LEXINGTON REALTY TRUST
Form 10-K
March 01, 2007

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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, 2006

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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, 2006, which was the last business day of the Registrant s most recently completed second fiscal quarter was $ 1,057,724,480 based on the closing price of common shares as of that date, which was $21.60 per share.

Number of common shares outstanding as of February 23, 2007 was 70,232,063.

Certain information contained in the Definitive Proxy Statement for Registrant s 2007 Annual Meeting of Shareholders, to be held on May 22, 2007 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 en
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, 2006.

All references to 2006, 2005 and 2004 refer to our fiscal years ended, or the dates, as the context requires, December 31, 2006, December 31, 2005, and December 31, 2004, 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, does not include the business and operations of Newkirk, and (B) the information in this Annual Report regarding items in our Consolidated Balance Sheet, includes 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, pr
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 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, 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.

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 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 either currently redeemable or in the future will be redeemable at the option of the holder for cash based on the value of one of our common shares or, if we elect, on a one-for-one basis for our common shares.

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: 8.05% Series B Cumulative Redeemable Preferred Stock, which we refer to as our Series B Preferred Shares, 6.50% Series C Cumulative Convertible Preferred Stock, which we refer to as our Series C Preferred Shares, 7.55% Series D Cumulative Redeemable Preferred Stock, which we refer to as our Series D Preferred Shares, and 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 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.

Following the completion of the Merger, we had ownership interests in approximately 365 properties, located in 44 states and The Netherlands and containing an aggregate of approximately 58.9 million net rentable square feet of space, approximately 97.5% of which is subject to a lease. In addition, Lexington Realty Advisors, Inc., which we refer to as LRA, one of our wholly-owned taxable REIT subsidiaries, manages two properties for an unaffiliated third party.

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, 2006, our ten largest tenants/guarantors, which occupied 38 of our properties, represented 30.1% of our trailing twelve 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, 2005 and 2004, our ten largest tenants/guarantors represented 30.4% and 34.2% of our trailing twelve 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 2006, 2005 and 2004, no tenant/guarantor represented greater than 10% of our annual base rental revenue.

Objectives and Strategy

We grow our portfolio through (i) strategic transactions with other real estate investment companies, (ii) acquisitions of individual properties and portfolios of properties from: (A) corporations and other entities in sale/leaseback transactions; (B) developers of newly-constructed properties built to suit the needs of a corporate tenant; and (C) sellers of properties subject to an existing lease, (iii) debt investments secured by real estate assets and (iv) the building and acquisition of new business lines and operating platforms.

As part of our ongoing business efforts, we expect to continue to (i) effect strategic transactions and portfolio and individual property acquisitions and dispositions, (ii) explore new business lines and operating platforms, (iii) expand existing properties, (iv) execute new leases with investment grade and other quality tenants, (v) extend lease maturities in advance of expiration and (vi) refinance outstanding indebtedness when advisable. Additionally, we expect to 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.

Acquisition Strategies

We seek to enhance our net lease property portfolio through acquisitions of debt and equity interests in general purpose, efficient, well-located properties in growing markets. Prior to effecting any acquisitions, we analyze the (i) property s design, construction quality, efficiency, functionality and location with respect to the immediate sub-market, city and region; (ii) lease integrity with respect to term, rental rate increases, corporate guarantees and property maintenance provisions; (iii) present and anticipated conditions in the local real estate market; and (iv) 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 outstanding risk-adjusted yields through strategic transactions. Our strategic initiatives involve the acquisitions of assets across 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 opportunistic assets, significant equity interests in other single-tenant companies including through mergers and acquisitions activity, and participation in strategic partnerships and joint ventures both domestically and abroad.

