,652
Principal amortization payments	(56,298)	(63,553)
Proceeds of mortgages and notes payable		246,965
Proceeds from term loans	70,000	225,000
Proceeds from trust preferred notes		200,000
Proceeds from exchangeable notes		450,000
Increase in deferred financing costs	(2,851)	(18,591)
Swap termination costs	(205)	
Contributions from minority partners		79
Cash distributions to minority partners	(145,185)	(67,522)
Proceeds from the sale of common and preferred shares, net	47,120	149,898
Repurchase of common and preferred shares	(23,792)	(143,709)
Partnership units repurchased	(475)	(3,602)

Net cash (used in) provided by financing activities	(692,230)	224,041
Cash acquired in co-investment program acquisition		20,867
Cash associated with sale of interest in entity		(1,442)
Change in cash and cash equivalents	(304,067)	162,940
Cash and cash equivalents, at beginning of period	412,106	97,547
Cash and cash equivalents, at end of period	$ 108,039	$ 260,487

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008 and 2007
(Unaudited and dollars in thousands, except per share/unit data)

(1) The Company

Lexington Realty Trust (the Company) is a self-managed and self-administered Maryland statutory real estate investment trust (REIT) that acquires, owns, and manages a geographically diversified portfolio of predominately net leased office, industrial and retail properties and provides investment advisory and asset management services to investors in the net lease area. As of September 30, 2008, the Company owned or had interests in approximately 240 consolidated properties in 42 states and the Netherlands. The real properties owned by the Company are generally subject to net leases to tenants, which are generally characterized as leases in which the tenant pays all or substantially all of the cost and cost increases for real estate taxes, capital expenditures, insurance, utilities and ordinary maintenance of the property. However, certain leases provide that the Company is responsible for certain operating expenses.

The Company believes it has qualified as a REIT under the Internal Revenue Code of 1986, as amended (the Code). Accordingly, the Company will not be subject to federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. The Company is permitted to participate in certain activities from which it was previously precluded in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable REIT subsidiaries (TRS) under the Code. As such, the TRS will be subject to federal income taxes on the income from these activities.

The Company conducts its operations either directly or through (1) one of four operating partnerships in which the Company is the sole unit holder of the general partner and the sole unit holder of a limited partner that holds a majority of the limited partnership interests (OP Units): The Lexington Master Limited Partnership (MLP), Lepercq Corporate Income Fund L.P. (LCIF), Lepercq Corporate Income Fund II L.P. (LCIF II), and Net 3 Acquisition L.P. (Net 3), and (2) Lexington Realty Advisors, Inc. (LRA), a wholly-owned TRS.

During the nine months ended September 30, 2008, the Company repurchased approximately 1.2 million common shares/OP Units at an average price of approximately $14.51 per common share/OP Unit aggregating $16.7 million, in the open market and through private transactions with third parties. As of September 30, 2008, approximately 4.6 million common shares/OP Units were eligible for repurchase under the current authorization adopted by the Company s Board of Trustees.

The unaudited condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial condition and results of operations for the interim periods. For a more complete understanding of the Company s operations and financial position, reference is made to the consolidated financial statements (including the notes thereto) previously filed with the Securities and Exchange Commission on February 29, 2008 with the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

(2) Summary of Significant Accounting Policies

Basis of Presentation and Consolidation. The Company s unaudited condensed consolidated financial statements are prepared on the accrual basis of accounting. The financial statements reflect the accounts of the Company and its consolidated subsidiaries, including LCIF, LCIF II, Net 3, MLP, LRA and Six Penn Center L.P. Lexington Contributions, Inc. (LCI) and Lexington Strategic Asset Corp. (LSAC), each a formerly majority owned TRS, were merged with and into the Company as of March 25, 2008 and June 30, 2007, respectively.

Recently Issued Accounting Standards. In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, as amended (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS 157 were effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, except for those relating to non-financial assets and liabilities, which are deferred for one additional year, and a scope exception for purposes of fair value measurements affecting lease classification or measurement under SFAS 13 and related standards. The adoption of the effective portions of this statement did not have a material impact on the Company s financial position, results of operations or cash flows. The Company is evaluating the effect of implementing this statement as it relates to non-financial assets and liabilities, although the statement does not require any new fair value measurements or remeasurements of previously reported fair values.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial assets and liabilities and certain other items at fair value. An enterprise will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option may be applied on an instrument-by-instrument basis, with several exceptions, such as investments accounted for by the equity method, and once elected, the option is irrevocable unless a new election date occurs. The fair value option can be applied only to entire instruments and not to portions thereof. SFAS 159 was effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The Company did not elect to adopt the optional fair value provisions of this pronouncement and thus it did not have an impact on the Company s consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R (Revised 2007), Business Combinations (SFAS 141R). SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value . SFAS 141R is effective for acquisitions in periods beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements- an amendment of ARB 51 (SFAS 160). SFAS 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. SFAS 160 is effective for periods beginning on or after December 15, 2008. The adoption of this statement will result in the minority interest currently classified in the mezzanine section of the balance sheet to be reclassified as a component of shareholders equity, and minority interests share of income or loss will no longer be recorded in the statement of operations.

In December 2007, the FASB ratified EITF consensus on EITF 07-06, Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, Accounting for Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause (EITF 07-06). EITF 07-06 clarifies that a buy-sell clause in a sale of real estate that otherwise qualifies for partial sale accounting does not by itself constitute a form of continuing involvement that would preclude partial sale accounting under SFAS No. 66. EITF 07-06 was effective for fiscal years beginning after December 15, 2007. The adoption of EITF 07-06 did not have a material impact on the Company s financial position, results of operations or cash flows.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP 03-6-1). FSP 03-6-1 requires unvested share based payment awards that contain nonforfeitable rights to dividends or dividend equivalents to be treated as participating securities as defined in EITF Issue No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, and, therefore, included in the earnings allocation in computing earnings per share under the two-class method described in FASB Statement No. 128, Earnings per Share. FSP 03-06-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. Management is currently determining the impact the adoption of FSP 03-6-1 will have on the Company s financial statements.

In June 2007, the Securities and Exchange staff announced revisions to EITF Topic D-98 related to the release of SFAS 159. The Securities and Exchange Commission announced that it will no longer accept liability classification

for financial instruments that meet the conditions for temporary equity classification under ASR 268, Presentation in Financial Statements of Redeemable Preferred Stocks and EITF Topic No. D-98. As a consequence, the fair value option under SFAS 159 may not be applied to any financial instrument (or host contract) that qualifies as temporary equity. This is effective for all instruments that are entered into, modified, or otherwise subject to a remeasurement event in the first fiscal quarter beginning after September 15, 2007. As the Company did not adopt the fair value provisions of SFAS 159, the adoption of this announcement did not have a material impact on the Company s financial position, results of operations or cash flows.
In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities- an amendment of SFAS No.133 (SFAS 161). SFAS 161, which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, requires companies with derivative instruments to disclose information about how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect a company s financial position, financial performance and cash flows. The required disclosures include the fair value of derivative instruments and their gains or losses in tabular format, information about credit-risk-related contingent features in derivative agreements, counterparty, credit risk, and the company s strategies and objectives for using derivative instruments. SFAS 161 is effective prospectively for periods beginning on or after November 15, 2008. The adoption of this statement is not expected to have a material impact on the Company s financial position, results of operations or cash flows.

In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) (FSP 14-1). FSP 14-1 requires issuers of convertible debt that may be settled wholly or partly in cash to account for the debt and equity components separately. FSP 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods. Management is currently determining the impact the adoption of FSP 14-1 will have on the Company s financial statements.

Use of Estimates. Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these unaudited condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles. The most significant estimates made include the recoverability of accounts receivable, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the determination of impairment of long-lived assets and equity method investments, valuation and impairment of assets held by equity method investees, valuation of derivative financial instruments, and the useful lives of long-lived assets. Actual results could differ from those estimates.

Revenue Recognition. The Company recognizes revenue in accordance with Statement of Financial Accounting Standards No. 13, Accounting for Leases, as amended (SFAS 13). SFAS 13 requires that revenue be recognized on a straight-line basis over the term of the lease unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property. Renewal options in leases with rental terms that are lower than those in the primary term are excluded from the calculation of straight-line rent if the renewals are not reasonably assured. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term. The Company recognizes lease termination payments as a component of rental revenue in the period received, provided that there are no further obligations under the lease. All above market lease assets, below market lease liabilities and deferred rent assets or liabilities for terminated leases are charged against or credited to rental revenue in the period the lease is terminated. All other capitalized lease costs and lease intangibles are accelerated via amortization expense to the date of termination.

Impairment of Real Estate, Loans Receivable and Equity-Method Investments. The Company evaluates the carrying value of all tangible and intangible assets held, including its loans receivable and its investments in non-consolidated entities (such as Lex-Win Concord, LLC), when a triggering event under Statement of Financial Accounting

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Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, as amended (SFAS 144) has occurred to determine if an impairment has occurred which would require the recognition of a loss. The evaluation includes estimating and reviewing anticipated future cash flows to be derived from the asset. However, estimating future cash flows is highly subjective and such estimates could differ materially from actual results.
Derivative Financial Instruments. The Company accounts for its interest rate swap agreements in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133). In accordance with SFAS 133, these agreements are carried on the balance sheet at their respective fair values, as an asset, if fair value is positive, or as a liability, if fair value is negative. The interest rate swap is designated as a cash flow hedge whereby the effective portion of the swap s change in fair value is reported as a component of other comprehensive income (loss); the ineffective portion, if any, is recognized in earnings as an increase or decrease to interest expense.

Cash and Cash Equivalents. The Company considers all highly liquid instruments with maturities of three months or less from the date of purchase to be cash equivalents.

Restricted Cash. Restricted cash is comprised primarily of cash balances held in escrow with lenders and amounts deposited with qualified intermediaries to complete potential tax-free exchanges.

Environmental Matters. Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. Although the Company s tenants are primarily responsible for any environmental damage and claims related to the leased premises, in the event of the bankruptcy or inability of the tenant of such premises to satisfy any obligations with respect to such environmental liability, the Company may be required to satisfy any such obligations. In addition, the Company as the owner of such properties may be held directly liable for any such damages or claims irrespective of the provisions of any lease. As of September 30, 2008, the Company was not aware of any environmental matter relating to any of its assets that could have a material impact on the financial statements.

Reclassifications. Certain amounts included in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

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(3) Earnings per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2008 and 2007:

	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2008	Nine Months ended September 30, 2007
BASIC				
Income (loss) from continuing operations	$ (7,110)	$ (11,499)	$ 15,235	$ 1,272
Less preferred dividends	(6,626)	(7,034)	(14,609)	(19,698)
Income (loss) allocable to common shareholders from continuing operations	(13,736)	(18,533)	626	(18,426)
Total income from discontinued operations	3,393	25,962	4,585	44,345
Net income (loss) allocable to common shareholders	$ (10,343)	$ 7,429	$ 5,211	$ 25,919
Weighted average number of common shares outstanding -basic	64,433,457	63,458,167	61,485,277	65,735,321
Income (loss) per common share basic:				
Income (loss) from continuing operations	$ (0.21)	$ (0.29)	$ 0.01	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss)	$ (0.16)	$ 0.12	$ 0.08	$ 0.39
DILUTED				
Income (loss) allocable to common shareholders from continuing operations basic	$ (13,736)	$ (18,533)	$ 626	$ (18,426)
Incremental loss attributed to assumed conversion of dilutive securities			(14,728)	
Income (loss) allocable to common shareholders from continuing operations	(13,736)	(18,533)	(14,102)	(18,426)
Total income from discontinued operations	3,393	25,962	7,002	44,345
Net income (loss) allocable to common shareholders	$ (10,343)	$ 7,429	$ (7,100)	$ 25,919
Weighted average number of common shares used in calculation of basic earnings per share	64,433,457	63,458,167	61,485,277	65,735,321
Add incremental shares representing:				

Shares issuable upon exercise of employee share options/non-vested shares				
Shares issuable upon conversion of dilutive securities			40,304,527	
Weighted average number of common shares outstanding diluted	64,433,457	63,458,167	101,789,804	65,735,321
Income (loss) per common share diluted:				
Income (loss) from continuing operations	$ (0.21)	$ (0.29)	$ (0.14)	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss)	$ (0.16)	$ 0.12	$ (0.07)	$ 0.39

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During the second quarter of 2008, the Company redeemed 501,700 Series C Preferred shares at a $5,678 discount to their historical cost basis. In accordance with EITF D-42, The Effect on the Calculation of Earnings Per Share for the Redemption or Induced Conversion of Preferred Stock, this discount constitutes a deemed negative dividend, offsetting other dividends, and is accretive to the common shareholders and, accordingly, it has been added to net income to arrive at net income allocable to common shareholders for the nine month period ended September 30, 2008.

In accordance with EITF D-53, Computation of Earnings Per Share for a Period That Includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock, for purposes of computing diluted earnings per share for the nine month period ended September 30, 2008, the discount on redemption has been subtracted from net income allocable to common shareholders in the incremental loss attributed to assumed conversion of dilutive securities, and the shares have been assumed redeemed for common shares at the beginning of the period. The Company determined that the Series C Preferred shares that were not redeemed were not dilutive to basic earnings per share.

All incremental shares are considered anti-dilutive for periods that have a loss from continuing operations applicable to common shareholders. In addition, other common share equivalents may be anti-dilutive in certain periods.

(4) Investments in Real Estate and Intangibles

During the nine months ended September 30, 2008, the Company acquired two properties for an aggregate capitalized cost of $56,131 and allocated $6,991 of the purchase price to intangible assets. During the nine months ended September 30, 2007, the Company acquired seven properties from unrelated third parties for an aggregate capitalized cost of $117,760 and allocated $19,083 of the purchase price to intangible assets.

During the nine months ended September 30, 2007, the Company acquired additional shares in LSAC for $16,781. Also during the nine months ended September 30, 2007, LSAC paid $7,418 to repurchase its common stock in a tender offer. On June 30, 2007, LSAC was merged with and into the Company and ceased to exist.

During the nine months ended September 30, 2007, the Company, including through its consolidated subsidiaries, completed transactions with its then joint venture partners as summarized as follows:

Triple Net Investment Company LLC (TNI)

On May 1, 2007, the Company entered into a purchase agreement with the Utah State Retirement Investment Fund, its partner in one of its co-investment programs, TNI, and acquired the 70% of TNI it did not already own through a cash payment of approximately $82,600 and the assumption of approximately $156,600 in non-recourse mortgage debt. Accordingly, the Company became the sole owner of the 15 primarily single tenant net leased real estate properties owned by TNI. The debt assumed by the Company bears stated interest at rates ranging from 4.9% to 9.4% with a weighted-average stated rate of 5.9% and matures at various dates ranging from 2010 to 2021. In connection with this transaction, the Company recognized income of $2,064 from incentive fees in accordance with the TNI partnership agreement.

Lexington Acquiport Company LLC (LAC) and Lexington Acquiport Company II LLC (LAC II)

On June 1, 2007, the Company entered into purchase agreements with the Common Retirement Fund of the State of New York, its 66.7% partner in one of its co-investment programs, LAC, and 75% partner in another of its co-investment programs, LAC II, and acquired the interests in LAC and LAC II it did not already own through a cash payment of approximately $277,400 and the assumption of approximately $515,000 in non-recourse mortgage debt. Accordingly, the Company became the sole owner of the 26 primarily single tenant net leased real estate properties owned collectively by LAC and LAC II. The debt assumed by the Company bears interest at stated rates ranging from 5.0% to 8.2% with a weighted-average stated rate of 6.2% and matures at various dates ranging from 2009 to 2021.

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Lexington/Lion Venture L.P. (LION   )

Effective June 1, 2007, the Company and its 70% partner in LION agreed to terminate LION and distribute the 17 primarily net lease properties owned by LION. Accordingly, the Company was distributed seven of the properties, which are subject to non-recourse mortgage debt of approximately $112,500. The debt assumed by the Company bears interest at stated rates ranging from 4.8% to 6.2% with a weighted-average stated rate of 5.4% and matures at various dates ranging from 2012 to 2016. In addition, the Company paid approximately $6,600 of additional consideration to its former partner in connection with the termination. In connection with this transaction, the Company recognized income of $8,530 from incentive fees in accordance with the LION partnership agreement and was allocated equity in earnings of $34,164 related to its share of gains relating to the 10 properties transferred to the partner.

(5) Discontinued Operations

During the nine months ended September 30, 2008, the Company sold 23 properties to unrelated third parties for aggregate sales proceeds of $189,476 which resulted in an aggregate gain of $11,986. During the nine months ended September 30, 2007, the Company sold 33 properties to unrelated third parties for aggregate sales proceeds of $225,915 which resulted in a gain of $39,808. As of September 30, 2008, the Company had three properties held for sale.

The following presents the operating results for the properties sold and properties held for sale for the applicable periods:

	Three Months ended September 30,		Nine Months ended September 30,	
	2008	2007	2008	2007
Rental revenues	$ 269	$14,810	$5,028	$51,480
Pre-tax income, including gains on sale	$3,574	$26,006	$4,915	$47,066

(6) Investment in Non-Consolidated Entities

Concord Debt Holdings LLC (Concord   )

The MLP and WRT Realty L.P. (Winthrop   ) have a co-investment program to acquire and originate loans secured, directly and indirectly, by real estate assets through Concord. The Company   s former Executive Chairman and Director of Strategic Acquisitions is also the Chief Executive Officer of the parent of Winthrop. The co-investment program was equally owned and controlled by the MLP and Winthrop. The MLP and Winthrop have invested $162,500 each in Concord. All profits, losses and cash flows of Concord were distributed in accordance with the respective membership interests.

During the third quarter of 2008, the MLP and Winthrop formed a jointly-owned subsidiary, Lex-Win Concord LLC (Lex-Win Concord   ), and the MLP and Winthrop each contributed to Lex-Win Concord all of their right, title, interest and obligations in Concord and WRP Management LLC, the entity that provides collateral management and asset management services to Concord and its existing CDO. Immediately following the contribution, a subsidiary of Inland American Real Estate Trust Inc. (Inland Concord   ) entered into an agreement to contribute up to $100,000 in redeemable preferred membership interest over the next 18 months to Concord, with an initial investment of $20,000. Lex-Win Concord, as managing member, and Inland Concord, as a preferred member, entered into the Second Amended and Restated Limited Liability Company Agreement of Concord. Under the terms of the agreement, additional contributions by Inland Concord are to be used primarily for the origination and acquisition of additional debt instruments including whole loans, B notes and mezzanine loans. In addition, provided that certain terms and conditions are satisfied, including payment to Inland Concord of a 10% priority return, both the MLP and Winthrop may elect to reduce their aggregate capital investment in Concord to $200,000 through distributions of principal payments from the retirement of existing loans and bonds in Concord s current portfolio. In addition, Lex-Win Concord is obligated to make additional capital contributions to Concord of up to $75,000 only if such capital contributions are necessary under certain circumstances.

The following is summary balance sheet data as of September 30, 2008 and December 31, 2007 and income statement data for the three and nine months ended September 30, 2008 and 2007 for Concord:

	As of 9/30/08	**As of 12/31/07**
Investments	$1,017,989	$1,140,108
Cash, including restricted cash	18,690	19,094
Warehouse debt facilities obligations	393,541	472,324
Collateralized debt obligations	351,525	376,650
Preferred equity	20,000	
Members equity	270,920	310,922

	Nine Months ended September 30,	
	2008	2007
Interest and other income	$ 55,396	$ 48,141
Interest expense	(27,062)	(29,510)
Impairment charges	(65,221)	
Gain on debt repayment	12,698	
Other expenses and minority interests	(3,716)	(3,564)
Net income (loss)	$ (27,905)	$ 15,067
Other comprehensive income (loss)	6,929	(11,666)
Comprehensive income (loss)	$ (20,976)	$ 3,401

	Three Months ended September 30,	
	2008	2007
Interest and other income	$ 18,187	$ 19,937
Interest expense	(8,176)	(12,901)
Impairment charges	(7,205)	
Gain on debt repayment	4,996	
Other expenses and minority interests	(1,949)	(879)
Net income	$ 5,853	$ 6,157
Other comprehensive loss	(1,640)	(11,666)
Comprehensive income (loss)	$ 4,213	$ (5,509)

Concord s loan assets are classified as held to maturity and, accordingly, are carried at cost, net of unamortized loan origination costs and fees, repayments and unfunded commitments unless such loan is deemed to be other-than-temporarily impaired. Concord s bonds are classified as available for sale securities and, accordingly, are marked-to-estimated fair value on a quarterly basis based on valuations performed by Concord s management. During the three and nine months ended September 30, 2008, the management of Concord did a complete evaluation of its bond and loan portfolio, including an analysis of any underlying collateral supporting these investments. This resulted in a charge to earnings at Concord of $7,205 and $65,221 for the three and nine months ended September 30, 2008, respectively.