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Acquisitions of Portfolio and Individual Net Lease Properties. We seek to acquire portfolio and individual properties from: (A) creditworthy corporations and other entities in sale/leaseback transactions for properties that are integral to the sellers /tenants ongoing operations, (B) 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, and (C) sellers of properties subject to an existing lease. We believe there is significantly less competition for the acquisition of property portfolios containing a number of net leased properties located in more than one geographic region. We also 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. We seek to acquire senior and subordinated debt interests secured by both net-leased and multi-tenanted real estate collateral. In addition to several mortgage notes owned by us, the MLP holds a 50.0% interest in a joint venture, Concord Debt Holdings LLC, which recently closed its first collateralized debt obligation, which we refer to as the CDO offering. The MLP s joint venture partner and holder of the other 50% interest is Winthrop Realty Trust, which we refer to as Winthrop, a REIT listed on the NYSE. Our Executive Chairman, Michael L. Ashner, is the Chairman and Chief Executive Officer of Winthrop. An aggregate of $377 million of investment grade-related debt was issued in the CDO offering and the joint venture retained an equity investment in the portfolio with a notional amount of $88 million. The MLP anticipates that the joint venture will significantly expand its operations in the foreseeable future.

Competition

Through our predecessor entities we have been in the net lease business for over 30 years. Over this period, we have established close relationships with a large number of major corporate tenants, which has enabled us to maintain a broad network of contacts including 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 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: the MLP, Lepercq Corporate Income Fund L.P., Lepercq Corporate Income Fund II L.P. and Net 3 Acquisition L.P. We refer to these subsidiaries as our operating partnerships and to limited partnership interests in these operating partnerships as OP units. The operating partnership 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 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. In addition to the MLP Units, during 2006, one of our operating partnerships issued 33,954 OP units (having a value of $0.8 million at issuance) as partial consideration in an acquisition of a property. During 2005, one of our operating partnerships issued 352,244 OP units in exchange for all of the outstanding partnership interests in Westport View Corporate Center L.P., a Delaware limited partnership and the beneficiary of an escrow account with a qualified intermediary holding $7.7 million in remaining cash proceeds from the sale of an investment property. As of December 31, 2006, there were 41,191,115 OP units outstanding, other than OP units held directly or indirectly by us.

Co-Investment Programs

Lexington Acquiport Company, LLC. In 1999, we entered into a joint venture agreement with The Comptroller of the State of New York as Trustee of the Common Retirement Fund, which we refer to as CRF. The joint venture entity, Lexington Acquiport Company, LLC, which we refer to as LAC, was created to acquire high quality office and industrial real estate properties net leased to investment and non-investment grade single tenant users. We committed to make equity contributions to LAC of up to $50.0 million and CRF committed to make equity contributions to LAC of up to $100.0 million. These commitments have been satisfied and no more investments will be made by LAC unless to complete a tax-free exchange.

LRA has a management agreement with LAC and a separate partnership owned by us and CRF whereby LRA performs certain services for a fee relating to the acquisition and management of the investments owned by LAC and the separate partnership.

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Lexington Acquiport Company II, LLC. In December 2001, we entered into a second joint venture agreement with CRF. The joint venture entity, Lexington Acquiport Company II, LLC, which we refer to as LAC II, was created to make the same investments as LAC. We have committed to make equity contributions to LAC II of up to $50.0 million and CRF has committed to make equity contributions to LAC II of up to $150.0 million. As of December 31, 2006, an aggregate of $135.1 million of these commitments had been funded.

LRA has a management agreement with LAC II whereby LRA performs certain services for a fee relating to the acquisition and management and direct placement of all mortgage debt. LAC II did not acquired any properties in 2006.

We are required to first offer to LAC II 50% of our opportunities to acquire office and industrial properties generally requiring a minimum investment of $15.0 million, which are net leased primarily to investment grade tenants for a minimum term of ten years, are available for immediate delivery and satisfy other specified investment criteria. Only if CRF elects not to approve LAC II s pursuit of an acquisition opportunity may we pursue the opportunity directly.

Lexington/Lion Venture L.P. In October 2003, we entered into a joint venture agreement with Clarion Lion Properties Fund through two of its subsidiaries, which we collectively refer to as Clarion. The joint venture entity, Lexington/Lion Venture L.P., which we refer to as LION, was created to acquire high quality single tenant office, industrial and retail properties net leased to investment and non-investment grade tenants. We initially committed to make equity contributions to LION of up to $30.0 million and Clarion initially committed to make equity contributions to LION of up to $70.0 million. In 2004, each of us and Clarion increased our equity commitment by $25.7 million and $60.0 million, respectively. These commitments have been satisfied and no additional properties will be acquired unless both parties agree. During 2006, LION made one acquisition for a capitalized cost of $28.4 million, of which $18.4 million was funded through the procurement of a non-recourse mortgage, which bears interest at a fixed rate of 6.1% and matures in 2016.

LRA has a management agreement with LION whereby LRA performs certain services for a fee relating to acquisition, financing and management of LION s investments.

Triple Net Investment Company LLC. In June 2004, we entered into a joint venture agreement with the Utah State Retirement Investment Fund, which we refer to as Utah. The joint venture entity, Triple Net Investment Company LLC, which we refer to as TNI, was created to acquire high quality single tenant office and industrial properties net leased to non-investment grade tenants; however, TNI has acquired retail properties. We initially committed to fund equity contributions to TNI of up to $15.0 million and Utah initially committed to fund equity contributions to TNI of up to $35.0 million. In December 2004, each of us and Utah increased our equity commitment by $21.4 million and $50.0 million, respectively. As of December 31, 2006, an aggregate of $86.9 million of these commitments had been funded. During 2006, TNI made one acquisition for a capitalized cost of $13.5 million, of which $9.5 million was funded through the procurement of a non-recourse mortgage, which bears interest at a fixed rate of 5.9% and matures in 2018.

LRA has a management agreement with TNI whereby LRA performs certain services for a fee relating to acquisition, financing and management of TNI s investments.

We are required to first offer to Utah all of our opportunities (other than the opportunities we are required to offer LAC II) to acquire office and industrial properties requiring a minimum investment of $8.0 million to $30.0 million, which are net leased to non-investment grade tenants for a minimum term of at least nine years, are generally available for immediate delivery and satisfy other specified investment criteria. Only if Utah elects and any overlapping co-investment program with a similar exclusively right elects, not to approve TNI s pursuit of an acquisition opportunity may we pursue the opportunity directly.

Lexington Columbia L.L.C. In 1999, we formed a joint venture, Lexington Columbia L.L.C., which we refer to as Lex Columbia, with a third party to own a property net leased to Blue Cross Blue Shield of South Carolina, Inc. We hold a 40% interest in Lex Columbia. LRA has a management agreement with Lex Columbia whereby LRA performs certain services for a fee relating to the ownership and management of the property owned by Lex Columbia.

Oklahoma City, Oklahoma TIC. In 2005, we sold to a third party, at cost, a 60% tenancy in common interest in our Oklahoma City, Oklahoma property net leased primarily to AT&T Wireless Services Inc., which we acquired during

2005, for $4.0 million in cash and the assumption of $8.8 million in non-recourse mortgage debt. LRA has a management agreement with the tenancy in common, whereby LRA performs certain services for a fee relating to the ownership and management of the property.

Lexington Strategic Asset Corp. In October 2005, we contributed four properties (three of which were subject to non-recourse mortgages aggregating $21.3 million) to Lexington Strategic Asset Corp., which we refer to as LSAC, in exchange for approximately 3.3 million shares of common stock of LSAC valued at $10.00 per share. In addition, LSAC sold in its initial private offering, 6.7 million shares of common stock, at $10.00 per share, generating net proceeds, after offering costs and expenses, of $61.6 million. Due to our ownership percentage (approximately 32% of the fully diluted outstanding shares of common stock) in LSAC, our investment in LSAC was accounted for under the equity method until November 1, 2006. During 2006, we purchased directly from third party stockholders approximately 4.6 million common shares of LSAC, at $9.30 per share, which increased our ownership to approximately 76% of the fully diluted outstanding shares of common stock as of December 31, 2006. Due to this increased ownership percentage, LSAC became a consolidated entity as of November 1, 2006.

LRA earns an advisory fee from LSAC for performing day-to-day management duties for LSAC. In addition, LRA is entitled to receive incentive distributions upon LSAC exceeding certain performance thresholds. Certain of our officers were granted the right to 40% of the incentive distributions earned by LRA. As of December 31, 2006, no incentive distributions have been earned. Also, these officers purchased an aggregate of (A) 220,000 shares of common stock of LSAC for $0.1 million at LSAC s formation in August of 2005 and (B) 100,000 shares of common stock for $1.0 million in LSAC s initial private offering.