Net Lease Strategic Assets Fund L.P. (NLS)

NLS is a co-investment program with a subsidiary of Inland American Real Estate Trust, Inc. (Inland). NLS was established to acquire single-tenant net lease specialty real estate in the United States. In connection with the formation of NLS and on December 20, 2007, the MLP contributed interests in 12 properties and $6,721 in cash to NLS and Inland contributed $121,676 in cash to NLS. In addition, the Company sold for cash interests in 18 properties to NLS and recorded an aggregate gain of $19,422, which was limited by the Company s aggregate ownership interest in NLS s common and preferred equity of 47.2%. The properties were subject to $186,302 in mortgage debt, which was assumed by NLS. After such formation transaction, Inland and the MLP owned 85% and 15%, respectively, of NLS s common equity and the MLP owned 100% of NLS s $87,615 preferred equity.

On March 25, 2008, the MLP contributed interests in five properties and $4,354 in cash to NLS and Inland contributed $72,545 in cash to NLS. In addition, the Company sold for cash interests in six properties to NLS and recorded an aggregate gain of $23,169, which was limited by the Company s aggregate ownership interest in NLS s common and preferred equity of 47.2%. The properties were subject to $131,603 in mortgage debt, which was assumed by NLS. The mortgage debt assumed by NLS has stated interest rates ranging from 5.1% to 8.0%, with a weighted average interest rate of 6.0% and maturity dates ranging from 2010 to 2021. After this transaction, Inland and the MLP owned 85% and 15%, respectively, of NLS s common equity and the MLP owned 100% of NLS s $141,329 preferred equity.

On May 30, 2008, the MLP contributed interests in one property and $3,458 in cash to NLS and Inland contributed $19,011 in cash to NLS. In addition, the Company sold for cash an interest in one property to NLS and recorded a gain of $8,637, which was limited by the Company s ownership interest in NLS s common and preferred equity of 48.1%. One property was subject to $21,545 in mortgage debt, which was assumed by NLS. The mortgage debt assumed by NLS has a stated interest rate of 8.0% and matures in 2015. After this transaction, Inland and the MLP owned 85% and 15%, respectively, of NLS s common equity and the MLP owned 100% of NLS s $162,487 preferred equity.

Inland and the MLP are currently entitled to a return on/of their respective investments as follows: (1) Inland, 9% on its common equity, (2) the MLP, 6.5% on its preferred equity, (3) the MLP, 9% on its common equity, (4) return of the MLP preferred equity, (5) return of Inland common equity (6) return of the MLP common equity and (7) any remaining cash flow is allocated 65% to Inland and 35% to the MLP as long as the MLP is the general partner, if not, allocations are 85% to Inland and 15% to the MLP.

In addition to the capital contributions described above, the MLP and Inland committed to invest up to an additional $22,500 and $127,500, respectively, in NLS to acquire additional specialty single-tenant net leased assets. LRA has entered into a management agreement with NLS whereby LRA will receive (1) a management fee of 0.375% of the equity capital, (2) a property management fee of up to 3.0% of actual gross revenues from certain assets for which the landlord is obligated to provide property management services (contingent upon the recoverability of such fees from the tenant under the applicable lease), and (3) an acquisition fee of 0.5% of the gross purchase price of each acquired asset by NLS.

The following is summary historical cost basis selected balance sheet data as of September 30, 2008 and December 31, 2007 and income statement data for the nine months ended September 30, 2008 for NLS:

	As of 9/30/08	As of 12/31/07
Real estate, including intangibles	$729,271	$405,834
Cash, including restricted cash	6,491	2,230
Mortgages payable	321,842	171,556

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		For the Nine Months ended 9/30/08
Total gross revenues	$	35,364
Depreciation and amortization		(22,747)
Interest expense		(12,598)
Other expenses, net		(1,852)
Net loss	$	(1,833)

During the nine months ended September 30, 2008, the Company recognized ($11,861) equity in losses relating to NLS based upon the hypothetical liquidation method. The difference between the assets contributed to NLS and the fair value of the MLP s equity investment in NLS is $94,723 and is accreted into income. During the nine months ended September 30, 2008, the Company recorded earnings of $2,304 related to this difference, which is included in equity in earnings (losses) of non-consolidated entities on the accompanying statement of operations.

During the nine months ended September 30, 2008, the MLP incurred transaction costs relating to the formation of NLS of $1,138 which are included in general and administrative expenses in the consolidated statements of operations.

LEX-Win Acquisition LLC (Lex-Win)

During 2007, Lex-Win, an entity in which the MLP holds a 28% ownership interest, acquired 3.9 million shares of common stock in Piedmont Office Realty Trust, Inc. (formerly known as Wells Real Estate Investment Trust, Inc.), (Wells), a non-exchange traded entity, at a price per share of $9.30 in a tender offer. During 2007, the MLP funded $12,542 relating to this tender and received $1,890 relating to an adjustment of the number of shares tendered. Winthrop also holds a 28% interest in Lex-Win. The Company s former Executive Chairman and Director of Strategic Acquisitions is the Chief Executive Officer of the parent of Winthrop. Profits, losses and cash flows of Lex-Win are allocated in accordance with the membership interests. During the three and nine months ended September 30, 2008, Lex-Win incurred losses of $247 and $3,847, respectively relating to its investment in Wells and sold its entire interest in Wells for $32,289.

Other Equity Method Investment Limited Partnerships

The Company is a partner in eight partnerships with ownership percentages ranging between 26% and 40%, which own net leased properties. All profits, losses and cash flows are distributed in accordance with the respective partnership agreements. As of September 30, 2008, the partnerships have $93,431 in mortgage debt (the Company s proportionate share is $29,557) with interest rates ranging from 5.2% to 15.0% with a weighted average rate of 9.4% and maturity dates ranging from 2009 to 2018.

(7) Mortgages and Notes Payable

During the nine months ended September 30, 2008, the MLP obtained $25,000 and $45,000 secured term loans from KeyBank N.A. The loans are interest only at LIBOR plus 60 basis points and mature in 2013. The net proceeds of the loans of $68,000 were used to partially repay indebtedness on three cross-collateralized mortgages. After such repayment, the amount owed on the three mortgages was $103,511, the three mortgages were combined into one mortgage, which is interest only instead of having a portion as self-amortizing and matures in September 2014. The MLP recognized a non-cash charge of $611 relating to the write-off of certain deferred financing charges. These loans contain customary covenants which the Company was in compliance with as of September 30, 2008.

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Pursuant to the new loan agreements, the MLP simultaneously entered into an interest-rate swap agreement with KeyBank N.A to swap the LIBOR rate on the loans for a fixed rate of 4.9196% through March 18, 2013, and the Company assumed a liability for the fair value of the swap at inception of approximately $5,696 ($2,990 at September 30, 2008). The new debt is presented net of a discount of $4,795. Amortization of the discount as interest expense will occur over the term of the loans.

The following table presents the Company s liability for the swap measured at fair value as of September 30, 2008, aggregated by the level within the SFAS 157 fair value hierarchy within which those measurements fall:

Fair Value Measurements using			
Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
$	$2,990	$	$2,990

Although the Company has determined that the majority of the inputs used to value its swap obligation fall within Level 2 of the fair value hierarchy, the credit valuation associated with the swap obligation utilizes Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2008, the Company has determined that the credit valuation adjustment relative to the overall swap obligation is not significant. As a result, the entire swap obligation has been classified in Level 2 of the fair value hierarchy.

Also at inception, in accordance with SFAS No. 133, as amended, the Company designated the swap as a cash flow hedge of the risk of variability attributable to changes in the LIBOR swap rate on $45,000 and $25,000 of LIBOR-indexed variable-rate debt. Accordingly, changes in the fair value of the swap will be recorded in other comprehensive income and reclassified to earnings as interest becomes receivable or payable. Because the fair value of the swap at inception of the hedge was not zero, the Company cannot assume that there will be no ineffectiveness in the hedging relationship. However, the Company expects the hedging relationship to be highly effective and will measure and report any ineffectiveness in earnings. During the nine months ended September 30, 2008, the Company terminated a portion of the swap for a notional amount of $3,926 due to a payment of the same amount on the $45,000 term loan. The Company recognized $764 as a reduction of interest expense during the nine months ended September 30, 2008 due to the swap s ineffectiveness and forecasted transactions no longer being probable.

During the nine months ended September 30, 2008, the Company obtained one non-recourse mortgage for $7,545, with a stated interest rate of 5.8% and a maturity date in 2012.

During the nine months ended September 30, 2007, the Company obtained ten non-recourse mortgages aggregating $246,965 with stated interest rates ranging from 5.7% to 6.2% and maturity dates ranging from 2014 to 2021.

During the first quarter of 2007, the Company repaid $547,199 of borrowings under the MLP s then secured borrowing facility with KeyBank N.A. In connection with the repayment, the Company incurred approximately $650 to terminate an interest rate swap agreement, which is included in interest expense.

During the nine months ended September 30, 2007, the Company issued, through the MLP, an aggregate $450,000 of 5.45% Exchangeable Guaranteed Notes due in 2027. These notes can be put to the Company commencing in 2012 and every five years thereafter through maturity. The notes are convertible by the holders into common shares at a current price of $21.99 per share, subject to adjustment upon certain events. The current exchange rate is subject to adjustment under certain events including increases in the Company s rate of dividends above a certain threshold. Upon exchange the holders of the notes would receive (i) cash equal to the principal amount of the note and (ii) to the extent the conversion value exceeds the principal amount of the note, either cash or common shares at the Company s option. During the nine months ended September 30, 2008, the MLP repurchased $150,500 face value of the 5.45% Exchangeable Notes for cash payments and issuances of common shares of $132,464, which resulted in gains on debt extinguishment of $15,351, including write-offs of $2,685 in deferred financing costs.

During the nine months ended June 30, 2007, the Company, through a wholly-owned subsidiary, issued $200,000 in Trust Preferred Securities. These securities, which are classified as debt, are due in 2037, are redeemable by the Company commencing April 2012 and bear interest at a fixed rate of 6.804% through April 2017 and thereafter at a variable rate of three month LIBOR plus 170 basis points through maturity. During the nine months ended September 30, 2008, the Company repurchased $70,880 of the Trust Preferred Securities for a cash payment of $44,561, which resulted in a gain on debt extinguishment of $24,742 including a write off of $1,577 in deferred financing costs.

The Company has a $200,000 unsecured revolving credit facility, which expires in June 2009, bears interest at 120-170 basis points over LIBOR depending on the amount of the Company s leverage level, and has interest rate periods of one, three or six months, at the option of the Company. The credit facility contains various leverage, debt service coverage, net worth maintenance and other customary covenants, which the Company was in compliance with as of September 30, 2008. As of September 30, 2008, there were no outstanding borrowings under the credit facility, $198,022 was available to be borrowed and the Company had outstanding letters of credit aggregating $1,978.

In June 2007, the MLP obtained a $225,000 secured term loan from KeyBank N.A. The interest only secured term loan matures June 2009, with an MLP option to extend the maturity date to December 1, 2009, and bears interest at LIBOR plus 60 basis points. The loan contains customary covenants which the MLP was in compliance with as of September 30, 2008. The proceeds of the secured term loan were used to purchase the interests in our four co-investment programs during the nine months ended September 30, 2007. As of September 30, 2008, $197,931 is outstanding under the loan. See note 4 for a discussion of the acquisition of co-investment programs and assumption of mortgages related to the acquisitions.

During the nine months ended September 30, 2008 and 2007, in connection with sales of certain properties, the Company satisfied the corresponding mortgages and notes payable which resulted in debt satisfaction charges of $895 and $3,685, respectively.

(8) Concentration of Risk

The Company seeks to reduce its operating and leasing risks through the geographic diversification of its properties, tenant industry diversification, avoidance of dependency on a single asset and the creditworthiness of its tenants. For the nine months ended September 30, 2008 and 2007, no single tenant represented greater than 10% of rental revenues.

Cash and cash equivalent balances exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions.

(9) Minority Interests

In conjunction with several of the Company s acquisitions in prior years, sellers were given OP Units as a form of consideration. All OP Units, other than OP Units owned by the Company, are redeemable at certain times, only at the option of the holders, for the Company s common shares on a one-for-one basis and are generally not otherwise mandatorily redeemable by the Company.

During the nine months ended September 30, 2008 and 2007, 319,387 and 1,363,149 OP Units, respectively, were redeemed by the Company for an aggregate value of $4,357 and $27,231, respectively.

As of September 30, 2008, there were approximately 39.4 million OP Units outstanding other than OP Units owned by the Company. All OP Units receive distributions in accordance with their respective partnership agreements. To the extent that the Company s dividend per common share is less than the stated distribution per OP Unit per the applicable partnership agreement, the distributions per OP Unit are reduced by the percentage reduction in the Company s dividend per common share. No OP Units have a liquidation preference. As of September 30, 2008, the Company s common shares had a closing price of $17.22 per share. Assuming all outstanding OP Units not held by the Company were redeemed on such date the estimated fair value of the OP Units was $678,464.

See Note 15 for redemptions of OP Units subsequent to the quarter ended September 30, 2008.

(10) Related Party Transactions

The Company, through the MLP, has an ownership interest in a securitized pool of first mortgages which includes two first mortgage loans encumbering MLP properties. As of September 30, 2008 and December 31, 2007, the value of the ownership interest was $15,570 and $15,926, respectively.

Entities partially owned and controlled by the Company s former Executive Chairman and Director of Strategic Acquisitions provide property management services at certain properties and co-investments owned by the Company. These entities earned, including reimbursed expenses, $3,587 and $2,540, respectively, for these services for the nine months ended September 30, 2008 and 2007.

On March 20, 2008, the Company entered into a Services and Non-Compete Agreement with its former Executive Chairman and Director of Strategic Acquisitions and his affiliate, which provides that the Company s former Executive Chairman and Director of Strategic Acquisitions and his affiliate will provide the Company with certain asset management services in exchange for $1,500. The $1,500 is included in general and administrative expenses in the statement of operations for the nine months ended September 30, 2008.

As of September 30, 2008 and December 31, 2007, $4,176 and $21,378 in mortgage notes payable are due to entities owned by two of the Company s significant OP Unitholders and the Company s former Executive Chairman and Director of Strategic Acquisitions.

During the nine months ended September 30, 2007, the Company repurchased (1) common shares from two of its officers for an aggregate of $405 and (2) LSAC shares for $2,200.

During the nine months ended September 30, 2007, the MLP and Winthrop, an entity affiliated with the Company s former Executive Chairman and Director of Strategic Acquisitions, entered into a joint venture with other unrelated partners, to acquire shares of Wells (see note 6).

Winthrop, an affiliate of the Company s former Executive Chairman and Director of Strategic Acquisitions, is the 50% partner in Lex-Win Concord, LLC (see note 6).

(11) Shareholders Equity

During the nine months ended September 30, 2008, the Company repurchased and retired 501,700 of its Series C Cumulative Convertible Preferred Shares (Series C Preferred) by issuing 727,759 common shares and paying $7,522 in cash. The difference between the cost to retire these Series C Preferred and their historical cost was $5,678 and is treated as an increase to shareholders equity and as a reduction in preferred dividends paid for calculating earnings per share.

On June 30, 2008, the Company issued 3,450,000 common shares raising net proceeds of approximately $47,237. The proceeds, along with cash held, were used to retire $25,000 principal amount of the 5.45%

Exchangeable Guaranteed Notes at a price plus accrued interest of $22,937, and $67,755 principal amount of the Trust Preferred Securities at a price plus accrued interest of $43,454.

During the nine months ended September 30, 2007, the Company issued $155,000 liquidation amount of its Series D Cumulative Redeemable Preferred Stock (Series D Preferred), which pays dividends at an annual rate of 7.55%, raising net proceeds of $149,774. The Series D Preferred has no maturity date and the Company is not required to redeem the Series D Preferred at any time. Accordingly, the Series D Preferred will remain outstanding indefinitely, unless the Company decides at its option on or after February 14, 2012, to exercise its redemption right. If at any time following a change of control, the Series D Preferred are not listed on any of the national stock exchanges, the Company will have the option to redeem the Series D Preferred, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and the Series D Preferred are not so listed, for cash at a redemption price of $25.00 per share, plus accrued and unpaid dividends (whether or not declared) up to but excluding the redemption date. If the Company does not redeem the Series D Preferred and the Series D Preferred are not so listed, the Series D Preferred will pay dividends at an annual rate of 8.55%.

(12) Commitments and Contingencies

The Company is obligated under certain tenant leases, including leases for non-consolidated entities, to fund the expansion of the underlying leased properties.

The Company has agreed with Vornado Realty Trust (Vornado), a significant OP Unitholder in the MLP, to operate the MLP as a REIT and to indemnify Vornado for any actual damages incurred by Vornado if the MLP is not operated as a REIT. Clifford Broser, a member of the Company s Board of Trustees, is a Senior Vice President of Vornado.

From time to time, the Company is involved in legal proceedings arising in the ordinary course of business. Management believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the Company s financial condition, but may be material to the Company s operating results for any particular period, depending, in part, upon the operating results for such period. Given the inherent difficulty of predicting the outcome of these matters, the Company cannot estimate losses or ranges of losses for proceedings where there is only a reasonable possibility that a loss may be incurred.

(13) Share Based Compensation

On February 6, 2007, the Board of Trustees established the Lexington Realty Trust 2007 Outperformance Program, a long-term incentive compensation program. Under this program, participating officers will share in an outperformance pool if the Company s total shareholder return for the three-year performance period beginning on the effective date of the program, January 1, 2007, exceeds the greater of an absolute compounded annual total shareholder return of 10% or 110% of the compounded annual return of the MSCI US REIT INDEX during the same period measured against a baseline value equal to the average of the ten consecutive trading days immediately prior to April 1, 2007. The size of the outperformance pool for this program will be 10% of the Company s total shareholder return in excess of the performance hurdle, subject to a maximum amount of $40,000. On April 2, 2007, the Compensation Committee modified the effective date of the program from January 1, 2007 to April 1, 2007.

The awards are considered liability-settled awards because the numbers of shares issued to the participants are not fixed and determinable as of the grant date. These awards contain both a service condition and a market condition. As these awards are liability based awards, the measurement date for liability instruments is the date of settlement. Accordingly, liabilities incurred under share-based payment arrangements were initially measured on the grant date of February 6, 2007 and are required to be re-measured at the end of each reporting period until settlement.

A third party consultant was engaged to value the awards and the Monte Carlo simulation approach was used to estimate the compensation expense of the outperformance pool. As of the grant date, it was determined that the value of the awards was $1,901. As of September 30, 2008, the value of the awards was $5,822. The Company recognized $1,303 and $267 in compensation expense relating to the awards during the nine months ended September 30, 2008 and 2007, respectively.

Each participating officer s award under this program will be designated as a specified participation percentage of the aggregate outperformance pool. On February 6, 2007, the Compensation Committee allocated 83% of the outperformance pool to certain of the Company s officers. Subsequently, two officers separated from the Company and the rights relating to their allocated 19% were forfeited. The remaining unallocated balance of 36% may be allocated by the Compensation Committee at its discretion.

If the performance hurdle is met, the Company will grant each participating officer non-vested common shares as of the end of the performance period with a value equal to such participating officer s share of the outperformance pool. The non-vested common shares would vest in two equal installments on the first two anniversaries of the date the performance period ends provided the executive continues employment. Once issued, the non-vested common shares would be entitled to dividends and voting rights.

In the event of a change in control (as determined for purposes of the program) during the performance period, the performance period will be shortened to end on the date of the change in control and participating officers awards will be based on performance relative to the hurdle through the date of the change in control. Any common shares earned upon a change in control will be fully vested. In addition, the performance period will be shortened to end for an executive officer if he or she is terminated by the Company without cause or he or she resigns for good reason, as such terms are defined in the executive officer s employment agreement. All determinations, interpretations, and assumptions relating to the vesting and the calculation of the awards under this program will be made by the Compensation Committee.