During 2006, LSAC acquired eight properties for an aggregate capitalized cost of $82.5 million and obtained $62.0 million in non-recourse mortgages, which bear interest at a fixed weighted-average rate of 6.1% and mature between 2016 and 2021. During 2005, LSAC acquired two properties for an aggregate capitalized cost of $25.0 million. In addition, LSAC obtained a $10.1 million non-recourse mortgage note, secured by one of the properties contributed by us, which bears interest at a fixed rate of 5.5% and matures in 2020.

We adopted a conflicts policy with respect to LSAC. Under the conflicts policy we are required to first offer to LSAC, subject to the first offer rights of LAC II and TNI, all of our opportunities to acquire (i) general purpose real estate net leased to unrated or below investment grade credit tenants, (ii) net leased special purpose real estate located in the United States, such as medical buildings, theaters, hotels and auto dealerships, (iii) net leased properties located in the Americas outside of the United States with rent payments denominated in United States dollars which are typically leased to U.S. companies, (iv) specialized facilities in the United States supported by net leases or other contracts where a significant portion of the facility s value is in equipment or other improvements, such as power generation assets and cell phone towers, and (v) net leased equipment and major capital assets that are integral to the operations of LSAC s tenants and LSAC s real estate investments. To the extent that a specific investment opportunity, which is not otherwise subject to a first offer obligation to LAC II or TNI, is determined to be suitable to us and LSAC, the investment opportunity will be allocated to LSAC. Where full allocation to LSAC is not reasonably practicable (for example, if LSAC does not have sufficient capital), we may allocate a portion of the investment to ourselves after determining in good faith that such allocation is fair and reasonable. We will apply the foregoing allocation procedures between LSAC and any investment funds or programs, companies or vehicles or other entities that we control which have overlapping investment objectives with LSAC.

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, including through non-consolidated entities, seek to extend our leases in advance of their expiration in order to maintain a balanced lease rollover schedule and high occupancy levels. During 2006, we entered into nine lease extensions for leases scheduled to expire at various dates ranging from 2006 to 2008, for an average 2.8 years and 6 leases (expiring at various dates ranging from 2011 to 2021) for vacant space.

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 when we believe that the return realized from selling a property will exceed the expected return from continuing to hold such property.

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Access to Capital and Refinancing Existing Indebtedness

Capital Markets. 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.

In February 2007, we completed an offering of 6.2 million Series D Preferred Shares, at $25 per share and a dividend rate of 7.55%, raising net proceeds of $150.0 million.

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, in connection with the exercise of an underwriters over-allotment option, at $50 per share and a dividend rate of 6.50%, raising net proceeds of $19.5 million.

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

In January 2007, the MLP issued $300.0 million in 5.45% guaranteed exchangeable notes due in 2027, which can be put by the holder every five years commencing 2012. The net proceeds of $292.7 were used to repay indebtedness under the MLP s secured loan.

During 2005, we, including through non-consolidated entities, obtained $840.3 million in non-recourse mortgage financings on properties at a fixed weighted average interest rate of 5.2%. The proceeds of the financings were used to partially fund acquisitions.

Credit Facility. 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, 2006, we were in compliance with all covenants and $65.2 million was outstanding, $133.0 million was available to be borrowed and $1.8 million in letters of credit were outstanding under the credit facility.

The MLP has a secured loan, which bears interest at the election of the MLP at a rate equal to either (i) LIBOR plus 175 basis points or (ii) the prime rate. As of December 31, 2006, $547.2 million was outstanding under the secured loan. The secured loan is scheduled to mature in August 2008, subject to two one year extensions. The secured loan requires monthly payments of interest and quarterly principal payments of approximately $1.9 million during the term of the secured loan, increasing to $2.5 million per quarter during the extension periods. The MLP is also required to make principal payments from the proceeds of property sales, refinancing and other asset sales 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 for property sales and 100% of proceeds from refinancing, economic discontinuance, insurance settlements and condemnations. The secured loan has customary covenants which the MLP was in compliance with at December 31, 2006.