During the nine months ended September 30, 2008, the Company and a former executive officer and his affiliate entered into a Services and Non-Compete Agreement and a Separation and General Release. In addition to an aggregate cash payment of $1,500 to be paid over nine months, non-vested common shares previously issued to the officer were accelerated and immediately vested which resulted in a charge of $265 (see note 10).

During the nine months ended September 30, 2007, the Company and an executive officer entered into an employment separation agreement. In addition to a cash payment of $3,600, non-vested common shares were accelerated and immediately vested which resulted in a charge of $933.

During the nine months ended September 30, 2008 and 2007, the Company recognized $3,370 and $3,194, respectively, in compensation expense relating to scheduled vesting of share grants, including the amounts discussed above.

(14) Supplemental Disclosure of Statement of Cash Flow Information

During the nine months ended September 30, 2008 and 2007, the Company paid $130,070 and $115,565, respectively, for interest and $1,654 and $2,827, respectively, for income taxes.

During the nine months ended September 30, 2008 and 2007, holders of an aggregate of 285,936 and 1,193,091 OP Units, respectively, redeemed such OP Units for common shares of the Company. The redemptions resulted in an increase in shareholders equity and corresponding decrease in minority interest of $3,882 and $23,630, respectively.

During the nine months ended September 30, 2008, the Company assumed a $7,545 mortgage note payable in connection with a property acquisition.

During the nine months ended September 30, 2008, the MLP entered into a swap obligation with an initial value of $5,696, which was reflected as a reduction of mortgages payable and included in accounts payable and other liabilities.

During the nine months ended September 30, 2008, the MLP contributed six properties to NLS with $90,200 in real estate and intangibles and $51,497 in mortgage notes payable assumed.

During the nine months ended September 30, 2008, the Company issued 1,023,053 common shares ($14,706) and cash of $5,432 to repurchase $22,500 of Exchangeable Guaranteed Notes.

During the nine months ended September 30, 2007, in connection with the acquisition of the co-investment programs, the Company paid approximately $366,600 in cash and acquired approximately $1,071,000 in real estate, $264,000 in intangibles, $21,000 in cash, assumed $785,000 in mortgages payable, $40,000 in below market leases and $14,000 in all other assets and liabilities (see note 4).

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(15) Subsequent Events

Subsequent to September 30, 2008:

The Company repurchased $32,000 of the 5.45% Exchangeable Guaranteed Notes due in 2012 for $23,740, including the issuance of 597,826 common shares at a $14.72 per share price;

The MLP s three largest OP unitholders, including the Company s former Executive Chairman and Director of Strategic Acquisitions, converted their interests in the MLP for common shares of the Company. Accordingly, the Company issued 27.6 million common shares to these partners for their OP Units and currently the Company owns 91.1% of the MLP;

The Company entered into a forward equity commitment with a financial institution to purchase 3,500,000 common shares of the Company at $5.60 per share. At inception the Company paid $9,800 with the remainder to be paid in October 2011 through (i) physical settlement or (ii) cash settlement, net share settlement or a combination of both, at the Company s option; and

Inland Concord invested $43,500 in Concord and this, along with cash available, was used to repay $46,583 of indebtedness under a warehouse facility. In connection with the repayment, Concord exercised an extension option on the warehouse facility to extend the maturity date from March 2009 to March 2011. In addition, Concord repaid $4,000 on a term loan and extended the maturity date of the new balance of $21,516 from December 2008 to December 2009.

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

Introduction

When we use the terms Lexington, the Company, we, us and our, we mean Lexington Realty Trust and all entiti owned by us, including non-consolidated entities, except where it is clear that the term means only the parent company. References herein to our Quarterly Report are to our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008.

Forward-Looking Statements

The following is a discussion and analysis of our unaudited condensed consolidated financial condition and results of operations for the three and nine month periods ended September 30, 2008 and 2007, and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read together with the accompanying unaudited condensed consolidated financial statements and notes thereto and with our consolidated financial statements and notes thereto included in our most recent Annual Report on Form 10-K, or Annual Report, filed with the Securities and Exchange Commission, or SEC, on February 29, 2008. Historical results may not be indicative of future performance.

This Quarterly Report, together with other statements and information publicly disseminated by us contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words believes, expects, intends, anticipates, estimates, pı or similar expressions. Readers should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements and include, but are not limited to, those discussed under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in our most recent Annual Report and other periodic reports filed with the SEC, including risks related to: (i) changes in general business and economic conditions, (ii) competition, (iii) increases in real estate construction costs, (iv) changes in interest rates, or (v) changes in accessibility of debt and equity capital markets. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Accordingly, there is no assurance that our expectations will be realized.

Critical Accounting Policies

A summary of our critical accounting policies is included in our 2007 Annual Report.

New Accounting Pronouncements

A summary of new accounting pronouncements is included in our 2007 Annual Report and the notes to the unaudited condensed consolidated financial statements contained in this Quarterly Report.

Liquidity and Capital Resources

General. Since becoming a public company, our principal sources of liquidity are revenues generated from real estate investments, interest on cash balances, amounts available under our unsecured credit facility, the MLP s secured term loans, equity commitments from co-investment partners, undistributed cash flows and amounts that may be raised through the sale of equity and debt securities in private or public offerings. We expect to continue to have access to and use these sources in the future; however, there are factors that may have a material adverse effect on our access to capital sources. Our ability to

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incur additional debt to fund acquisitions is dependent upon our existing leverage, the value of the assets we are attempting to leverage, general economic and credit market conditions, and the other factors described in our periodic reports filed with the SEC, which may be outside of management s control or influence.

As of September 30, 2008, we held interests in approximately 240 consolidated properties, which were located in 42 states and the Netherlands. Our real estate assets are primarily subject to triple net leases, which are generally characterized as leases in which the tenant pays all or substantially all of the cost and cost increases for real estate taxes, capital expenditures, insurance, utilities and ordinary maintenance of the property. However, certain leases provide that we are responsible for certain operating expenses.

During the nine months ended September 30, 2008, we purchased two properties for a capitalized cost of $56.1 million and sold 23 properties to unrelated third parties for aggregate sales proceeds of $189.5 million, which resulted in a gain of $12.0 million. During the nine months ended September 30, 2007, in addition to the acquisition of the co-investment programs, we purchased seven properties from third parties for a capitalized cost of $117.8 million and sold 33 properties to unrelated third parties for aggregate sales proceeds of $225.9 million, which resulted in a gain of $39.8 million.

During the nine months ended September 30, 2007, we acquired the remaining interests we did not already own in three co-investment programs and liquidated another co-investment program. We paid $366.6 million in cash and assumed approximately $785.0 million in non-recourse mortgage debt to acquire full interests in 48 real estate properties.

For the nine months ended September 30, 2008 and 2007, the leases on our consolidated properties generated $308.4 million and $269.8 million, respectively, in rental revenue. In June 2008, we completed an offering of 3.45 million common shares, raising net proceeds of $47.2 million. In February 2007, we completed an offering of 6.2 million Series D Preferred Shares, having a liquidation amount of $25 per share and an annual dividend rate of 7.55%, raising net proceeds of $149.8 million.

As previously disclosed, we intend to reduce our existing leverage by repurchasing existing debt at a discount to face value and issuing common shares when appropriate.

Dividends. In connection with our intention to continue to qualify as a REIT for federal income tax purposes, we expect to continue paying regular dividends to our shareholders. These dividends are expected to be paid from operating cash flows and/or from other sources. Since cash used to pay dividends reduces amounts available for capital investments, we generally intend to maintain a conservative dividend payout ratio, reserving such amounts as we consider necessary for the maintenance or expansion of properties in our portfolio, debt reduction, the acquisition of interests in new properties as suitable opportunities arise, and such other factors as our Board of Trustees considers appropriate.

Dividends paid to our common and preferred shareholders increased to $213.0 million in the nine months ended September 30, 2008, compared to $106.4 million in the nine months ended September 30, 2007. The increase is primarily attributable to the $2.10 per share/unit special dividend paid in January 2008.

Although we receive the majority of our base rental payments on a monthly basis, we intend to continue paying dividends quarterly. Amounts accumulated in advance of each quarterly distribution are invested by us in short-term money market or other suitable instruments.

Cash Flows. We believe that cash flows from operations will continue to provide adequate capital to fund our operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in both the short-term and long-term. In addition, we anticipate that cash on hand, borrowings under our credit facility, issuance of equity and debt and co-investment programs as well as other alternatives, will provide the necessary capital required by us. Cash flows from operations as reported in the Consolidated Statements of Cash Flows decreased to $187.4 million for 2008 from $235.9 million for 2007. The underlying drivers that impact working capital and therefore cash flows from operations are the timing of collection of rents, including reimbursements from tenants, the collection of advisory fees, payment of interest on mortgage debt and payment of operating and general and administrative costs. We believe the net lease structure of the majority of our tenants leases enhances cash flows from operations since the payment and timing of operating costs related to the properties are generally borne directly by the tenant. Collection and timing of tenant rents is closely monitored by management as part of our cash management program.

Net cash provided by (used in) investing activities totaled $200.8 million in 2008 and $(316.4) million in 2007. Cash used in investing activities related primarily to investments in real estate properties, joint ventures and an increase in leasing costs. Cash provided by investing activities related primarily to proceeds from the sale of marketable securities, distributions from non-consolidated entities in excess of accumulated earnings, principal payments on loan receivable and proceeds from the sale of properties. Therefore, the fluctuation in investing activities relates primarily to the timing of investments and dispositions.

Net cash (used in) provided by financing activities totaled $(692.2) million in 2008 and $224.0 million in 2007. Cash provided by (used in) financing activities during each year was primarily attributable to proceeds from equity and debt offerings offset by dividend and distribution payments, repurchases of debt instruments, repurchases of common and preferred shares and debt amortization payments.

UPREIT Structure. Our UPREIT structure permits us to effect acquisitions by issuing to a property owner, as a form of consideration in exchange for the property, OP Units in our operating partnerships. Substantially all outstanding OP Units are redeemable by the holder at certain times for common shares on a one-for-one basis or, at our election, with respect to certain OP Units, cash. Substantially all outstanding OP Units require us to pay quarterly distributions to the holders of such OP Units an amount equal to the dividends paid to our common shareholders and the remaining OP Units have stated distributions in accordance with their respective partnership agreement. To the extent that our dividend per share is less than a stated distribution per unit per the applicable partnership agreement, the stated distributions per unit are reduced by the percentage reduction in our dividend. No OP Units have a liquidation preference. We account for outstanding OP Units in a manner similar to a minority interest holder. The number of common shares that will be outstanding in the future should be expected to increase, and minority interest expense should be expected to decrease, as such OP Units are redeemed for our common shares. As of September 30, 2008, there were 39.4 million OP Units outstanding. As of September 30, 2008, the Company s common shares had a closing price of $17.22 per share. Assuming all outstanding OP Units not held by us were redeemed on such date, the estimated fair value of the OP Units was $678.5 million.

Financing

Revolving Credit Facility. Our $200.0 million revolving credit facility with Wachovia Bank N.A. and a consortium of other banks, (1) expires June 2009 and (2) bears interest at 120-170 basis points over LIBOR depending on our leverage (as defined) in the credit facility. Our credit facility contains customary financial covenants including restrictions on the level of indebtedness, amount of variable debt to be borrowed and net worth maintenance provisions. As of September 30, 2008, we were in compliance with all covenants, no borrowings were outstanding, $198.0 million was available to be borrowed, and $2.0 million in letters of credit were outstanding under the credit facility.

During the nine months ended September 30, 2008, the MLP obtained $25.0 million and $45.0 million secured term loans from KeyBank N.A. The loans are interest only at LIBOR plus 60 basis points and mature in 2013. The net proceeds of the loans ($68.0 million) were used to partially repay indebtedness on three cross-collateralized mortgages. After such repayment, the amount owed on the three mortgages was $103.5 million, the three loans were combined into one loan, which is interest only instead of having a portion as self-amortizing and matures in September 2014.

Pursuant to the new secured term loan agreements, the MLP simultaneously entered into an interest-rate swap agreement with KeyBank N.A to swap the LIBOR rate on the loans for a fixed rate of 4.9196% through March 18, 2013, and the MLP assumed a liability for the fair value of the swap at inception of approximately $5.7 million ($3.0 million at September 30, 2008).

The MLP has another secured loan with Key Bank, N.A., which bears interest at LIBOR plus 60 basis points. As of September 30, 2008, $197.9 million was outstanding under the secured loan. The secured loan is scheduled to mature in June 2009 however the MLP has an option to extend the maturity date to December 1, 2009. The secured loan requires monthly payments of interest only. The MLP is also required to make principal payments from the proceeds of certain property sales and certain refinancings if such proceeds are not reinvested into net leased properties. The required principal payments are based on a minimum release price set forth in the secured loan agreement. The secured loan has customary covenants, which the MLP was in compliance with at September 30, 2008.

During the nine months ended September 30, 2007, the MLP issued $450.0 million in 5.45% Exchangeable Guaranteed Notes due in 2027, which can be put by the holder to us every five years commencing 2012 and upon certain events. The net proceeds of the issuance were used to repay indebtedness. During the nine months ended September 30, 2008, the MLP repurchased $150.5 million of these notes for $132.5 million, which resulted in a gain of $15.4 million, including the write-off of $2.7 million in deferred financing costs. As of September 30, 2008, $299.5 million is outstanding.

During the nine months ended September 30, 2007, we issued $200.0 million in Trust Preferred Securities. These Trust Preferred Securities, which are classified as debt, (1) are due in 2037, (2) are redeemable by us commencing April 2012 and (3) bear interest at a fixed rate of 6.804% through April 2017 and thereafter at a variable rate of three month LIBOR plus 170 basis points through maturity. During the nine months ended September 30, 2008, we repurchased $70.9 million of these Trust Preferred Securities for $44.6 million, which resulted in a gain of $24.7 million, including the write-off of $1.6 million in deferred financing costs. As of September 30, 2008, $129.1 million is outstanding.

Other

Lease Obligations. Since our tenants generally bear all or substantially all of the cost of property operations, maintenance and repairs, we do not anticipate significant needs for cash for these costs; however, for certain properties, we have a level of property operating expense responsibility. We generally fund property expansions with additional secured borrowings, the repayment of which is funded out of rental increases under the leases covering the expanded properties. To the extent there is a vacancy in a property, we would be obligated for all operating expenses, including real estate taxes and insurance. In addition certain leases require us to fund tenant expansions.

Our tenants generally pay the rental obligations on ground leases either directly to the fee holder or to us as increased rent.

Capital Expenditures. As leases expire, we expect to incur costs in extending the existing tenant leases or re-tenanting the properties. The amounts of these expenditures can vary significantly depending on tenant negotiations, market conditions and rental rates. These expenditures are expected to be funded from operating cash flows, cash on hand or borrowings on our credit facility.

Current Operating Environment. The global credit and financial crisis has gained momentum in the past few weeks and there is considerable uncertainty as to how severe the current downturn may be and how long it may continue. It is difficult to predict the impact on our business but we expect that the economy will continue to strain the resources of our tenants and their customers. We saw relatively little impact of the current financial crisis on our core operating results in the current quarter. However, there is no guarantee that this will continue. Leased space was 93.8% at September 30, 2008, down 2.0% from last year. We expect leased space to remain relatively constant over the remainder of 2008. We lease our properties to tenants in various industries, including finance/insurance, food, energy, technology and automotive. Tenant defaults at our properties could negatively impact our operating results. In addition, we have a $200.0 million credit facility which expires in June 2009, of which no borrowings are outstanding and a $197.9 million term loan which is scheduled to mature June 2009, with our option to extend the maturity to December 2009. Refinancing these agreements, including a reduction of the credit facility to $100.0 million, are of significant importance to us and we are currently working with our lenders and prospective lenders in an effort to extend these maturities. The spreads to LIBOR have increased since we entered into our current agreements and we do not expect our current spreads to remain in place after the refinancings, if completed, are done.

We have interest rate swap agreements directly and through our investment in Lex-Win Concord. Also subsequent to September 30, 2008, we entered into a forward equity commitment. The counterparties of these arrangements are major financial institutions, however we are exposed to credit risk in the event of non-performance by the counterparties.

Three months ended September 30, 2008 compared with September 30, 2007. Of the decrease in total gross revenues in 2008 of $10.8 million, $11.8 million is attributable to a decrease in rental revenue which was offset by an increase of $1.0 million attributable to tenant reimbursements and advisory and incentive fees. The decrease in rental revenue is primarily attributable to the sale/contribution of properties to a newly formed joint venture in the fourth quarter of 2007 and first two quarters of 2008 coupled with lease terminations in the second quarter of 2008.

The decrease in interest and amortization expense of $10.9 million is due to the satisfaction of long-term debt and the sale/contribution of properties to a newly formed joint venture which are encumbered by debt.

The increase in property operating expense of $3.8 million is primarily due to an increase in properties for which we have operating expense responsibility and an increase in vacancy.

The decrease in depreciation and amortization of $12.6 million is due primarily to the acceleration of amortization of certain intangible assets relating to lease terminations in the second quarter of 2008 and the sale/contribution of properties to a newly formed co-investment program. Intangible assets are amortized over a shorter period of time (generally the lease term) than real estate assets.

The decrease in non-operating income of $0.8 million is primarily attributable to a reduction in interest and dividends earned.

Debt satisfaction gains, net increased $2.3 million due to the timing of debt being satisfied at a discount.

Equity in earnings (losses) of non-consolidated entities was a loss of $(1.5) million in 2008 compared with earnings of $4.1 million in 2007. The primary reason for the fluctuation between periods is the losses incurred attributable to us on our newly formed co-investment program.

Net income (loss) was $(3.7) million in 2008 and $14.5 million in 2007 primarily due to the net impact of the items discussed above plus a decrease of $22.6 million in income from discontinued operations.

Discontinued operations represent properties sold or held for sale. The total discontinued operations decreased $22.6 million primarily due to a decrease in income from discontinued operations of $8.4 million, a decrease in gains on sale of properties of $19.6 million and an increase in impairment charges of $1.1 million offset by a decrease in minority interests share of income of $3.2 million and a decrease in debt satisfaction charges of $3.5 million.

Net income (loss) allocable to common shareholders in 2008 was $(10.3) million compared to $7.4 million in 2007. The decrease of $17.7 million is due to the items discussed above offset by a decrease in preferred dividends of $0.4 million resulting from the repurchase of our Series C Preferred during 2008. The increase in net income in future periods will be closely tied to the level of acquisitions made by us. Without acquisitions, the sources of growth in net income are limited to index adjusted rents (such as the consumer price index), and reduced interest expense on amortizing mortgages and by controlling other variable overhead costs. However, there are many factors beyond management s control that could offset these items including, without limitation, increased interest rates and tenant monetary defaults and the other risks described in our periodic reports filed with the SEC.

Nine months ended September 30, 2008 compared with September 30, 2007. Changes in our results of operations are primarily due to the acquisition of the outstanding interests in our four co-investment programs during the second quarter of 2007. Of the increase in total gross revenues in 2008 of $36.5 million, $38.6 million is attributable to rental revenue and $9.1 million in tenant reimbursements which are together offset by a decrease of $11.1 million in advisory and incentive fees. In addition to the acquisition of our co-investment programs in 2007, the increase in rental revenue is primarily attributable to the receipt of payments of $28.7 million from two tenant lease terminations offset by the accelerated amortization of above and below market leases of $4.1 million in 2008. The reduction in advisory and incentive fees relate to incentive fees earned in 2007 in connection with the termination of two co-investment programs.

The increase in interest and amortization expense of $5.8 million is due to the increase in long-term debt due to the growth of our portfolio via the acquisition of the outstanding interests in four of our co-investment programs during 2007.

The increase in property operating expense of $18.8 million is primarily due to an increase in properties for which we have operating expense responsibility and an increase in vacancy.

The increase in depreciation and amortization of $26.8 million is due primarily to the growth in real estate and intangibles through the acquisition of properties from our co-investment programs and the acceleration of amortization of certain intangible assets relating to lease terminations in 2008. Intangible assets are amortized over a shorter period of time (generally the lease term) than real estate assets.

The decrease in general and administrative expenses of $3.2 million is due primarily to a reduction in the costs of severance agreements with our former officers.

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The increase in non-operating income of $15.1 million is primarily attributable to land received in connection with a lease termination in the second quarter of 2008.

Debt satisfaction gains, net increased $39.0 million due to the timing of debt being satisfied at a discount.

The increase in gains on sale affiliates of $31.8 million relates to the sale of properties to a newly formed co-investment program.

Minority interests share of (income) loss fluctuated to a share of losses of $5.4 million in 2008 from a share of income of $(3.5) million in 2007. The primary reason for the fluctuation is the impairment losses incurred by Concord Debt Holdings, LLC, an equity method investee of the MLP.

Equity in earnings (losses) of non-consolidated entities was a loss of $(23.2) million in 2008 compared with earnings of $46.0 million in 2007. The primary reason for the fluctuation between periods is that in 2007 we recognized our proportionate share of the gain on sale of properties in our co-investment programs, while in 2008 Concord recognized impairment charges of $65.2 million, of which our share was $32.6 million.

Net income decreased by $25.8 million primarily due to the net impact of the items discussed above plus a decrease of $39.8 million in income from discontinued operations.

Discontinued operations represent properties sold or held for sale. The total discontinued operations decreased $39.8 million due to a decrease in income from discontinued operations of $24.1 million, an increase in impairment charges of $3.8 million, and a decrease in gains on sale of $27.8 million, offset by a reduction in minority interests share of income of $10.3 million, debt satisfaction charges of $3.2 million and provision for income taxes of $2.4 million.

Net income allocable to common shareholders in 2008 was $5.2 million compared to $25.9 million in 2007. The change is due to the items discussed above offset by a net decrease in preferred dividends of $5.1 million resulting from the issuance of the Series D Preferred in 2007, which resulted in an increase in dividends of $1.4 million and the repurchase of Series C Preferred in 2008 which resulted in a redemption discount of $5.7 million and a decrease in dividends of $0.8 million. Since the Series C Preferred were redeemed by us at a discount to the original historical cost basis, the discount is treated as an accretion to net income allocable to common shareholders.

Environmental Matters

Based upon management s ongoing review of our properties, management is not aware of any environmental condition with respect to any of our properties, which would be reasonably likely to have a material adverse effect on us. There can be no assurance, however, that (1) the discovery of environmental conditions, which were previously unknown; (2) changes in law; (3) the conduct of tenants; or (4) activities relating to properties in the vicinity of our properties, will not expose us to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which would adversely affect our financial condition and results of operations.

Off-Balance Sheet Arrangements

Non-Consolidated Real Estate Entities. As of September 30, 2008, we had investments in various non-consolidated real estate entities with varying structures. The non-consolidated real estate investments owned by the entities are financed with non-recourse debt. Non-recourse debt is generally defined as debt whereby the lenders sole recourse with respect to borrower defaults is limited to the value of the asset collateralized by the debt. The lender generally does not have recourse against any other assets owned by the borrower or any of the members of the borrower, except for certain specified exceptions listed in the particular loan documents. These exceptions generally relate to limited circumstances including breaches of material representations.

In addition, we had $2.0 million in outstanding letters of credit.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk relates primarily to our variable rate and fixed rate debt. As of September 30, 2008 and 2007, our consolidated variable rate indebtedness was approximately $198 million and $225 million, respectively, which represented 8.0% and 6.8% of total long-term indebtedness, respectively. During the three months ended September 30, 2008 and 2007, our variable rate indebtedness had a weighted average interest rate of 3.1% and 6.5%, respectively. Had the weighted average interest rate been 100 basis points higher, our interest expense for the three months ended September 30, 2008 and 2007 would have been increased by approximately $0.5 million and $0.6 million, respectively. During the nine months ended September 30, 2008 and 2007, our variable rate indebtedness had a weighted average interest rate of 3.7% and 6.3%, respectively. Had the weighted average interest rate been 100 basis points higher, our interest expense for the nine months ended September 30, 2008 and 2007 would have been increased by approximately $1.5 million and $1.0 million, respectively. As of September 30, 2008 and 2007, our consolidated fixed rate debt was approximately $2.3 billion and $3.1 billion respectively, which represented 92.0% and 93.2%, respectively, of total long-term indebtedness.

For certain of our financial instruments, fair values are not readily available since there are no active trading markets as characterized by current exchanges between willing parties. Accordingly, we derive or estimate fair values using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated cash flows may be subjective and imprecise. Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. The following fair values were determined using the interest rates that we believe our outstanding fixed rate debt would warrant as of September 30, 2008 and are indicative of the interest rate environment as of September 30, 2008, and do not take into consideration the effects of subsequent interest rate fluctuations. Accordingly, we estimate that the fair value of our fixed rate debt is $2.1 billion as of September 30, 2008.

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates through the use of fixed rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. We may enter into derivative financial instruments such as interest rate swaps or caps to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable rate debt. Currently, we have one interest rate swap agreement.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting. There have been no significant changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings.

There have been no material legal proceedings beyond those previously disclosed in our Annual Report on Form 10-K filed on February 29, 2008.

ITEM 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in our Current Report on Form 8-K filed on June 25, 2008, other than:

Current Operating Environment. The global credit and financial crisis has gained momentum in the past few weeks and there is considerable uncertainty as to how severe the current downturn may be and how long it may continue. It is difficult to predict the impact on our business but we expect that the economy will continue to strain the resources of our tenants and their customers. We saw relatively little impact of the current financial crisis on our core operating results in the current quarter. However, there is no guarantee that this will continue. Leased space was 93.8% at September 30, 2008, down 2.0% from last year. We expect leased space to remain relatively constant over the remainder of 2008. We lease our properties to tenants in various industries, including finance/insurance, food, energy, technology and automotive. Tenant defaults at our properties could negatively impact our operating results. In addition, we have a $200.0 million credit facility which expires in June 2009, of which no borrowings are outstanding and a $197.9 million term loan which is scheduled to mature June 2009, with our option to extend the maturity to December 2009. Refinancing these agreements, including a reduction of the credit facility to $100.0 million, are of significant importance to us and we are currently working with our lenders and prospective lenders in an effort to extend these maturities. The spreads to LIBOR have increased since we entered into our current agreements and we do not expect our current spreads to remain in place after the refinancings, if completed, are done.

We have interest rate swap agreements directly and through our investment in Lex-Win Concord. Also subsequent to September 30, 2008, we entered into a forward equity commitment. The counterparties of these arrangements are major financial institutions, however we are exposed to credit risk in the event of non-performance by the counterparties.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Repurchase of Exchangeable Notes

During the third quarter of 2008, in connection with repurchases of an aggregate of $25.5 million original principal amount of the 5.45% Exchangeable Guaranteed Notes issued by The Lexington Master Limited Partnership, we issued an aggregate of 1,023,053 of our common shares (at an average price of approximately $14.37 per share) and $8.1

million in cash representing a total value of approximately $22.8 million.
See Note 15 for repurchase of Exchangeable Notes and related issuances of our common shares subsequent to the end of the third quarter of 2008.
Share Repurchase Program
The following table summarizes repurchases of our common shares/operating partnership units during the three months ended September 30, 2008 under our 5.9 million common share/operating partnership unit repurchase authorization approved by our Board of Trustees on December 17, 2007.

Issuer Purchases of Equity Securities

Period	(a) Total number of Shares/ Units Purchased	(b) Average Price Paid Per Share/ Units	(c) Total Number of Shares/Units Purchased as Part of Publicly Announced Plans Programs	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2008		$		4,615,631
August 1 - 31, 2008		$		4,615,631
September 1 - 30, 2008		$		4,615,631
Third quarter 2008		$		4,615,631

ITEM 3. Defaults Upon Senior Securities not applicable.
ITEM 4. Submission of Matters to a Vote of Security Holders none.
ITEM 5. Other Information not applicable.
ITEM 6. Exhibits

Exhibit No.	**Description**
3.1	Articles of Merger and Amended and Restated Declaration of Trust of the Company, dated December 31, 2006 (filed as Exhibit 3.1 to the Company s Current Report on Form 8-K filed January 8, 2007 (the 01/08/07 8-K))(1)
3.2	Articles Supplementary Relating to the 7.55% Series D Cumulative Redeemable Preferred Stock, par value $.0001 per share (filed as Exhibit 3.3 to the Company s Registration Statement on Form 8A filed February 14, 2007 (the 02/14/07 Registration Statement))(1)
3.3	Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the 01/08/07 8-K)(1)
3.4	Fifth Amended and Restated Agreement of Limited Partnership of Lepercq Corporate Income Fund L.P. (LCIF), dated as of December 31, 1996, as supplemented (the LCIF Partnership Agreement) (filed as Exhibit 3.3 to the Company s Registration Statement of Form S-3/A filed September 10, 1999 (the 09/10/99 Registration Statement))(1)
3.5	Amendment No. 1 to the LCIF Partnership Agreement dated as of December 31, 2000 (filed as Exhibit 3.11 to the Company s Annual Report on Form 10-K for the year ended December 31, 2003, filed February 26, 2004 (the 2003 10-K))(1)
3.6	First Amendment to the LCIF Partnership Agreement effective as of June 19, 2003 (filed as Exhibit 3.12 to the 2003 10-K)(1)
3.7	Second Amendment to the LCIF Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 3.13 to the 2003 10-K)(1)

3.8	Third Amendment to the LCIF Partnership Agreement effective as of December 31, 2003 (filed as Exhibit 3.13 to the Company s Annual Report on Form 10-K for the year ended December 31, 2004, filed on March 16, 2005 (the 2004 10-K))(1)
3.9	Fourth Amendment to the LCIF Partnership Agreement effective as of October 28, 2004 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed November 4, 2004)(1)
3.10	Fifth Amendment to the LCIF Partnership Agreement effective as of December 8, 2004 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed December 14, 2004 (the 12/14/04 8-K))(1)
3.11	Sixth Amendment to the LCIF Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed January 3, 2005 (the 01/03/05 8-K))(1)

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Exhibit No.	Description
3.12	Seventh Amendment to the LCIF Partnership Agreement (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed November 3, 2005)(1)
3.13	Second Amended and Restated Agreement of Limited Partnership of Lepercq Corporate Income Fund II L.P. (LCIF II), dated as of August 27, 1998 the (LCIF II Partnership Agreement) (filed as Exhibit 3.4 to the 9/10/99 Registration Statement)(1)
3.14	First Amendment to the LCIF II Partnership Agreement effective as of June 19, 2003 (filed as Exhibit 3.14 to the 2003 10-K)(1)
3.15	Second Amendment to the LCIF II Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 3.15 to the 2003 10-K)(1)
3.16	Third Amendment to the LCIF II Partnership Agreement effective as of December 8, 2004 (filed as Exhibit 10.2 to 12/14/04 8-K)(1)
3.17	Fourth Amendment to the LCIF II Partnership Agreement effective as of January 3, 2005 (filed as Exhibit 10.2 to 01/03/05 8-K)(1)
3.18	Fifth Amendment to the LCIF II Partnership Agreement effective as of July 23, 2006 (filed as Exhibit 99.5 to the Company s Current Report on Form 8-K filed July 24, 2006 (the 07/24/06 8-K))(1)
3.19	Sixth Amendment to the LCIF II Partnership Agreement effective as of December 20, 2006 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed December 22, 2006)(1)
3.20	Amended and Restated Agreement of Limited Partnership of Net 3 Acquisition L.P. (the Net 3 Partnership Agreement) (filed as Exhibit 3.16 to the Company s Registration Statement of Form S-3 filed November 16, 2006)(1)
3.21	First Amendment to the Net 3 Partnership Agreement effective as of November 29, 2001 (filed as Exhibit 3.17 to the 2003 10-K)(1)
3.22	Second Amendment to the Net 3 Partnership Agreement effective as of June 19, 2003 (filed as Exhibit 3.18 to the 2003 10-K)(1)
3.23	Third Amendment to the Net 3 Partnership Agreement effective as of June 30, 2003 (filed as Exhibit 3.19 to the 2003 10-K)(1)
3.24	Fourth Amendment to the Net 3 Partnership Agreement effective as of December 8, 2004 (filed as Exhibit 10.3 to 12/14/04 8-K)(1)
3.25	Fifth Amendment to the Net 3 Partnership Agreement effective as of January 3, 2005 (filed as Exhibit 10.3 to 01/03/05 8-K)(1)
3.26	Second Amended and Restated Agreement of Limited Partnership of The Lexington Master Limited Partnership (formerly known as The Newkirk Master Limited Partnership, the MLP), dated as of December 31, 2006, between Lex GP-1 Trust and Lex LP-1 Trust (filed as Exhibit 10.4 to the 01/08/07 8-K)(1)
4.1	Specimen of Common Shares Certificate of the Company (filed as Exhibit 4.1 to the Company s Annual Report on Form 10-K for the year ended December 31, 2006 (the 2006 10-K))(1)
4.2	Form of 8.05% Series B Cumulative Redeemable Preferred Stock certificate (filed as Exhibit 4.1 to the Company s Registration Statement on Form 8A filed June 17, 2003)(1)
4.3	Form of 6.50% Series C Cumulative Convertible Preferred Stock certificate (filed as Exhibit 4.1 to the Company s Registration Statement on Form 8A filed December 8, 2004)(1)
4.4	Form of 7.55% Series D Cumulative Redeemable Preferred Stock certificate (filed as Exhibit 4.1 to the 02/14/07 Registration Statement)(1)
4.5	Form of Special Voting Preferred Stock certificate (filed as Exhibit 4.5 to the 2006 10-K)(1)
4.6	Indenture, dated as of January 29, 2007, among The Lexington Master Limited Partnership, the Company, the other guarantors named therein and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed January 29, 2007 (the 01/29/07

	8-K))(1)
4.7	First Supplemental Indenture, dated as of January 29, 2007, among The Lexington Master Limited Partnership, the Company, the other guarantors named therein and U.S. Bank National Association, as trustee, including the Form of 5.45% Exchangeable Guaranteed Notes due 2027 (filed as Exhibit 4.2 to the 01/29/07 8-K)(1)
4.8	Second Supplemental Indenture, dated as of March 9, 2007, among The Lexington Master Limited Partnership, the Company, the other guarantors named therein and U.S. Bank National Association, as trustee, including the Form of 5.45% Exchangeable Guaranteed Notes due 2027 (filed as Exhibit 4.3 to the Company s Current Report on Form 8-K filed on March 9, 2007 (the 03/09/07 8-K))(1)
4.9	Amended and Restated Trust Agreement, dated March 21, 2007, among Lexington Realty Trust, The Bank of New York

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Exhibit No.	Description
	Trust Company, National Association, The Bank of New York (Delaware), the Administrative Trustees (as named therein) and the several holders of the Preferred Securities from time to time (filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed on March 27, 2007 (the 03/27/2007 8-K))(1)
4.10	Third Supplemental Indenture, dated as of June 19, 2007, among the MLP, the Company, the other guarantors named therein and U.S. bank National Association, as trustee, including the form of 5.45% Exchangeable Guaranteed Notes due 2027 (filed as Exhibit 4.1 to the Company s Report on form 8-k filed on June 22, 2007(1)
4.11	Junior Subordinated Indenture, dated as of March 21, 2007, between Lexington Realty Trust and The Bank of New York Trust Company, National Association (filed as Exhibit 4.2 to the 03/27/07 8-K)(1)
9.1	Voting Trustee Agreement, dated as of December 31, 2006, among the Company, The Lexington Master Limited Partnership and NKT Advisors LLC (filed as Exhibit 10.6 to the 01/08/07 8-K)(1)
9.2	Amendment No. 1 to Voting Trustee Agreement, dated as of March 20, 2008, among the Company, The Lexington Master Limited Partnership and NKT Advisors LLC (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K filed March 24, 2008 (the 03/24/08 8-K))(1)
10.1	Form of 1994 Outside Director Shares Plan of the Company (filed as Exhibit 10.8 to the Company s Annual Report on Form 10-K for the year ended December 31, 1993) (1, 4)
10.2	1994 Employee Stock Purchase Plan (filed as Exhibit D to the Company s Definitive Proxy Statement dated April 12, 1994) (1, 4)
10.3	Amendment to 1998 Share Option Plan (filed as Exhibit 10.3 to the Company s Current Report on Form 8-K filed on January 3, 2007 (the 01/03/07 8-K)) (1, 4)
10.4	2007 Equity Award Plan (filed as Annex A to the Company s Definitive Proxy Statement dated April 19, 2007) (1,4)
10.5	2007 Outperformance Program (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on April 5, 2007) (1,4)
10.6	Amendment to 2007 Outperformance Program (filed as Exhibit 10.6 to the Company s Current Report on form 8-K filed on December 20,2007 (the 12/26/07 8-K)) (1,4)
10.7	Form of Compensation Agreement (Long-Term Compensation) between the Company and each of the following officers: Richard J. Rouse and Patrick Carroll (filed as Exhibit 10.15 to the 2004 10-K) (1, 4)
10.8	Form of Compensation Agreement (Bonus and Long-Term Compensation) between the Company and each of the following officers: E. Robert Roskind and T. Wilson Eglin (filed as Exhibit 10.16 to the 2004 10-K) (1, 4)
10.9	Form of Nonvested Share Agreement (Performance Bonus Award) between the Company and each of the following officers: E. Robert Roskind, T. Wilson Eglin, Richard J. Rouse and Patrick Carroll (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on February 6, 2006 (the 02/06/06 8-K)) (1, 4)
10.10	Form of Nonvested Share Agreement (Long-Term Incentive Award) between the Company and each of the following officers: E. Robert Roskind, T. Wilson Eglin, Richard J. Rouse and Patrick Carroll and (filed as Exhibit 10.2 to the 02/06/06 8-K) (1, 4)
10.11	Form of the Company s Nonvested Share Agreement, dated as of December 28, 2006 (filed as Exhibit 10.2 to the 01/03/07 8-K) (1,4)
10.12	Form of Lock-Up and Claw-Back Agreement, dated as of December 28, 2006 (filed as Exhibit 10.4 to the 01/03/07 8-K)(1)
10.13	Form of 2007 Annual Long-Term Incentive Award Agreement (filed as Exhibit 10.1 to the Company s current Report on Form 8-K filed on January 11, 2008 (1,4)

10.14	Employment Agreement between the Company and E. Robert Roskind, dated May 4, 2006 (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K filed May 5, 2006 (the 05/05/06 8-K)) (1, 4)
10.15	Employment Agreement between the Company and T. Wilson Eglin, dated May 4, 2006 (filed as Exhibit 99.2 to the 05/05/06 8-K) (1, 4)
10.16	Employment Agreement between the Company and Richard J. Rouse, dated May 4, 2006 (filed as Exhibit 99.3 to the 05/05/06 8-K) (1, 4)
10.17	Employment Agreement between the Company and Patrick Carroll, dated May 4, 2006 (filed as Exhibit 99.4 to the 05/05/06 8-K) (1, 4)
10.18	Waiver Letters, dated as of July 23, 2006 and delivered by each of E. Robert Roskind, Richard J. Rouse, T. Wilson Eglin and Patrick Carroll (filed as Exhibit 10.17 to the 01/08/07 8-K)(1)
10.19	2008 Trustee Fees Term Sheet (detailed on the Company s Current Report on Form 8-K filed April 18, 2008) (1, 4)