Common Share Repurchases. In November 2005, our Board of Trustees approved the repurchase of up to 2.0 million common shares/OP units under a share repurchase program. During 2006, approximately 0.5 million common shares/OP units were repurchased at an average cost of $21.15 per share, in the open market and through private transactions with our employees.

Advisory Contracts

In addition to the contracts discussed above, in August 2000, 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 a promoted interest of 16% of the return in excess of an internal rate of return of 10% earned by the investment fund. The investment fund made no purchases in 2006 or 2005.

The MLP entered into an agreement with a third party in which the MLP will pay the third party for properties acquired in which the third party serves as the identifying party (i) 1.5% of the gross purchase price and (ii) 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 a December 31, 2006, 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, 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 (i) the discovery of environmental conditions, the existence or severity of which were previously unknown, (ii) changes in law, (iii) the conduct of tenants or (iv) 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, 2006, we had 56 full-time employees.

Industry Segments. We operate in one industry segment, investment in net leased real properties.

Web Site. Our Internet address is www.lxp.com and the investor relations section of our web site is located at http://phx.corporate-ir.net/phoenix.zhtml?c=88679&p=irol-irhome. We make available free of charge, on or through the investor relations section of our web site, 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, our Complaint Procedures Regarding Accounting and Auditing Matters and our Policy on Disclosure Controls. Within the time period required by the SEC and the New York Stock Exchange, 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, Dallas, Texas and Boston, Massachusetts.

NYSE CEO Certification. Our Chief Executive Officer made an unqualified certification to the New York Stock Exchange with respect to our compliance with the New York Stock Exchange corporate governance listing standards in June 2006.

Item 1A. *Risk Factors*

Set forth below are material factors that may adversely affect our business and operations. All references to the Company, we, our and us in this Item 1A mean Lexington Realty Trust and all entities owned by us, including non-consolidated entities, except where it is made clear that the term means only the parent company.

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.

In March 2006, Dana Corporation, which we refer to as Dana, a tenant in 11 of our properties (including non-consolidated entities), filed for Chapter 11 bankruptcy. Dana succeeded on motions to reject leases on two of our properties and those of a non-consolidated entity and has affirmed the nine other leases. During the second quarter of 2006, we recorded an impairment charge of $1.1 million and accelerated amortization of an above-market lease of $2.3 million, relating to the write-off of lease intangibles and the above market lease for the disaffirmed lease of a consolidated property. During the fourth quarter of 2006, we recorded an additional impairment charge of approximately $6.1 million relating to this property. In addition, our proportionate share from a non-consolidated entity of the impairment charge and accelerated amortization of an above-market lease for a disaffirmed lease was $0.6 million and $1.4 million, respectively. In addition, we sold our bankruptcy claim (including our interest through a non-consolidated entity) related to the two rejected leases for approximately $7.1 million, which resulted in a gain of $6.9 million.

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, 2006, our 10 largest tenants/guarantors, which occupied 38 properties, represented approximately 30.1% of our base rental revenue for the year ended December 31, 2006, 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 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.

Our credit facility and the MLP s secured loan each contain cross-default provisions to, with respect to our credit facility, our other material indebtedness (as defined therein), and, with respect to the MLP s secured loan, the MLP s other indebtedness. In the event of a default on such other material indebtedness, the indebtedness under our credit facility or the MLP s indebtedness under its secured loan, as applicable, could be accelerated. Depending upon the amount of indebtedness under our credit facility and the MLP s secured loan, such an acceleration could have a material adverse impact on our financial condition and results of operations. Our current credit facility and the MLP s secured loan also each contain various covenants which limit the amount of secured, unsecured and variable-rate indebtedness we may incur and restricts the amount of capital we may invest in specific categories of assets in which we may otherwise want to invest.

Market interest rates could have an adverse effect on our borrowing costs and net income 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, 2006, we had outstanding $65.2 million in variable-rate indebtedness. The $547.2 million outstanding under the MLP s secured loan, as of December 31, 2006, is subject to an interest rate swap agreement and an interest rate cap agreement, which have the effect of fixing the interest rate on the borrowings. 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.

We face risks associated with refinancings.

A significant number of our properties are subject to mortgage notes with balloon payments due at maturity. As of December 31, 2006, the consolidated scheduled balloon payments for the next five calendar years, are as follows:

2007	$0;
2008	$631.1 million;
2009	$60.8 million;
2010	$56.6 million; and
2011	$108.7 million.

As of December 31, 2006, the scheduled balloon payments on our joint venture real properties for the next five calendar years were as follows:

	Total	Our Proportionate Share
2007	$43.9 million	$21.9 million
2008	$0	$0
2009	$69.0 million	$23.6 million
2010	$61.6 million	$20.5 million
2011	$67.0 million	$21.7 million

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

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, available mortgage rates, the lease terms 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.

On January 5, 2006, we announced that we informed the holder of the non-recourse mortgage on one of our properties located in Milpitas, California that we will no longer make debt service payments as a result of a vacancy caused by the expiration of the lease on this property in December 2005. As a result of this decision, we recorded an impairment charge of approximately $12.1 million in the fourth quarter of 2005, which was equal to the difference between this property s net book value (approximately $17.3 million) and our estimate of the property s fair market value (approximately $5.2 million). During the second quarter of 2006, the property was conveyed to the lender in full satisfaction of the mortgage, which resulted in a gain on debt satisfaction of $6.3 million. During the third quarter of 2006, the tenant in our Warren, Ohio property exercised its option to purchase the property at fair market value, as defined in the purchase agreement. We have received appraisals that estimate that the maximum fair market value, as defined, will not exceed approximately $15.8 million. As a result of the exercise of the purchase option, we recorded an impairment charge of $28.2 million (including $6.6 million applicable to minority interest) in the third quarter of 2006.

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. 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.

This risk is increased as a result of the Merger since the current lease term of many of the MLP s properties, including joint ventures, will expire over the next three years and the renewal rates are lower than the current market rates. As of December 31, 2006, the MLP has 105 leases, with an estimated straight-line rent of $107.7 million, scheduled to expire by the end of 2009.

Certain of our properties are cross-collateralized.

As of December 31, 2006, the mortgages on three sets of two properties are cross-collateralized: (1) Canton, Ohio and Spartansburg, South Carolina leased to Best Buy Co. Inc., (2) 730 N. Black Branch Road, Elizabethtown, Kentucky and 750 N. Black Branch Road, Elizabethtown, Kentucky leased to Dana Corporation, and (3) Dry Ridge, Kentucky and Owensboro, Kentucky leased to Dana Corporation. Furthermore, all properties of the MLP s subsidiaries that are not encumbered by property specific debt are cross-collateralized under the MLP s secured loan and, in addition, one set of four properties is cross-collateralized. 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.

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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 and a report by our independent registered public accounting firm addressing these assessments. 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 joint venture investments.

Our joint venture investments constitute a significant portion of our assets and will constitute a significant component of our growth strategy. Our joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our joint venture 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 joint venture investments include impasse on decisions, such as a sale, because neither we nor a joint venture partner have full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in joint ventures.

One of the joint ventures, Concord Debt Holdings LLC, is owned equally by the MLP and a subsidiary of Winthrop. This joint venture, which recently completed a CDO offering, is managed by an investment committee which consists of five members, two members appointed by each of the MLP and Winthrop (with one appointee from each of the MLP and Winthrop qualifying as independent) and the fifth member appointed by FUR Holdings LLC, the 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 three members of the investment committee appointed by the MLP and Winthrop. Accordingly, the joint venture 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 Transactions is also the Chairman and Chief Executive Officer of Winthrop and managing member of FUR Holdings LLC.

Joint venture investments may conflict with our ability to make attractive investments.

Under the terms of our active joint venture with the CRF, we are required to first offer to the joint venture 50% of our opportunities to acquire office and industrial properties requiring a minimum investment of $15.0 million which are net leased primarily to investment grade tenants for a minimum term of ten years, are available for immediate delivery and satisfy other specified investment criteria.