Exhibit No.	Description
10.20	Form of Indemnification Agreement between the Company and certain officers and trustees (1, 2)
10.21	Credit Agreement, dated as of June 2, 2005 (Credit Facility) among the Company, LCIF, LCIF II, Net 3 Acquisition L.P., jointly and severally as borrowers, certain subsidiaries of the Company, as guarantors, Wachovia Capital Markets, LLC, as lead arranger, Wachovia Bank, National Association, as agent, Key Bank, N.A., as Syndication agent, each of Sovereign Bank and PNC Bank, National Association, as co-documentation agent, and each of the financial institutions initially a signatory thereto together with their assignees pursuant to Section 12.5(d) therein (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed June 30, 2005)(1)
10.22	First Amendment to Credit facility, dated as of June 1, 2006 (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed June 2, 2006)(1)
10.23	Second Amendment to Credit facility, dated as of December 27, 2006 (filed as Exhibit 10.1 to the 01/03/07 8-K)(1)
10.24	Third Amendment to Credit Agreement, dated as of December 20, 2007(filed as Exhibit 10.1 to the 12/26/07 8-K)(1)
10.25	Credit Agreement, dated as of June 1, 2007, among the Company, the MLP, LCIF, LCIF II and Net 3, jointly and severally as borrowers, KeyBanc Capital Markets, as lead arranger and book running manager, KeyBank National Association, as agent, and each of the financial institutions initially a signatory thereto together with their assignees pursuant to Section 12.5.(d) therein (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on June 7, 2007 (the 06/07/2007 8-K))(1)
10.26	Master Repurchase Agreement, dated March 30, 2006, among Column Financial Inc., 111 Debt Acquisition LLC, 111 Debt Acquisition Mezz LLC and Newkirk (filed as Exhibit 10.2 to Newkirk s Current Report on Form 8-K filed April 5, 2006 (the NKT 04/05/06 8-K))(1)
10.27	Second Amended and Restated Limited Liability Company Agreement of Concord Debt Holdings LLC, dated as of August 2, 2008, between Lex-Win Concord LLC and Inland American (Concord) Sub, LLC (filed as Exhibit 10.1 to the Company s current Report on Form 8-K filed on August 4, 2008 (the 08/04/08 8-K)(1))
10.28	Limited Liability Company Agreement of Lex-Win LLC, dated as of August 2, 2008 (filed as Exhibit 10.2 to 08/04/08 8-K)(1)
10.29	Administration and Advisory Agreement, dated as of August 2, 2008, among Lex-Win Concord, WRP Management LLC and WRP Sub-Management LLC (filed as Exhibit 10.3 to the Company s 08/04/08 8-K)(1)
10.30	Funding Agreement, dated as of July 23, 2006, by and among LCIF, LCIF II and Net 3 Acquisition L.P. (Net 3) and the Company (filed as Exhibit 99.4 to the 07/24/06 8-K)(1)
10.31	Funding Agreement, dated as of December 31, 2006, by and among LCIF, LCIF II, Net 3, the MLP and the Company (filed as Exhibit 10.2 to the 01/08/07 8-K)(1)
10.32	Guaranty Agreement, effective as of December 31, 2006, between the Company and the MLP (filed as Exhibit 10.5 to the 01/08/07 8-K)(1)
10.33	Letter Agreement among Newkirk, Apollo Real Estate Investment Fund III, L.P., the MLP, NKT Advisors LLC, Vornado Realty Trust, VNK Corp., Vornado Newkirk LLC, Vornado MLP GP LLC and WEM Bryn Mawr Associates LLC (filed as Exhibit 10.15 to Amendment No. 5 to Newkirk Registration Statement on Form S-11/A filed October 28, 2005 (Amendment No. 5 to NKT s S-11))(1)
10.34	Amendment to the Letter Agreement among Newkirk, Apollo Real Estate Investment Fund III, L.P., the MLP, NKT Advisors LLC, Vornado Realty Trust, Vornado Realty L.P., VNK Corp., Vornado Newkirk LLC, Vornado MLP GP LLC, and WEM-Brynmawr Associates LLC (filed as Exhibit 10.25 to Amendment No. 5 to Newkirk s S-11)(1)

10.35	Ownership Limit Waiver Agreement, dated as of December 31, 2006, between the Company and Vornado Realty, L.P. (filed as Exhibit 10.8 to the 01/08/07 8-K)(1)
10.36	Ownership Limit Waiver Agreement, dated as of December 31, 2006, between the Company and Apollo Real Estate Investment Fund III, L.P. (filed as Exhibit 10.9 to the 01/08/07 8-K)(1)
10.37	Registration Rights Agreement, dated as of December 31, 2006, between the Company and Michael L. Ashner (filed as Exhibit 10.10 to the 01/08/07 8-K)(1)
10.38	Registration Rights Agreement, dated as of November 7, 2005, between Newkirk and Vornado Realty Trust (filed as Exhibit 10.4 to Newkirk s Current Report on Form 8-K filed November 15, 2005 (NKT s 11/15/05 8-K))(1)
10.39	Registration Rights Agreement, dated as of November 7, 2005, between Newkirk and Apollo Real Estate

Exhibit No.	Description
	Investment Fund III, L.P. (Apollo) (filed as Exhibit 10.5 to NKT s 11/15/05 8-K)(1)
10.40	Assignment and Assumption Agreement, effective as of December 31, 2006, among Newkirk, the Company, and Vornado Realty L.P. (filed as Exhibit 10.12 to the 01/08/07 8-K)(1)
10.41	Assignment and Assumption Agreement, effective as of December 31, 2006 among Newkirk, the Company, and Apollo Real Estate Investment Fund III, L.P. (filed as Exhibit 10.13 to the 01/08/07 8-K)(1)
10.42	Registration Rights Agreement, dated as of January 29, 2007, among the MLP, the Company, LCIF, LCIF II, Net 3, Lehman Brothers Inc. and Bear, Stearns & Co. Inc., for themselves and on behalf of the initial purchasers named therein (filed as Exhibit 4.3 to the 01/29/07 8-K)(1)
10.43	Common Share Delivery Agreement, made as of January 29, 2007, between the MLP and the Company (filed as Exhibit 10.77 to the 2006 10-K)(1)
10.44	Registration Rights Agreement, dated as of March 9, 2007, among the MLP, the Company, LCIF, LCIF II, Net 3, Lehman Brothers Inc. and Bear, Stearns & Co. Inc., for themselves and on behalf of the initial purchasers named therein (filed as Exhibit 4.4 to the 03/09/07 8-K)(1)
10.45	Common Share Delivery Agreement, made as of January 29, 2007 between the MLP and the Company (filed as Exhibit 4.5 to the 03/09/2007 8-K)(1)
10.46	Second Amendment and Restated Limited Partnership Agreement, dated as of February 20, 2008, among LMLP GP LLC, The Lexington Master Limited Partnership and Inland American (Net Lease) Sub, LLC (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on February 21, 2008 (the 2/21/08 8-K))(1)
10.47	Management Agreement, dated as of August 10, 2007, between Net Lease Strategic Assets Fund L.P. and Lexington Realty Advisors, Inc. (filed as Exhibit 10.4 to the 08/16/2007 8-K)(1)
10.48	Services and Non-Compete Agreement, dated as of March 20, 2008, among the Company, FUR Advisors LLC and Michael L. Ashner (filed as Exhibit 10.1 to the 03/24/2008 8-K)(1)
10.49	Separation and General Release, dated as of March 20, 2008, between the Company and Michael L. Ashner (filed as Exhibit 99.1 to the 03/24/2008 8-K)(1, 4)
10.50	Form of Contribution Agreement dated as of December 20, 2007 (filed as Exhibit 10.5 to the 12/26/07 8-K)(1)
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(3)
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(3)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)

(1) Incorporated by reference.
(2) Filed herewith.
(3) Furnished herewith.
(4) Management contract or compensatory plan or arrangement.

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SIGNATURES

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

	Lexington Realty Trust
Date: November 7, 2008	By: /s/ T. Wilson Eglin T. Wilson Eglin Chief Executive Officer, President and Chief Operating Officer
Date: November 7, 2008	By: /s/ Patrick Carroll Patrick Carroll Chief Financial Officer, Executive Vice President and Treasurer

Exhibit 31.1

CERTIFICATION

I, T. Wilson Eglin, certify that:

1. I have reviewed this report on Form 10-Q of Lexington Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 15(e) and 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15(d) 15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and
5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

November 7, 2008

/s/ T. Wilson Eglin

T. Wilson Eglin

Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Patrick Carroll, certify that:

1. I have reviewed this report on Form 10-Q of Lexington Realty Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a 15(e) and 15d 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15(d) 15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and
5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

November 7, 2008

/s/ Patrick Carroll

Patrick Carroll
Chief Financial Officer

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Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lexington Realty Trust on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof, I, T. Wilson Eglin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the issuer.

/s/ T. Wilson Eglin

T. Wilson Eglin
Chief Executive Officer
November 7, 2008

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lexington Realty Trust on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof, I, Patrick Carroll, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the issuer.

/s/ Patrick Carroll

Patrick Carroll
Chief Financial Officer
November 7, 2008

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 8-K
Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of report (Date of earliest event reported): June 25, 2008
LEXINGTON REALTY TRUST
(Exact Name of Registrant as Specified in Its Charter)
Maryland
(State or Other Jurisdiction of Incorporation)

1-12386	13-371318
(Commission File Number)	(I.R.S. Employer Identification No.)
One Penn Plaza, Suite 4015, New York, New York	10119-4015
(Address of Principal Executive Offices)	(Zip Code)

(212) 692-7200
(Registrant s Telephone Number, Including Area Code)
n/a
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Set forth below is an updated list of material factors that may adversely affect our business and operations. This list updates and supersedes the information set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007.

We are subject to risks involved in single tenant leases.

We focus our acquisition activities on real properties that are net leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease is likely to cause a significant reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property.

We rely on revenues derived from major tenants.

Revenues from several of our tenants and/or their guarantors constitute a significant percentage of our base rental revenues. As of March 31, 2008, our 10 largest tenants/guarantors, which occupied 35 properties, represented approximately 25.5% of our annualized base rental revenue for the three months ended March 31, 2008. The default, financial distress or bankruptcy of any of the tenants of these properties could cause interruptions in the receipt of lease revenues from these tenants and/or result in vacancies, which would reduce our revenues and increase operating costs until the affected property is re-let, and could decrease the ultimate sales value of that property. Upon the expiration or other termination of the leases that are currently in place with respect to these properties, we may not be able to re-lease the vacant property at a comparable lease rate or without incurring additional expenditures in connection with the re-leasing.

We could become more highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions.

We have incurred, and expect to continue to incur, indebtedness in furtherance of our activities. Neither our amended and restated declaration of trust nor any policy statement formally adopted by our Board of Trustees limits either the total amount of indebtedness or the specified percentage of indebtedness that we may incur. Accordingly, we could become more highly leveraged, resulting in an increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions.

Market interest rates could have an adverse effect on our borrowing costs and profitability and can adversely affect our share price.

We have exposure to market risks relating to increases in interest rates due to our variable-rate debt. An increase in interest rates may increase our costs of borrowing on existing variable-rate indebtedness, leading to a reduction in our net income. As of March 31, 2008, we had outstanding $213.6 million in consolidated variable-rate indebtedness, not subject to an interest-rate swap agreement. The level of our variable-rate indebtedness, along with the interest rate associated with such variable-rate indebtedness, may change in the future and materially affect our interest costs and net income. In addition, our interest costs on our fixed-rate indebtedness can increase if we are required to refinance our fixed-rate indebtedness at maturity at higher interest rates.

Furthermore, the public valuation of our common shares is related primarily to the earnings that we derive from rental income with respect to our properties and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common shares. For instance, if interest rates rise, the market price of our common shares may decrease because potential investors seeking a higher dividend yield than they would receive from our common shares may sell our common shares in favor of higher rate interest-bearing securities.

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Recent disruptions in the financial markets could affect our ability to obtain debt financing on reasonable terms and have other adverse effects on us.

The United States credit markets have recently experienced significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. Continued uncertainty in the credit markets may negatively impact our ability to access additional debt financing at reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing. These events in the credit markets have also had an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of our common shares or preferred shares. These disruptions in the financial markets may have other adverse effects on us or the economy generally.

We face risks associated with refinancings.

A significant number of our properties, as well as corporate level borrowings, are subject to mortgage or other secured notes with balloon payments due at maturity. As of March 31, 2008, the consolidated scheduled balloon payments for the next five calendar years, are as follows:

Year		**Balloon Payments**
2008	remaining	$ 22.6 million
2009		$ 282.4 million
2010		$ 110.6 million
2011		$ 99.5 million
2012		$ 533.8 million

Our ability to make the scheduled balloon payments will depend upon our cash balances, the amount available under our credit facility and our ability either to refinance the related mortgage debt or to sell the related property.

As of March 31, 2008, the scheduled balloon payments for our non-consolidated entities for the next five calendar years are as follows:

Year		**Balloon Payments**	**Balloon Payments our Proportionate Share**
2008	remaining	$ 77.2 million	$ 38.6 million
2009		$317.7 million	$ 156.3 million
2010		$ 7.6 million	$ 3.6 million
2011		$ 46.0 million	$ 21.7 million
2012		$ 81.8 million	$ 40.3 million

Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of the national and regional economies, local real estate conditions, the state of the capital markets, available mortgage rates, the lease terms or market rates of the mortgaged properties, our equity in the mortgaged properties, our financial condition, the operating history of the mortgaged properties and tax laws. If we are unable to obtain sufficient financing to fund the scheduled balloon payments or to sell the related property at a price that generates sufficient proceeds to pay the scheduled balloon payments, we would lose our entire investment in the related property.

We face uncertainties relating to lease renewals and re-letting of space.

Upon the expiration of current leases for space located in our properties, we may not be able to re-let all or a portion of that space, or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than

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current lease terms or market rates. If we are unable to re-let promptly all or a substantial portion of the space located in our properties or if the rental rates we receive upon re-letting are significantly lower than current rates, our net income and ability to make expected distributions to our shareholders will be adversely affected due to the resulting reduction in rent receipts and increase in our property operating costs. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases.

Certain of our properties are cross-collateralized.

As of March 31, 2008, the mortgages on three sets of two properties, one set of four properties and one set of three properties are cross-collateralized. In addition, The Lexington Master Limited Partnership, or the MLP s $225.0 million loan (of which $213.6 million is outstanding at March 31, 2008) is secured by a borrowing base of 41 properties. To the extent that any of our properties are cross-collateralized, any default by us under the mortgage note relating to one property will result in a default under the financing arrangements relating to any other property that also provides security for that mortgage note or is cross-collateralized with such mortgage note.

We face possible liability relating to environmental matters.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, we may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under our properties, as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on us in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages and our liability therefore could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect our ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to make distributions.

A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of our tenants to satisfy any obligations with respect to the property leased to that tenant, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business, we authorize the preparation of Phase I environmental reports and, when necessary, Phase II environmental reports, with respect to our properties. Based upon these environmental reports and our ongoing review of our properties, as of the date of this Annual Report, we are not aware of any environmental condition with respect to any of our properties that we believe would be reasonably likely to have a material adverse effect on us.

There can be no assurance, however, that the environmental reports will reveal all environmental conditions at our properties or that the following will not expose us to material liability in the future:

- the discovery of previously unknown environmental conditions;
- changes in law;
- activities of tenants; or
- activities relating to properties in the vicinity of our properties.

Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which could adversely affect our financial condition or results of operations.

Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.

We carry comprehensive liability, fire, extended coverage and rent loss insurance on most of our properties, with policy specifications and insured limits that we believe are customary for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we generally do not maintain rent loss insurance. In addition, there are certain types of losses, such as losses resulting from wars, terrorism or certain acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

Future terrorist attacks such as the attacks which occurred in New York City, Pennsylvania and Washington, D.C. on September 11, 2001, and the military conflicts such as the military actions taken by the United States and its allies in Afghanistan and Iraq, could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.

Among other things, it is possible that interest rates may be affected by these events. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our net income. These types of terrorist acts could also result in significant damages to, or loss of, our properties.

We and our tenants may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

Competition may adversely affect our ability to purchase properties.

There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Due to our focus on net lease properties located throughout the United States, and because most competitors are locally and/or regionally focused, we do not encounter the same competitors in each market. Our competitors include other real estate investment trusts, or REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that we wish to purchase.

Our failure to maintain effective internal controls could have a material adverse effect on our business, operating results and share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal controls over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards may be modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and to maintain our qualification as a REIT and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, our REIT qualification could be jeopardized, investors could lose confidence in our reported financial information, and the trading price of our shares could drop significantly.

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We may have limited control over our co-investment programs and joint venture investments.

Our co-investment programs and joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our partner might, at any time, become bankrupt, have different interests or goals than we do, or take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Other risks of co-investment programs and joint venture investments include impasse on decisions, such as a sale, because neither we nor our partner have full control over the co-investment programs or joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in co-investment programs and joint ventures.

One of co-investment programs, Concord, is owned equally by the MLP and a subsidiary of Winthrop Realty Trust, or Winthrop. This co-investment program, is managed by an investment committee which consists of seven members, three members appointed by each of the MLP and Winthrop (with one appointee from each of the MLP and Winthrop qualifying as independent) and the seventh member appointed by FUR Holdings LLC, the administrative manager of Concord and primary owner of the former external advisor of the MLP and the current external advisor of Winthrop. Each investment in excess of $20.0 million to be made by this joint venture, as well as additional material matters, requires the consent of the investment committee appointed by the MLP and Winthrop. Accordingly, Concord may not take certain actions or invest in certain assets even if the MLP believes it to be in its best interest. Michael L. Ashner, our former Executive Chairman and Director of Strategic Acquisitions is also the Chairman and Chief Executive Officer of Winthrop, the managing member of FUR Holdings LLC and the seventh member of Concord s investment committee.

Another co-investment program, Net Lease Strategic Assets Fund LP, or NLS, is managed by an Executive Committee comprised of three persons appointed by us and two persons appointed by our partner. With few exceptions, the vote of four members of the Executive Committee is required to conduct business. Accordingly, we do not control the business decisions of this co-investment.

Investments by our co-investment programs may conflict with our ability to make attractive investments.

Under the terms of the limited partnership agreement governing NLS, we are required to first offer to NLS all opportunities to acquire real estate assets which, among other criteria, are specialty in nature and net leased. Only if NLS elects not to approve the acquisition opportunity or the applicable exclusivity conditions have expired, may we pursue the opportunity directly. As a result, we may not be able to make attractive acquisitions directly and may only receive an interest in such acquisitions through our interest in NLS.

Certain of our trustees and officers may face conflicts of interest with respect to sales and refinancings.

E. Robert Roskind and Richard J. Rouse, our Chairman, and Vice Chairman and Chief Investment Officer, respectively, each own limited partnership interests in certain of our operating partnerships, and as a result, may face different and more adverse tax consequences than our other shareholders will if we sell certain properties or reduce mortgage indebtedness on certain properties. Those individuals may, therefore, have different objectives than our other shareholders regarding the appropriate pricing and timing of any sale of such properties or reduction of mortgage debt.

Accordingly, there may be instances in which we may not sell a property or pay down the debt on a property even though doing so would be advantageous to our other shareholders. In the event of an appearance of a conflict of interest, the conflicted trustee or officer must recuse himself or herself from any decision making or seek a waiver of our Code of Business Conduct and Ethics.

Our ability to change our portfolio is limited because real estate investments are illiquid.

Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions will be limited. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. We could change our investment, disposition and financing policies without a vote of our shareholders.

There can be no assurance that we will remain qualified as a REIT for federal income tax purposes.

We believe that we have met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which there are only limited judicial or administrative interpretations. No assurance can be given that we have qualified or will remain qualified as a REIT. The Code provisions and income tax regulations applicable to REITs are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If we do not qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available for distribution to our shareholders would be significantly reduced for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

We may be subject to the REIT prohibited transactions tax, which could result in significant U.S. federal income tax liability to us.

We announced a restructuring of our investment strategy, focusing on core and core plus assets. A real estate investment trust will incur a 100% tax on the net income from a prohibited transaction. Generally, a prohibited transaction includes a sale or disposition of property held primarily for sale to customers in the ordinary course of a trade or business. While we believe that the dispositions of our assets pursuant to the restructuring of our investment strategy should not be treated as prohibited transactions, whether a particular sale will be treated as a prohibited transaction depends on the underlying facts and circumstances. We have not sought and do not intend to seek a ruling from the Internal Revenue Service regarding any dispositions. Accordingly, there can be no assurance that our dispositions of such assets will not be subject to the prohibited transactions tax. If all or a significant portion of those dispositions were treated as prohibited transactions, we would incur a significant U.S. federal income tax liability, which could have a material adverse effect on our results of operations.

Distribution requirements imposed by law limit our flexibility.

To maintain our status as a REIT for federal income tax purposes, we are generally required to distribute to our shareholders at least 90% of our taxable income for that calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85% of our ordinary income for that year, (ii) 95% of our capital gain net income for that year and (iii) 100% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Code and to reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis in order to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Certain limitations limit a third party s ability to acquire us or effectuate a change in our control.

Limitations imposed to protect our REIT status. In order to protect us against the loss of our REIT status, our declaration of trust limits any shareholder from owning more than 9.8% in value of any class of our outstanding shares, subject to certain exceptions. The ownership limit may have the effect of precluding acquisition of control of us.

Severance payments under employment agreements. Substantial termination payments may be required to be paid under the provisions of employment agreements with certain of our executives upon a change of control. We have entered into employment agreements with four of our executive officers which provide that, upon the occurrence of a change in control of us (including a change in ownership of more than 50% of the total combined voting power of our outstanding securities, the sale of all or substantially all of our assets, dissolution, the acquisition, except from us, of 20% or more of our voting shares or a change in the majority of our Board of Trustees), those executive officers would be entitled to severance benefits based on their current annual base salaries, recent annual cash bonuses and the average of the value of the two most recent long-term incentive awards as defined in the employment agreements. Accordingly, these payments may discourage a third party from acquiring us.

Limitation due to our ability to issue preferred shares. Our amended and restated declaration of trust authorizes our Board of Trustees to issue preferred shares, without shareholder approval. The Board of Trustees is able to establish the preferences and rights of any preferred shares issued which could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in shareholders best interests. As of March 31, 2008, we had outstanding 3,160,000 8.05% Series B Cumulative Redeemable Preferred Stock, or Series B Preferred Shares, that we issued in June 2003, 3,100,000 6.50% Series C Cumulative Convertible Preferred Stock, or Series C Preferred Shares, that we issued in December 2004 and January 2005, 6,200,000 7.55% Series D Cumulative Redeemable Preferred Stock, or Series D Preferred Shares, that we issued in February 2007, and one share of our special voting preferred stock that we issued in December 2006 in connection with the merger with Newkirk Realty Trust, Inc., which we refer to as the Merger. Our Series B, Series C and Series D Preferred Shares include provisions that may deter a change of control. The establishment and issuance of shares of our existing series of preferred shares or a future series of preferred shares could make a change of control of us more difficult.

Limitation imposed by the Maryland Business Combination Act. The Maryland General Corporation Law, as applicable to Maryland REITs, establishes special restrictions against business combinations between a Maryland REIT and interested shareholders or their affiliates unless an exemption is applicable. An interested shareholder includes a person who beneficially owns, and an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding voting shares, but a person is not an interested shareholder if the Board of Trustees approved in advance the transaction by which he otherwise would have been an interested shareholder. Among other things, Maryland law prohibits (for a period of five years) a merger and certain other transactions between a Maryland REIT and an interested shareholder. The five-year period runs from the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any such business combination must be recommended by the Board of Trustees and approved by two super-majority shareholder votes unless, among other conditions, the common shareholders receive a minimum price for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Trustees prior to the time that the interested shareholder becomes an interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if such acquisition would be in shareholders best interests. In connection with our merger with Newkirk, Vornado Realty Trust, which we refer to as Vornado, and Apollo Real Estate Investment Fund III, L.P., which we refer to as Apollo, were granted a limited exemption from the definition of interested shareholder.

Maryland Control Share Acquisition Act. Maryland law provides that control shares of a Maryland REIT acquired in a control share acquisition shall have no voting rights except to the extent approved by a vote of two-thirds of the vote entitled to be cast on the matter under the Maryland Control Share Acquisition Act. Shares owned by the acquiror, by our officers or by employees who are our trustees are excluded from shares entitled to vote on the matter. Control Shares means shares that, if aggregated with all other shares previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions. If voting rights of control shares acquired in a control share acquisition are not approved at a shareholders meeting, then subject to certain conditions and limitations the issuer may redeem any or all of the control shares for fair value. If voting rights of such control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. Any control shares acquired in a control share acquisition which are not exempt under our by-laws will be subject to the Maryland Control Share Acquisition Act. Our amended and restated by-laws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be amended or eliminated at any time in the future.

Limits on ownership of our capital shares may have the effect of delaying, deferring or preventing someone from taking control of us.

For us to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined for federal income tax purposes to include certain entities) during the last half of each taxable year, and these capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year for which a REIT election is made). Our amended and restated declaration of trust includes certain restrictions regarding transfers of our capital shares and ownership limits.

Actual or constructive ownership of our capital shares in excess of the share ownership limits contained in its declaration of trust would cause the violative transfer or ownership to be void or cause the shares to be transferred to a charitable trust and then sold to a person or entity who can own the shares without violating these limits. As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits.

These restrictions and limits may not be adequate in all cases, however, to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limits discussed above may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control could involve a premium price for the common shares or otherwise be in shareholders best interests.

Legislative or regulatory tax changes could have an adverse effect on us.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a shareholder. REIT dividends generally are not eligible for the reduced rates currently applicable to certain corporate dividends (unless attributable to dividends from taxable REIT subsidiaries and otherwise eligible for such rates). As a result, investment in non-REIT corporations may be relatively more attractive than investment in REITs. This could adversely affect the market price of our shares.

Our Board of Trustees may change our investment policy without shareholders approval.

Subject to our fundamental investment policy to maintain our qualification as a REIT, our Board of Trustees will determine its investment and financing policies, growth strategy and its debt, capitalization, distribution, acquisition, disposition and operating policies.

Our Board of Trustees may revise or amend these strategies and policies at any time without a vote by shareholders. Accordingly, shareholders control over changes in our strategies and policies is limited to the election of trustees, and changes made by our Board of Trustees may not serve the interests of shareholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

The intended benefits of the Merger may not be realized.

The Merger presented and continues to present challenges to management, including the integration of our operations and properties with those of Newkirk. The Merger also poses other risks commonly associated with similar transactions, including unanticipated liabilities, unexpected costs and the diversion of management s attention to the integration of the operations of the two entities. Any difficulties that we encounter in the transition and integration processes, and any level of integration that is not successfully achieved, could have an adverse effect on our revenues, level of expenses and operating results. We may also experience operational interruptions or the loss of key employees, tenants and customers. As a result, notwithstanding our expectations, we may not realize any of the anticipated benefits or cost savings of the Merger.

Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.

Our growth strategy is based on the acquisition and development of additional properties and related assets, including acquisitions of large portfolios and real estate companies and acquisitions through co-investment programs such as joint ventures. In the context of our business plan, development generally means an expansion or renovation of an existing property or the acquisition of a newly constructed property. We may provide a developer with a commitment to acquire a property upon completion of construction of a property and commencement of rent from the tenant. Our plan to grow through the acquisition and development of new properties could be adversely affected by trends in the real estate and financing businesses. The consummation of any future acquisitions will be subject to satisfactory completion of an extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. Our ability to implement our strategy may be impeded because we may have difficulty finding new properties and investments at attractive prices that meet our investment criteria, negotiating with new or existing tenants or securing acceptable financing. If we are unable to carry out our strategy, our financial condition and results of operations could be adversely affected.

Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. Redevelopment and new project development are subject to numerous risks, including risks of construction delays, cost overruns or force majeure events that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and the incurrence of development costs in connection with projects that are not pursued to completion.

Some of our acquisitions and developments may be financed using the proceeds of periodic equity or debt offerings, lines of credit or other forms of secured or unsecured financing that may result in a risk that permanent financing for newly acquired projects might not be available or would be available only on disadvantageous terms. If permanent debt or equity financing is not available on acceptable terms to refinance acquisitions undertaken without permanent financing, further acquisitions may be curtailed or cash available for distribution to shareholders may be adversely affected.

The concentration of ownership by certain investors may limit other shareholders from influencing significant corporate decisions.

As of March 31, 2008, Vornado and Apollo, collectively owned 26,836,830 million voting MLP units which are redeemable by the holder thereof for, at our election, cash or our common shares. Accordingly Apollo and Vornado collectively held a 28.4% voting interest in us, as of March 31, 2008. As holders of voting MLP units, Vornado and Apollo, as well as other holders of voting MLP units, have the right to direct the voting of our special voting preferred stock. Holders of interests in our other operating partnerships do not have voting rights. NKT Advisors, LLC holds the one share of our special voting preferred stock pursuant to a voting trustee agreement. To the extent that an affiliate of Vornado is a member of our Board of Trustees, NKT Advisors, LLC has the right to direct the vote of the voting MLP units held by Vornado with respect to the election of members of our Board of Trustees. Clifford Broser, a member of our Board of Trustees, is a Senior Vice President of Vornado.

E. Robert Roskind, our Chairman, owned, as of March 31, 2008, 0.9 million of our common shares and 1.5 million units of limited partner interest in our other operating partnerships, which are redeemable for our common shares on a one for one basis, or with respect to a portion of the units, at our election, cash. Mr. Roskind held a 2.6% voting interest in us as of March 31, 2008.

Securities eligible for future sale may have adverse effects on our share price.

An aggregate of approximately 39.6 million of our common shares are issuable upon the exchange of units of limited partnership interests in our operating partnership subsidiaries. Depending upon the number of such securities exchanged or exercised at one time, an exchange or exercise of such securities could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

We are dependent upon our key personnel.

We are dependent upon key personnel whose continued service is not guaranteed. We are dependent on our executive officers for business direction. We have entered into employment agreements with certain employees, including E. Robert Roskind, our Chairman, Richard J. Rouse, our Vice Chairman and Chief Investment Officer, T. Wilson Eglin, our Chief Executive Officer, President and Chief Operating Officer, and Patrick Carroll, our Executive Vice President, Chief Financial Officer and Treasurer.

Our inability to retain the services of any of our key personnel or our loss of any of their services could adversely impact our operations. We do not have key man life insurance coverage on our executive officers.

Risks Specific to Our Investment in Concord

In addition to the risks described above, our investment in Concord is subject to the following additional risks:

Concord invests in subordinate mortgage-backed securities which are subject to a greater risk of loss than senior securities. Concord may hold the most junior class of mortgage-backed securities which are subject to the first risk of loss if any losses are realized on the underlying mortgage loans.

Concord invests in a variety of subordinate loan securities, and sometimes holds a first loss subordinate holder position. The ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower since the underlying loans are generally non-recourse in nature. In the event of default and the exhaustion of any equity support, reserve funds, letters of credit and any classes of securities junior to those in which Concord invests, Concord will not be able to recover all of its investment in the securities purchased.

Expenses of enforcing the underlying mortgage loans (including litigation expenses), expenses of protecting the properties securing the mortgage loans and the liens on the mortgaged properties, and, if such expenses are advanced by the servicer of the mortgage loans, interest on such advances will also be allocated to such first loss securities prior to allocation to more senior classes of securities issued in the securitization. Prior to the reduction of distributions to more senior securities, distributions to the first loss securities may also be reduced by payment of compensation to any servicer engaged to enforce a defaulted mortgage loan. Such expenses and servicing compensation may be substantial and consequently, in the event of a default or loss on one or more mortgage loans contained in a securitization, Concord may not recover its investment.

Concord s warehouse facilities and its CDO financing agreements may limit its ability to make investments.

In order for Concord to borrow money to make investments under its repurchase facilities, its repurchase counterparty has the right to review the potential investment for which Concord is seeking financing. Concord may be unable to obtain the consent of its repurchase counterparty to make certain investments. Concord may be unable to obtain alternate financing for that investment. Concord s repurchase counterparty consent rights with respect to its warehouse facility may limit Concord s ability to execute its business strategy.

The repurchase agreements that Concord uses to finance its investments may require it to provide additional collateral.

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If the market value of the loan assets and loan securities pledged or sold by Concord to a repurchase counterparty decline in value, which decline is determined, in most cases, by the repurchase counterparty, Concord may be required by the repurchase counterparty to provide additional collateral or pay down a portion of the funds advanced. Concord may not have the funds available to pay down its debt, which could result in defaults. Posting additional collateral to support its repurchase facilities will reduce Concord s liquidity and limit its ability to leverage its assets. Because Concord s obligations under its repurchase facilities are recourse to Concord, if Concord does not have sufficient liquidity to meet such requirements, it would likely result in a rapid deterioration of Concord s financial condition and solvency.

Concord s future investment grade CDOs, if any, will be collateralized with loan assets and debt securities that are similar to those collateralizing its existing investment grade CDO, and any adverse market trends are likely to adversely affect the issuance of future CDOs as well as Concord s CDOs in general.

Concord s existing investment grade CDO is collateralized by fixed and floating rate loan assets and debt securities, and we expect that future issuances, if any, will be backed by similar loan assets and debt securities. Any adverse market trends that affect the value of these types of loan assets and debt securities will adversely affect the value of Concord s interests in the CDOs and, accordingly, our interest in Concord. Such trends could include declines in real estate values in certain geographic markets or sectors, underperformance of loan assets and debt securities, or changes in federal income tax laws that could affect the performance of debt issued by REITs.

Credit ratings assigned to Concord s investments are subject to ongoing evaluations and we cannot assure you that the ratings currently assigned to Concord s investments will not be downgraded.

Some of Concord s investments are rated by Moody s Investors Service, Fitch Ratings or Standard & Poor s, Inc. The credit ratings on these investments are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any such ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings of Concord s investments the market value of those investments could significantly decline, which may have an adverse affect on Concord s financial condition.

The use of CDO financings with coverage tests may have a negative impact on Concord s operating results and cash flows.

Concord s current CDO contains, and it is likely that future CDOs, if any, will contain coverage tests, including over-collateralization tests, which are used primarily to determine whether and to what extent principal and interest proceeds on the underlying collateral debt securities and other assets may be used to pay principal of and interest on the subordinate classes of bonds in the CDO. In the event the coverage tests are not met, distributions otherwise payable to Concord may be re-directed to pay principal on the bond classes senior to Concord s. Therefore, Concord s failure to satisfy the coverage tests could adversely affect Concord s operating results and cash flows.

Certain coverage tests which may be applicable to Concord s interest in its CDOs (based on delinquency levels or other criteria) may also restrict Concord s ability to receive net income from assets pledged to secure the CDOs. If Concord s assets fail to perform as anticipated, Concord s over-collateralization or other credit enhancement expenses associated with its CDO will increase. There can be no assurance of completing negotiations with the rating agencies or other key transaction parties on any future CDOs, as to what will be the actual terms of the delinquency tests, over-collateralization, cash flow release mechanisms or other significant factors regarding the calculation of net income to Concord. Failure to obtain favorable terms with regard to these matters may materially reduce net income to Concord.

If credit spreads widen, the value of Concord s assets may suffer.

The value of Concord s loan securities is dependent upon the yield demand on these loan securities by the market based on the underlying credit. A large supply of these loan securities combined with reduced demand will generally cause the market to require a higher yield on these loan securities, resulting in a higher, or wider , spread over the benchmark rate of such loan securities. Under such conditions, the value of loan securities in Concord s portfolio would tend to decline. Such changes in the market value of Concord s portfolio may adversely affect its net equity through their impact on unrealized gains or losses on available-for-sale loan securities, and therefore Concord s cash flow, since Concord would be unable to realize gains through sale of such loan securities. Also, they could adversely affect Concord s ability to borrow and access capital.

The value of Concord s investments in mortgage loans, mezzanine loans and participation interests in mortgage and mezzanine loans is also subject to changes in credit spreads. The majority of the loans Concord invests in are floating rate loans whose value is based on a market credit spread to LIBOR. The value of the loans is dependent upon the yield demanded by the market based on their credit. The value of Concord s portfolio would tend to decline should the market require a higher yield on such loans, resulting in the use of a higher spread over the benchmark rate. Any credit or spread losses incurred with respect to Concord s loan portfolio would affect Concord in the same way as similar losses on Concord s loan securities portfolio as described above.

Concord prices its assets based on its assumptions about future credit spreads for financing of those assets. Concord has obtained, and may obtain in the future, longer term financing for its assets using structured financing techniques such as CDOs. Such issuances entail interest rates set at a spread over a certain benchmark, such as the yield on United States Treasury obligations, swaps or LIBOR. If the spread that investors are paying on structured finance vehicles over the benchmark widens and the rates Concord charges on its securitized assets are not increased accordingly, this may reduce Concord s income or cause losses.

Prepayments can increase, adversely affecting yields on Concord s investments.

The value of Concord s assets may be affected by an increase in the rate of prepayments on the loans underlying its loan assets and loan securities. The rate of prepayment on loans is influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond Concord s control and consequently such prepayment rates cannot be predicted with certainty. In periods of declining real estate loan interest rates, prepayments of real estate loans generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the loans that were prepaid. Under certain interest rate and prepayment scenarios Concord may fail to recoup fully its cost of acquisition of certain investment.

Concord may not be able to issue CDO securities, which may require Concord to seek more costly financing for its real estate loan assets or to liquidate assets.

Concord has and may continue to seek to finance its loan assets on a long-term basis through the issuance of CDOs. Prior to any new investment grade CDO issuance, there is a period during which real estate loan assets are identified and acquired for inclusion in a CDO, known as the repurchase facility accumulation period. During this period, Concord authorizes the acquisition of loan assets and debt securities under one or more repurchase facilities from repurchase counterparties. The repurchase counterparties then purchase the loan assets and debt securities and hold them for later repurchase by Concord. Concord contributes cash and other collateral to be held in escrow by the repurchase counterparty to back Concord s commitment to purchase equity in the CDO, and to cover its share of losses should loan assets or debt securities need to be liquidated. As a result, Concord is subject to the risk that it will not be able to acquire, during the period that its warehouse facilities are available, a sufficient amount of loan assets and debt securities to support the execution of an investment grade CDO issuance. In addition, conditions in the capital markets may make it difficult, if not impossible, for Concord to pursue a CDO when it does have a sufficient pool of collateral. If Concord is unable to issue a CDO to finance these assets or if doing so is not economical, Concord may be required to seek other forms of potentially less attractive financing or to liquidate the assets at a price that could result in a loss of all or a portion of the cash and other collateral backing its purchase commitment.

The recent capital market crisis has made financings through CDOs difficult.

The recent events in the subprime mortgage market have impacted Concord s ability to consummate a second CDO. Although Concord holds only one bond of $11.5 million which has minimal exposure to subprime residential mortgages, conditions in the financial capital markets have made issuances of CDOs at this time less attractive to investors. As of March 31, 2008, Concord has recorded an other- than temporary impairment charge relating to this asset of $6.9 million. If Concord is unable to issue future CDOs to finance its assets, Concord will be required to hold its loan assets under its existing warehouse facilities longer than originally anticipated or seek other forms of potentially less attractive financing. The inability to issue future CDOs at accretive rates will have a negative impact on Concord s cash flow and anticipated return.

The lack of a CDO market may require us to make a larger equity investment in Concord.

As of March 31, 2008, we had committed to invest up to $162.5 million in Concord, all of which has been invested. In view of the difficulties in the CDO market, we may continue to invest additional amounts in Concord only upon approval of our Board of Trustees.

Concord may not be able to access financing sources on favorable terms, or at all, which could adversely affect its ability to execute its business plan and its ability to make distributions.

Concord finances its assets through a variety of means, including repurchase agreements, credit facilities, CDOs and other structured financings. Concord may also seek to finance its investments through the issuance of common or preferred equity interests. Concord s ability to execute this strategy depends on various conditions in the capital markets, which are beyond its control. If these markets are not an efficient source of long-term financing for Concord s assets, Concord will have to find alternative forms of long-term financing for its assets. This could subject Concord to more expensive debt and financing arrangements which would require a larger portion of its cash flows, thereby reducing cash available for distribution to its members and funds available for operations as well as for future business opportunities.

Concord may make investments in assets with lower credit quality, which will increase our risk of losses.

Concord may invest in unrated loan securities or participate in unrated or distressed mortgage loans. The anticipation of an economic downturn, for example, could cause a decline in the price of lower credit quality investments and securities because the ability of obligors of mortgages, including mortgages underlying mortgage-backed securities, to make principal and interest payments may be impaired. If this were to occur, existing credit support in the warehouse structure may be insufficient to protect Concord against loss of its principal on these investments and securities.

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SIGNATURES

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

	Lexington Realty Trust
Date: June 25, 2008	By: /s/ Patrick Carroll Patrick Carroll Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 8-K
Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of report (Date of earliest event reported): November 6, 2008
LEXINGTON REALTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	1-12386	13-3717318
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

One Penn Plaza, Suite 4015, New York, New York	10119-4015
(Address of Principal Executive Offices)	(Zip Code)

(212) 692-7200
(Registrant s Telephone Number, Including Area Code)
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions

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

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Item 2.02. Results of Operations and Financial Condition.

On November 6, 2008, we issued a press release announcing our financial results for the quarter and nine months ended September 30, 2008. A copy of the press release is furnished herewith as part of Exhibit 99.1.

The information furnished pursuant to this Item 2.02 Results of Operations and Financial Condition, including Exhibit 99.1, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, or otherwise subject to the liabilities under that section and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, which we refer to as the Act, or the Exchange Act, regardless of any general incorporation language in such filing.

Item 7.01. Regulation FD Disclosure.

On November 6, 2008, we made available supplemental information, which we refer to as the Supplemental Reporting Package, concerning our operations and portfolio for the quarter and nine months ended September 30, 2008. A copy of the Supplemental Reporting Package is furnished herewith as Exhibit 99.1 and has been posted to our web site.

Also on November 6, 2008, our management discussed our financial results and certain aspects of our business plan on a conference call with analysts and investors. A transcript of the conference call is furnished herewith as Exhibit 99.2.

The information furnished pursuant to this Item 7.01 Regulation FD Disclosure, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that section and shall not be deemed to be incorporated by reference into any of our filings under the Act or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable

(b) Not applicable

(c) Not applicable

(d) Exhibits

99.1 Supplemental Reporting Package for the quarter and nine months ended September 30, 2008.

99.2 Conference Call Transcript.

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SIGNATURES

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

	Lexington Realty Trust
Date: November 7, 2008	By: /s/ Patrick Carroll Patrick Carroll Chief Financial Officer

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Exhibit Index

99.1 Supplemental Reporting Package for the quarter and nine months ended September 30, 2008.

99.2 Conference Call Transcript.

Quarterly Earnings and
Supplemental Operating and Financial Data
For the Three and Nine Months Ended September 30, 2008
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LEXINGTON REALTY TRUST
SUPPLEMENTAL REPORTING PACKAGE
For the Three and Nine Months Ended September 30, 2008
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This Quarterly Earnings and Supplemental Operating and Financial Data contains certain forward-looking statements which involve known and unknown risks, uncertainties or other factors not under the control of Lexington Realty Trust (Lexington) which may cause actual results, performance or achievements of Lexington to be materially different from the results, performance, or other expectations implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors in Lexington s periodic reports filed with the Securities and Exchange Commission (the SEC) filed with the SEC, including risks related to, (i) the failure to continue to qualify as a real estate investment trust, (ii) changes in general business and economic conditions, (iii) competition, (iv) increases in real estate construction costs, (v) changes in interest rates, or (vi) changes in accessibility of debt and equity capital markets. Copies of periodic reports Lexington files with the SEC are available on Lexington s website at www.lxp.com and may be obtained free of charge by calling Lexington at 212-692-7200. Forward-looking statements, which are based on certain assumptions and describe the Lexington s future plans, strategies and expectations, are generally identifiable by use of the words believes, expects, intends, anticipates, estimates, projects or similar expressions.

Lexington undertakes no obligation to publicly release the results of any revisions to those forward-looking statements which may be made to reflect events or circumstances after the occurrence of unanticipated events. Accordingly, there is no assurance that Lexington s expectations will be realized.

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Lexington Realty Trust
TRADED: NYSE: LXP
One Penn Plaza, Suite 4015
New York NY 10119-4015

Contact:
Investor or Media Inquiries, T. Wilson Eglin, CEO
Lexington Realty Trust
Phone: (212) 692-7200 E-mail: tweglin@lxp.com

FOR IMMEDIATE RELEASE
Thursday November 6, 2008

LEXINGTON REALTY TRUST REPORTS THIRD QUARTER 2008 RESULTS

New York, NY November 6, 2008 Lexington Realty Trust (Lexington) (NYSE:LXP), a real estate investment trust focused on single-tenant real estate investments, today announced results for the third quarter ended September 30, 2008.

Third Quarter 2008 Highlights

- **Generated Company Funds From Operations (Company FFO) of $43.3 million or $0.40 per diluted share/unit.[(1)]**
- **Executed 18 new and renewal leases, totaling approximately 777,000 square feet.**
- **Sold 15 properties for $22.6 million at a 6.6% cap rate.**
- **Acquired 2 properties for $56.1 million at an 8.5% cap rate.**
- **Repurchased $25.5 million original principal amount of senior securities at a 10.7% discount.**

(1) ***See the last page of this press release for a reconciliation of GAAP net income (loss) to Company FFO.***

T. Wilson Eglin, President and Chief Executive Officer of Lexington stated, During the third quarter, we continued to reduce our financial leverage by repurchasing $25.5 million of our senior securities. Since beginning to reduce our leverage in the first quarter and including transactions completed in the current quarter, we have retired $278.5 million of senior securities for $219.5 million, a discount of 21.2%. The opportunity to reduce our leverage on such favorable terms represents a compelling use for our capital and is likely to remain so for the foreseeable future. While transaction activity in all property types has slowed substantially, we believe that creditworthy net lease investments will continue to attract interest due to predictable revenue streams and generally defensive characteristics. Accordingly, we plan to continue marketing assets for sale and will use the proceeds to further reduce our indebtedness on terms that we believe are highly advantageous for our shareholders, as we have throughout the year.

FINANCIAL RESULTS

Revenues

For the quarter ended September 30, 2008, total gross revenues were $105.5 million, compared with total gross revenues of $116.3 million for the quarter ended September 30, 2007. The decrease is primarily due to the sale of certain assets to a co-investment program in 2007 and 2008 and the early lease termination in the second quarter of

2008 for the property located at 100 Light Street in Baltimore, MD.

Net Income (Loss) Allocable to Common Shareholders

For the quarter ended September 30, 2008, net loss allocable to common shareholders was ($10.3) million, or a loss of ($0.16) per diluted share, compared with net income allocable to common shareholders for the quarter ended September 30, 2007 of $7.4 million, or income of $0.12 per diluted share.

Company FFO Applicable to Common Shareholders/Unitholders

For the quarter ended September 30, 2008, Company FFO was $43.3 million, or $0.40 per diluted share/unit, compared with Company FFO for the quarter ended September 30, 2007 of $50.4 million, or $0.46 per diluted share/unit. Company FFO for the quarter ended September 30, 2008 was impacted by debt satisfaction gains ($4.7 million), including Lexington s proportionate share through joint ventures, offset by impairment charges ($4.7 million), including Lexington s proportionate share through joint ventures. For the quarter ended September 30, 2007, Company FFO was impacted by debt satisfaction charges ($3.6 million). Other factors that impacted year over year FFO per diluted share/unit include the aforementioned early lease termination at the property located at 100 Light Street, Baltimore, MD, the $2.10 special distribution paid to shareholder/unitholders in January, 2008 and a decline in portfolio occupancy from 95.8% to 93.8%.

2009 Debt Maturities

Lexington has $266.7 million of consolidated debt maturing in 2009. On pages 26 31 of the Supplemental Disclosure Package, Lexington has provided information with respect to its unleveraged properties, properties securing its term loan maturing in December, 2009 (following exercise of an extension option), and properties with mortgages maturing in 2009. Together, these properties have an original gross book value of approximately $1.4 billion and currently generate annualized cash revenue of approximately $120.9 million. Management is currently working on extending the maturity date of the term loan beyond December, 2009.

Balance Sheet

At September 30, 2008, Lexington had total assets of $4.3 billion, including approximately $135.5 million of cash and restricted cash, and $2.5 billion in debt outstanding. As of September 30, 2008, the weighted-average interest rate on Lexington s debt was 5.65%, with a weighted-average maturity of 6.3 years. Approximately 92% of Lexington s debt is subject to fixed interest rates.

Common Share Dividend/Distribution

On September 15, 2008, Lexington declared a regular quarterly cash dividend/distribution of $0.33 per common share/unit, which was paid on October 15, 2008, to common shareholders/unitholders of record as of September 30, 2008, and which equated to an annualized dividend/distribution of $1.32 per share.

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OPERATING ACTIVITIES

Leasing Activity

At September 30, 2008, Lexington s consolidated portfolio was approximately 93.8% leased. For the quarter ended September 30, 2008, Lexington executed 18 leases (new and renewal) for approximately 777,000 square feet.

Dispositions

During the quarter ended September 30, 2008, Lexington sold its interest in 15 properties to unrelated parties for an aggregate sales price of $22.6 million equating to a cap rate of 6.6% and generating gains on sale of $7.4 million.

Acquisitions

During the quarter ended September 30, 2008, Lexington purchased two properties for $56.1 million, at an initial current cap rate of 8.5%.

2008 EARNINGS GUIDANCE

Lexington reaffirmed its previously disclosed Company FFO guidance range of $1.56 to $1.64 per diluted share/unit for the year ended December 31, 2008. This guidance excludes the impact of the 100 Light Street lease termination transaction and other non-recurring items including gains on the discharge of indebtedness. This guidance is based on current expectations and is forward-looking.

3RD QUARTER 2008 CONFERENCE CALL

Lexington will host a conference call today, Thursday, November 6, 2008, at 11:00 a.m. Eastern Time, to discuss its results for the quarter ended September 30, 2008. Interested parties may participate in this conference call by dialing (877) 407-0778 or (201) 689-8565. A replay of the call will be available through December 7, 2008, at (877) 660-6853 or (201) 612-7415, Account #: 286, Conference ID #: 296757.

A live web cast of the conference call will be available at www.lxp.com within the Investor Relations section. An online replay will also be available through November 6, 2009.

ABOUT LEXINGTON REALTY TRUST

Lexington Realty Trust is a real estate investment trust that owns, invests in, and manages office, industrial and retail properties net-leased to major corporations throughout the United States and provides investment advisory and asset management services to investors in the net lease area. Lexington shares are traded on the New York Stock Exchange under the symbol LXP . Additional information about Lexington is available on-line at www.lxp.com or by contacting Lexington Realty Trust, One Penn Plaza, Suite 4015, New York, New York 10119-4015, Attention: Investor Relations.

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This release contains certain forward-looking statements which involve known and unknown risks, uncertainties or other factors not under Lexington s control which may cause actual results, performance or achievements of Lexington to be materially different from the results, performance, or other expectations implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the headings Management s Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors in Lexington s current annual report on Form 8-K filed with the Securities and Exchange Commission (SEC) on June 25, 2008 and other periodic reports filed with the SEC, including risks related to: (1) the failure to continue to qualify as a real estate investment trust, (2) changes in general business and economic conditions, (3) competition, (4) increases in real estate construction costs, (5) changes in interest rates, or (6) changes in accessibility of debt and equity capital markets. Copies of the periodic reports Lexington files with the SEC are available on Lexington s website at www.lxp.com. Forward-looking statements, which are based on certain assumptions and describe the Lexington s future plans, strategies and expectations, are generally identifiable by use of the words believes, expects, intends, anticipates, estimates, projects , is optimistic or similar expressions. Lexington undertakes no obligation to publicly release the results of any revisions to those forward-looking statements which may be made to reflect events or circumstances after the occurrence of unanticipated events. Accordingly, there is no assurance that Lexington s expectations will be realized.

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three and Nine Months ended September 30, 2008 and 2007
(Unaudited and in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Gross Revenues:				
Rental	$ 94,146	$ 105,974	$ 308,382	$ 269,803
Advisory and incentive fees	396	239	1,072	12,182
Tenant reimbursements	10,927	10,057	31,178	22,114
Total gross revenues	105,469	116,270	340,632	304,099
Expense applicable to revenues:				
Depreciation and amortization	(51,197)	(63,843)	(191,596)	(164,785)
Property operating	(21,733)	(17,921)	(60,804)	(41,982)
General and administrative	(7,117)	(7,530)	(25,468)	(28,673)
Non-operating income	1,802	2,633	22,599	7,502
Interest and amortization expense	(37,279)	(48,129)	(120,519)	(114,747)
Debt satisfaction gains, net	2,309		39,020	
Gains on sale-affiliates			31,806	
Income (loss) before provision for income taxes, minority interests, equity in earnings (losses) of non-consolidated entities and discontinued operations	(7,746)	(18,520)	35,670	(38,586)
Provision for income taxes	(662)	(369)	(2,636)	(2,547)
Minority interests share of (income) loss	2,823	3,336	5,372	(3,546)
Equity in earnings (losses) of non-consolidated entities	(1,525)	4,054	(23,171)	45,951
Income (loss) from continuing operations	(7,110)	(11,499)	15,235	1,272
Discontinued operations:				
Income from discontinued operations	26	8,441	1,628	25,720
Provision for income taxes	(181)	(44)	(330)	(2,721)
Debt satisfaction charges	(120)	(3,596)	(433)	(3,685)
Gains on sales of properties	7,374	26,980	11,986	39,808
Impairment charges	(1,063)		(3,757)	
Minority interests share of income	(2,643)	(5,819)	(4,509)	(14,777)
Total discontinued operations	3,393	25,962	4,585	44,345
Net income (loss)	(3,717)	14,463	19,820	45,617
	(1,590)	(1,590)	(4,770)	(4,770)

Dividends attributable to preferred shares-Series B				
Dividends attributable to preferred shares-Series C	(2,110)	(2,519)	(6,740)	(7,556)
Dividends attributable to preferred shares-Series D	(2,926)	(2,925)	(8,777)	(7,372)
Redemption discount Series C			5,678	
Net income (loss) allocable to common shareholders	$ (10,343)	$ 7,429	$ 5,211	$ 25,919
Income per common share-basic:				
Income (loss) from continuing operations, after preferred dividends	$ (0.21)	$ (0.29)	$ 0.01	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss) allocable to common shareholders	$ (0.16)	$ 0.12	$ 0.08	$ 0.39
Weighted average common shares outstanding basic	64,433,457	63,458,167	61,485,277	65,735,321
Income (loss) per common share-diluted:				
Income (loss) from continuing operations, after preferred dividends	$ (0.21)	$ (0.29)	$ (0.14)	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss) allocable to common shareholders	$ (0.16)	$ 0.12	$ (0.07)	$ 0.39
Weighted average common shares outstanding-diluted	64,433,457	63,458,167	101,789,804	65,735,321

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2008 and December 31, 2007
(Unaudited and in thousands, except share and per share data)

	September 30, 2008	December 31, 2007
Assets:		
Real estate, at cost	$ 3,836,321	$ 4,109,097
Less: accumulated depreciation and amortization	439,531	379,831
	3,396,790	3,729,266
Properties held for sale-discontinued operations	8,408	150,907
Intangible assets, net	375,212	516,698
Cash and cash equivalents	108,039	412,106
Restricted cash	27,481	41,026
Investment in and advances to non-consolidated entities	205,021	226,476
Deferred expenses, net	37,329	42,040
Notes receivable	68,631	69,775
Rent receivable-current	16,630	25,289
Rent receivable- deferred	16,967	15,303
Other assets	33,824	36,277
	$ 4,294,332	$ 5,265,163
Liabilities and Shareholders Equity:		
Liabilities:		
Mortgage and notes payable	$ 2,052,955	$ 2,312,422
Exchangeable notes payable	299,500	450,000
Trust preferred securities	129,120	200,000
Contract rights payable	14,435	13,444
Dividends payable	28,297	158,168
Liabilities-discontinued operations	902	119,093
Accounts payable and other liabilities	33,974	49,442
Accrued interest payable	10,822	23,507
Deferred revenue-below market leases, net	155,134	217,389
Prepaid rent	20,352	16,764
	2,745,491	3,560,229
Minority interests	624,839	765,863
	3,370,330	4,326,092
Commitments and contingencies		
Shareholders equity		
Preferred shares, par value $0.0001 per share; authorized 100,000,000 shares,		

Series B Cumulative Redeemable Preferred, liquidation preference $79,000, 3,160,000 shares issued and outstanding	76,315	76,315
Series C Cumulative Convertible Preferred, liquidation preference $129,915 and $155,000, respectively, and 2,598,300 and 3,100,000 shares issued and outstanding in 2008 and 2007, respectively	126,217	150,589
Series D Cumulative Redeemable Preferred, liquidation preference $155,000, 6,200,000 shares issued and outstanding	149,774	149,774
Special Voting Preferred Share, par value $0.0001 per share; 1 share authorized, issued and outstanding		
Common shares, par value $0.0001 per share; authorized 400,000,000 shares, 65,666,569 and 61,064,334 shares issued and outstanding in 2008 and 2007, respectively	6	6
Additional paid-in-capital	1,097,176	1,033,332
Accumulated distributions in excess of net income	(525,788)	(468,167)
Accumulated other comprehensive income (loss)	302	(2,778)
Total shareholders equity	924,002	939,071
	$ 4,294,332	$ 5,265,163

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
EARNINGS PER SHARE AND COMPANY FUNDS FROM OPERATIONS PER SHARE
(Unaudited and in thousands, except share and per share data)

	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2008	Nine Months ended September 30, 2007
EARNINGS PER SHARE:				
Basic:				
Income (loss) from continuing operations	$ (7,110)	$ (11,499)	$ 15,235	$ 1,272
Less preferred dividends	(6,626)	(7,034)	(14,609)	(19,698)
Income (loss) allocable to common shareholders from continuing operations	(13,736)	(18,533)	626	(18,426)
Total income from discontinued operations	3,393	25,962	4,585	44,345
Net income (loss) allocable to common shareholders	$ (10,343)	$ 7,429	$ 5,211	$ 25,919
Weighted average number of common shares outstanding	64,433,457	63,458,167	61,485,277	65,735,321
Income (loss) per common share-basic:				
Income (loss) from continuing operations	$ (0.21)	$ (0.29)	$ 0.01	$ (0.28)
Income from discontinued operations	0.05	0.41	0.07	0.67
Net income (loss)	$ (0.16)	$ 0.12	$ 0.08	$ 0.39
Diluted:				
Income allocable to common shareholders from continuing operations- basic	$ (13,736)	$ (18,533)	$ 626	$ (18,426)
Incremental loss attributed to assumed conversion of dilutive securities			(14,728)	
Income (loss) allocable to common shareholders from continuing operations	(13,736)	(18,533)	(14,102)	(18,426)
Total income from discontinued operations	3,393	25,962	7,002	44,345
Net income (loss) allocable to common shareholders	$ (10,343)	$ 7,429	$ (7,100)	$ 25,919
Weighted average number of common shares used in calculation of basic earnings per share	64,433,457	63,458,167	61,485,277	65,735,321
Add incremental shares representing:				

Shares issuable upon exercise of employee share options/non-vested shares								
Shares issuable upon conversion of dilutive securities						40,304,527		
Weighted average number of shares used in calculation of diluted earnings per share		64,433,457		63,458,167		101,789,804		65,735,321
Income (loss) per common share-diluted:								
Income (loss) from continuing operations	$	(0.21)	$	(0.29)	$	(0.14)	$	(0.28)
Income from discontinued operations		0.05		0.41		0.07		0.67
Net income (loss)	$	(0.16)	$	0.12	$	(0.07)	$	0.39

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
EARNINGS PER SHARE AND COMPANY FUNDS FROM OPERATIONS PER SHARE (Continued)
(Unaudited and in thousands, except share and per share data)

	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2008	Nine Months ended September 30, 2007
COMPANY FUNDS FROM OPERATIONS: (1)				
Basic and Diluted:				
Net income (loss) allocable to common shareholders-basic	$ (10,343)	$ 7,429	$ 5,211	$ 25,919
Adjustments:				
Depreciation and amortization	50,895	67,439	191,636	180,224
Minority interests- OP units	(1,664)	952	(7,043)	14,867
Amortization of leasing commissions	481	346	1,493	882
Joint venture and minority interest adjustment-depreciation	7,874	(1,348)	15,312	1,698
Preferred dividends- Series C	2,110	2,519	1,062	7,556
Gains on sale of properties	(7,374)	(26,980)	(43,792)	(39,808)
Taxes and minority interest on sale of property	1,303		1,387	1,749
Gains on sale of joint venture properties				(34,164)
Company FFO	$ 43,282	$ 50,357	$ 165,266	$ 158,923
Basic:				
Weighted average shares outstanding-basic EPS	64,433,457	63,458,167	61,485,277	65,735,321
Operating partnership units	39,435,581	39,636,305	39,532,762	40,192,868
Preferred Shares- Series C	5,633,894	5,779,330	6,249,276	5,779,330
Weighted average shares outstanding-basic Company FFO	109,502,932	108,873,802	107,267,315	111,707,519
Company FFO per share	$ 0.40	$ 0.46	$ 1.54	$ 1.42
Diluted:				
Weighted average shares outstanding diluted EPS	64,433,457	63,458,167	101,789,804	65,735,321
Employee share option/non-vested shares	5,973	403	8,820	544
Operating partnership units	39,435,581	39,636,305		40,192,868
Preferred Shares- Series C	5,633,894	5,779,330	5,477,511	5,779,330
Weighted average shares outstanding diluted Company FFO	109,508,905	108,874,205	107,276,135	111,708,063

Company FFO per share	$	0.40	$	0.46	$	1.54	$	1.42

[1] Lexington believes that Funds from Operations (FFO) is a widely recognized and appropriate measure of the performance of an equity REIT. Lexington presents FFO because it considers FFO an important supplemental measure of Lexington s operating performance. Lexington believes FFO is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude generally accepted accounting principles (GAAP), historical cost depreciation and amortization of real estate and related assets, which assumes

that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. As a result, FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities, interest costs and other matters without the inclusion of depreciation and amortization, providing perspective that may not necessarily be apparent from net income.

Lexington computes FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, Inc. (NAREIT). FFO is defined by NAREIT as net income (or loss) computed in accordance with GAAP, excluding gains (or losses) from sales of property, plus real estate depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP and is not indicative of cash available to fund cash needs. FFO should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity.

Lexington includes in its calculation of FFO, which Lexington refers to as the Company s funds from operations or Company FFO, Lexington s operating partnership units and Lexington s Series C Cumulative Convertible Preferred Shares because these securities are convertible, at the holder s option, into Lexington s common shares. Management believes this is appropriate and relevant to securities analysts, investors and other interested parties because Lexington presents Company FFO on a company-wide basis as if all securities that are convertible, at the holder s option, into

Lexington s common shares, are converted. Since others do not calculate FFO in a similar fashion, Company FFO may not be comparable to similarly titled measures as reported by others.

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LEXINGTON REALTY TRUST
Major Markets
9/30/2008

	Core Based Statistical Area[2]	% of Annualized GAAP Base Rent at 9/30/2008[1]
1	Dallas-Fort Worth-Arlington, TX	9.3%
2	Los Angeles-Long Beach-Santa Ana, CA	7.1%
3	New York-Northern New Jersey-Long Island, NY-NJ-PA	5.6%
4	Houston-Sugar Land-Baytown, TX	5.5%
5	Memphis, TN-MS-AR	3.5%
6	Baltimore-Towson, MD	3.3%
7	Atlanta-Sandy Springs-Marietta, GA	3.1%
8	Orlando-Kissimmee, FL	2.9%
9	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2.6%
10	Kansas City, MO-KS	2.6%
11	Detroit-Warren-Livonia, MI	2.3%
12	Richmond, VA	2.2%
13	Boston-Cambridge-Quincy, MA-NH	1.9%
14	Charlotte-Gastonia-Concord, NC-SC	1.8%
15	Indianapolis-Carmel, IN	1.8%
16	Chicago-Naperville-Joliet, IL-IN-WI	1.8%
17	Columbus, OH	1.7%
18	Salt Lake City, UT	1.7%
19	Seattle-Tacoma-Bellevue, WA	1.6%
20	Hartford-West Hartford-East Hartford, CT	1.5%
21	Washington-Arlington-Alexandria, DC-VA-MD-WV	1.5%
22	Phoenix-Mesa-Scottsdale, AZ	1.4%
23	San Francisco-Oakland-Fremont, CA	1.4%
24	Beaumont-Port Arthur, TX	1.3%
25	San Antonio, TX	1.3%
26	Cincinnati-Middletown, OH-KY-IN	1.2%
27	Columbus, IN	1.2%
28	Miami-Fort Lauderdale-Pompano Beach, FL	1.2%
29	Las Vegas-Paradise, NV	1.1%
30	Denver-Aurora, CO	1.0%
31	Myrtle Beach-Conway-North Myrtle Beach, SC	1.0%
	Areas which account for 1% or greater of total GAAP base rent [3]	**77.5%**

Footnotes

(1) Calculated by annualizing the three months ended 9/30/2008 GAAP base rent recognized for consolidated properties owned as of 9/30/2008.
(2) A Core Based Statistical Area is the official term for a functional region based around an urban center of at least 10,000 people, based on standards published by the Office of Management and Budget (OMB) in 2000. These standards are used to replace the definitions of metropolitan areas that were defined in 1990.
(3) Total shown may differ from detailed amounts due to rounding.

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LEXINGTON REALTY TRUST
Tenant Industry Diversification
9/30/2008

Industry Category	**% of Annualized GAAP Base Rent at 9/30/2008[1]**
Finance/Insurance	15.0%
Food	9.9%
Energy	9.8%
Technology	9.0%
Automotive	8.7%
Aerospace/Defense	6.4%
Consumer Products/Other	5.6%
Media/Advertising	5.3%
Transportation/Logistics	4.7%
Healthcare	4.7%
Service	4.4%
Construction Materials	2.4%
Retail Department & Discount	2.2%
Printing/Production	2.1%
Telecommunications	1.9%
Other	1.6%
Real Estate	1.4%
Apparel	1.4%
Retail Specialty	1.3%
Security	1.0%
Retail Electronics	1.0%
Health/Fitness	0.1%
Total [2]	100.0%

Footnotes

(1) Calculated by annualizing the three months ended 9/30/2008 GAAP base rent recognized for consolidated properties owned as of 9/30/2008.
(2) Total shown may differ from detailed amounts due to rounding.

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LEXINGTON REALTY TRUST
Other Revenue Data
9/30/2008

	Annualized GAAP Base Rent at 9/30/08 ($000)(1)	Percentage
Asset Class		
Office	$279,140	74.2%
Industrial	$ 68,772	18.3%
Retail	$ 28,184	7.5%
	$376,096	100.0%
Credit Rating		
Investment Grade	$197,712	52.6%
Non-Investment Grade	$ 55,528	14.8%
Unrated	$122,856	32.6%
	$376,096	100.0%

Footnotes

(1) Calculated by annualizing the three months ended 9/30/2008 GAAP base rent recognized for consolidated properties owned as of 9/30/2008.

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LEXINGTON REALTY TRUST
Top 10 Tenants or Guarantors
9/30/2008

Tenant or Guarantor	Number of Leases	Sq. Ft. Leased	Sq. Ft. Leased as a Percent of Consolidated Portfolio[2]	Annualized GAAP Base Rent at 9/30/08 ($000)[1]	Percentage of Annualized GAAP Base Rent at 9/30/2008[1] [2]
Raytheon Company	2	690,595	1.7%	$ 11,720	3.1%
Bank of America	11	735,253	1.8%	10,408	2.8%
Baker Hughes, Inc.	2	720,221	1.7%	9,320	2.5%
Sanofi-aventis U.S., Inc. (Aventis Inc. and Aventis Pharma Holding GmbH)	1	206,593	0.5%	8,840	2.4%
Dana Corporation	6	1,902,414	4.6%	8,300	2.2%
Federal Express Corporation	3	702,976	1.7%	8,164	2.2%
Safeway Stores, Inc.	12	481,344	1.2%	8,000	2.1%
Safeway Stores, Inc.	1	371,392	0.9%	7,968	2.1%
Harcourt, Inc.	2	915,098	2.2%	7,164	1.9%
Morgan, Lewis & Bockius, LLC (3)	1	293,170	0.7%	6,840	1.8%
	41	7,019,056	17.1%	$ 86,724	23.1%

Footnotes

(1) Calculated by annualizing the three months ended 9/30/2008 GAAP base rent recognized for consolidated properties owned as of 9/30/2008.
(2) Total shown may differ from detailed amounts due to rounding.
(3) Includes parking garage operations.

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LEXINGTON REALTY TRUST
Property Leases and Vacancies Consolidated Portfolio 9/30/08

on	City	State	Note	Primary Tenant (Guarantor)	Year Built/Renovat Expanded
	Clinton	CT		Unilever Supply Chain, Inc. (Unilever United States, Inc.)	1972
y	Long Beach	CA		Raytheon Company	1981
vd.	Indianapolis	IN		Damar Services, Inc.	2002
Dr.	Orlando	FL		Harcourt Brace Jovanovich, Inc.	1984
r Dr.	Colorado Springs	CO		Federal Express Corporation	2006
Blvd.	Houston	TX		Newpark Drilling Fluids, Inc. (Newpark Resources, Inc.)	2000
ter Dr.	Los Angeles	CA		Sony Electronics, Inc.	2000
Dr.	Houston	TX		BP America Production Company	1985
	Baltimore	MD		Legg Mason Tower, Inc.	1973
r.	Fishers	IN		Bank One Indiana, N.A.	1999
ositas Blvd.	Pleasanton	CA		NK Leasehold	1984
	Philadelphia	PA	(6)	Sun National Bank	1957/1997
Rd.	Hampton	VA		Nextel Communications of the Mid-Atlantic, Inc. (Nextel Finance Company)	1999
Rd.	Hampton	VA		Nextel Communications of the Mid-Atlantic, Inc. (Nextel Finance Company)	2000
Ave.	Tulsa	OK		Metris Direct (Metris Companies, Inc.)	2000
e Hwy.	Parsippany	NJ		Sanofi-aventis U.S., Inc. (Aventis Inc. and Aventis Pharma Holding GmbH)	1999
Dr.	Glen Allen	VA		Capital One Services, Inc.	2000
r.	Richmond	VA		Circuit City Stores, Inc.	1990
Dr.	Glen Allen	VA		Capital One Services, Inc.	2000
	Beaumont	TX		Honeywell International, Inc.	1981
kham St.	Little Rock	AR		Entergy Arkansas, Inc.	1980
ck Canyon Fwy.	Phoenix	AZ		Bull HN Information Systems, Inc.	1981/1982
Pkwy.	San Antonio	TX		United Healthcare Services, Inc.	2000
	Wallingford	CT		3M Company	1978/1985/1990/
	Palm Beach Gardens	FL		The Wackenhut Corporation	1996
Blvd.	Houston	TX		Transocean Offshore Deepwater Drilling, Inc. (Transocean Sedco Forex, Inc.)	2000
	Cary	NC		Lucent Technologies, Inc.	1999
l Ln.	Johnson City	TN		Sun Trust Bank	1979

	3927 DA Renswoude	The Netherlands		AS Watson (Health and Beauty Continental Europe) BV	1993/1994
d.	Westlake	TX		Daimler Chrysler Services North America, LLC	2001
) Enterprise Court	Lake Forest	CA		Apria Healthcare, Inc. (Apria Healthcare Group, Inc.)	2001
k Pkwy.	Suwanee	GA		Kraft Foods North America, Inc.	2001
128th St.	Clive	IA		Principal Life Insurance Company	2004
	Philadelphia	PA	(6)	Car-Tel Communications, Inc.	1957/1997
	Hebron	KY		Zwicker & Associates, P.C.	1986/1996
r St.	Lakewood	CO		Travelers Express Company, Inc.	2002
cia Ave.	Brea	CA		Bank of America NT & SA	1983
	Hebron	KY		AGC Automotive Americas Company (AFG Industries, Inc.)	1986/1996
vd.	Indianapolis	IN		Allstate Insurance Company	2002
Way	Baton Rouge	LA		Bell South Mobility, Inc.	1997
ter Dr.	Los Angeles	CA		Playboy Enterprises, Inc.	2000

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LEXINGTON REALTY TRUST
Property Leases and Vacancies Consolidated Portfolio 9/30/08

cation	City	State	Note	Primary Tenant (Guarantor)	Year Built/Renovated Expanded
7th St.	Phoenix	AZ		Avnet, Inc.	1997
e Blvd. S	Southington	CT		Hartford Fire Insurance Company	1984
ay Blvd.	Fort Meyers	FL		Gartner, Inc.	1998
Ln.	Hebron	KY		FTJ FundChoice, LLC	1986/1996
ew Blvd.	Fort Mill	SC		Wells Fargo Home Mortgage, Inc.	2004
ears Rd.	Houston	TX		IKON Office Solutions, Inc.	2000
vey Rd.	Bridgeton	MO		BJC Health System	1981
t Pkwy.	Irving	TX		Nissan Motor Acceptance Corporation (Nissan North America, Inc.)	2003
Dodson Dr.	Bedford	TX		Transamerica Life Insurance Company	1984
/Kirkman Rd.	Orlando	FL		Lockheed Martin Corporation	1982
l Rd.	Atlanta	GA		International Business Machines Corporation (Internet Security Systems, Inc.)	2000/2001
ernon Hwy.	Atlanta	GA		International Business Machines Corporation (Internet Security Systems, Inc.)	2004
ise Dr.	Florence	SC	(6)	Washington Mutual Home Loans, Inc.	1998
oad St.	Elizabeth	NJ		Bank of America	1982
ro Rd.	Plainsboro	NJ		Bank of America (Bank of America Corporation)	1983
ark Center Loop	Orlando	FL	(6)	Corinthian Colleges, Inc.	2003
d Dr.	Colorado Springs	CO		Honeywell International, Inc.	1980/1990/2002
Hill Rd.	Palo Alto	CA		Xerox Corporation	1973/1975/1982
te Dr.	Harrisburg	PA		New Cingular Wireless PCS, LLC	1998
St.	Philadelphia	PA		Morgan, Lewis & Bockius, LLC	1957/1997
ahara Ave.	Las Vegas	NV		Nevada Power Company	1982
St.	Chicago	IL		Draftfcb, Inc. (Interpublic Group of Companies, Inc.)	1986
ew Blvd.	Fort Mill	SC		Wells Fargo Bank N.A.	2004
chase Dr.	Houston	TX		Anadarko Petroleum Corporation	2003
	Beaumont	TX		Entergy Gulf States, Inc.	1981
e Ave.	Rockway	NJ		BASF Corporation	1981/2002/2004
oint Blvd.	Knoxville	TN		Alstom Power, Inc.	1997
ord Lake Dr.	Midlothian	VA		Alstom Power, Inc.	2000
Route 202-206	Bridgewater	NJ		Biovail Pharmaceuticals, Inc. (Biovail Corporation)	1985/2003/2004
Ave.	Issaquah	WA		OSI Systems, Inc. (Instrumentarium Corporation)	1992
east 51st St.	Issaquah	WA		OSI Systems, Inc. (Instrumentarium Corporation)	1987
inton St.	Rochester	NY	(6)	Frontier Corporation	1988/2000
ogy Dr.	Canonsburg	PA		ANSYS, Inc.	1996
Ave.	Beaumont	TX		Compass Bank	1977

western Hwy.	Southfield	MI		Federal-Mogul Corporation	1963/1965/1988/19
aren Rd.	Herndon	VA		Equant, Inc. (Equant N.V.)	1984/1988/1992
rpace Hwy.	Parsippany	NJ		Cadbury Schweppes Holdings	1999
al St.	Foxboro	MA		Invensys Systems, Inc. (Siebe, Inc.)	1982/1987
ional Pkwy.	Carrollton	TX		Motel 6 Operating L.P. (Accor S.A.)	2003
ond Ave.	Houston	TX		Baker Hughes, Inc.	1976/1984
Airport Rd.	Sugar Land	TX		Baker Hughes, Inc.	1997
rthington Rd.	Westerville	OH	(5)	InVentiv Communications, Inc.	2000

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	City	State	Note	Primary Tenant (Guarantor)
	Lake Mary	FL		JP Morgan Chase Bank, NA
	Lake Mary	FL		JP Morgan Chase Bank, NA
y.	Phoenix	AZ		Money Management International
	Farmers Branch	TX		Haggar Clothing Company (Texas Holding Clothing Corporation and Haggar Corporation)
	Milford	OH		Siemens Product Lifecycle Management Software, Inc.
	Dallas	TX		Visiting Nurse Association
y.	Phoenix	AZ		Associated Billing Services, LLC
	Memphis	TN		Hnedak Bobo Group, Inc.
	Suwanee	GA		Perkin Elmer Instruments, LLC
	Farmington Hills	MI		TEMIC Automotive of North America, Inc.
	Dallas	TX		Wells Fargo
	Palm Beach Gardens	FL		Office Suites Plus Properties, Inc.
	Coppell	TX		Brinks, Inc.
	Louisville	CO		Global Healthcare Exchange
	Centennial	CO		The Shaw Group, Inc.
	Herndon	VA		US Government
	Hebron	KY		Great American Insurance Company
	3927 DA Renswoude	The Netherlands		AS Watson (Health and Beauty Continental Europe) BV
	Bristol	PA		Jones Management Service Company
	Salt Lake City	UT		Northwest Pipeline Corporation
	Philadelphia	PA	(6)	Brinker Corner Bakery II, LLC
	Carrollton	TX		Carlson Restaurants Worldwide, Inc. (Carlson Companies, Inc.)
	Overland Park	KS		Swiss Re American Holding Corporation
	Dallas	TX		TFC Services (Freeman Decorating Co.)
	Kansas City	MO		Swiss Re American Holding Corporation
	Memphis	TN		Federal Express Corporation
	Columbus	IN		Cummins, Inc.
	Fishers	IN		John Wiley & Sons, Inc.
	Lisle	IL	(5)	National Louis University
	Boca Raton	FL	(6)	Océ Printing Systems USA, Inc. (Oce-USA Holding, Inc.)
	Charleston	SC	(6)	Hagemeyer North America, Inc.

Hilliard	OH	(5)	BMW Financial Services NA, LLC
Wall	NJ		New Jersey Natural Gas Company
Whippany	NJ		CAE SimuFlite, Inc.
Boston	MA		Harvard Vanguard Medical Assoc.
Irving	TX		TXU Energy Retail Company, LLC (Texas Competitive Electric Holdings Company, LLC)
Lenexa	KS	(6)	Applebee's Services, Inc. (DineEquity, Inc.)
Omaha	NE		Infocrossing, LLC (Infocrossing, Inc.)
Tempe	AZ		(i) Structure, LLC (Infocrossing, Inc.)

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Property Location	City	State	Note	Primary Tenant (Guarantor)	Year Built/Renovated/ Expanded	Sq.Ft. Leased or Available (1)	Annualize Cash Rent ($000) (2)
0 Light St.	Baltimore	MD		(Available for Lease)	1973	12,648	0
0 Clairemont Ave.	Decatur	GA		(Available for Lease)	1983	86,917	0
00 Viceroy Dr.	Dallas	TX		(Available for Lease)	1986	54,642	0
01 Market St.	Philadelphia	PA		Parking Operators	1957/1997		2,376
00 L. Don Dodson Dr.	Bedford	TX		(Available for Lease)	1984	143,208	0
5 California St.	San Francisco	CA		(Available for Lease)	1959	12,435	0
404 Drake Rd.	Farmington Hills	MI		(Available for Lease)	1999	108,499	0
0 Pine St.	Beaumont	TX		(Available for Lease)	1981	112,408	0
01 Gaston Ave.	Dallas	TX		(Available for Lease)	1970/1981	67,520	0
3 Main St. & 849 Front St.	Evanston	WY		(Available for Lease)	1983	7,608	0
430 North Black Canyon Fwy.	Phoenix	AZ		(Available for Lease)	1981/1982	50,143	0
0 East Shore Dr.	Glen Allen	VA		(Available for Lease)	1999	3,263	0
70 Cartwright Rd.	Irvine	CA		(Available for Lease)	1982	44,531	0
ng St.	Honolulu	HI		(Available for Lease)	1979/2002	6,165	0
0 Light St.	Baltimore	MD		Multi-Tenant	1973	139,200	4,552
0 Clairemont Ave.	Decatur	GA		Multi-Tenant	1983	34,769	648
5 California St.	San Francisco	CA		Multi-Tenant	1959	157,492	4,204
0 Pine St.	Beaumont	TX		Multi-Tenant	1981	180,339	2,932
01 Gaston Ave.	Dallas	TX		Multi-Tenant	1970/1981	89,904	1,172
3 Main St. & 849 Front St.	Evanston	WY		Multi-Tenant	1983	21,892	116
0 East Shore Dr.	Glen Allen	VA		Multi-Tenant	1999	64,245	1,196
70 Cartwright Rd.	Irvine	CA		Multi-Tenant	1982	104,663	2,616
ng St.	Honolulu	HI		Multi-Tenant	1979/2002	223,898	1,444
/WEIGHTED AVERAGE				96.0% Leased		17,791,415	$ 290,984

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	Date of Lease Expiration	Property Location	City	State	Note	Primary Tenant (Guarantor)	Year Built/Renovated/ Expanded	Sq.Ft. Leased or Available (1)	Annualized Cash Rent ($000) (2)	Annu GA R ($0 (3
IAL IES										
008	9/30/2008	191 Arrowhead Dr.	Hebron	OH		Owens Corning Insulating Systems, LLC	1999	102,960	276	1
	12/31/2008	1665 Hughes Way	Long Beach	CA		Raytheon Company	1981	200,541	2,984	1,
009	5/31/2009	200 Arrowhead Dr.	Hebron	OH		Owens Corning Insulating Systems, LLC	2000	401,260	1,028	