Similarly, under the terms of our joint venture with Utah, unless 75% of Utah s capital commitment is funded, we are required to first offer to the joint venture all of our opportunities to acquire certain office, bulk warehouse and distribution properties requiring an investment of $8.0 million to $30.0 million which are net leased primarily to non-investment grade tenants for a minimum term of at least nine years and satisfy other specified investment criteria, subject also to our obligation to first offer such opportunities to our joint venture with CRF.

Our Board of Trustees adopted a conflicts policy with respect to us and LSAC, a real estate investment company that we advise. Under the conflicts policy, we are required to first offer to LSAC, subject to the first offer rights of CRF and Utah, all of our opportunities to acquire: (i) general purpose real estate net leased to unrated or below investment grade credit tenants; (ii) net leased special purpose real estate located in the United States, such as medical buildings, theaters, hotels and auto dealerships; (iii) net leased properties located in the Americas outside of the United States with rent payments denominated in United States dollars with such properties typically leased to U.S. companies; (iv) specialized facilities in the United States supported by net leases or other contracts where a significant portion of the facility s value is in equipment or other improvements, such as power generation assets and cell phone towers; and (v) net leased equipment and major capital assets that are integral to the operations of LSAC s tenants and LSAC s real estate investments. To the extent that a specific investment opportunity, which is not otherwise subject to a first offer obligation to our joint ventures with CRF or Utah, is determined to be suitable to us and LSAC, the investment opportunity will be allocated to

LSAC. If full allocation to LSAC is not reasonably practicable (for example, if LSAC does not have sufficient capital), we may allocate a portion of the investment to ourselves after determining in good faith that such allocation is fair and reasonable. We will apply the foregoing allocation procedures between LSAC and any investment funds or programs, companies or vehicles or other entities that we control or which have overlapping investment objectives with LSAC.

Only if a joint venture partner elects not to approve the applicable joint venture s pursuit of an acquisition opportunity or the applicable exclusivity conditions have expired may we pursue the opportunity directly. As a result of the foregoing rights of first offer, we may not be able to make attractive acquisitions directly and may only receive an interest in such acquisitions through our interest in these joint ventures.

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, 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 Internal Revenue Code of 1986, as amended (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 seven 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 and recent annual bonuses, as defined in the employment agreements. The provisions of these agreements could deter a change of control of us. Accordingly, these payments may discourage a third party from acquiring us.

Limitation due to our ability to issue preferred shares. Our declaration of trust authorizes the 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 and our special voting preferred stock 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, certain holders of MLP securities 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 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 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 LSAC and other 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.

Our operations and the operations of Newkirk may not be integrated successfully, and the intended benefits of the Merger may not be realized.

The Merger presents 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 December 31, 2006 (after the exchange of all shares of Newkirk in the Merger), Michael L. Ashner and Winthrop collectively owned 3,604,000 of our outstanding common shares and Mr. Ashner, Vornado Realty Trust, which we refer to as Vornado, and Apollo Real Estate Investment Fund III, L.P., which we refer to as Apollo, collectively owned 27,684,378 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 28.4% ownership interest in us, as of December 31, 2006 (after the exchange of all shares of Newkirk in the Merger). 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.

E. Robert Roskind, our Co-Vice Chairman, owned, as of December 31, 2006, 819,656 of our common shares and 1,565,282 units of our limited partnership interest in our other operating partnerships, which are redeemable for, at our election, cash or our common shares. On a fully diluted basis, Mr. Roskind held a 2.2% ownership interest in us as of December 31, 2006 (after the exchange of all shares of common stock of Newkirk in the Merger).

Future issuances of shares pursuant to existing contractual arrangements may have adverse effects on our stock price.

The joint ventures described below each have a provision in their respective joint venture agreements permitting the joint venture partner to sell its equity position to us. In the event that any of the joint venture partners exercises its right to sell its equity position to us, and we elect to fund the acquisition of such equity position with our common shares, such venture partner could acquire a large concentration of our common shares.

In 1999, we entered into a joint venture agreement with CRF to acquire properties. This joint venture and a separate partnership established by the partners has made investments in 13 properties for an aggregated capitalized cost of $390.5 million and no additional investments will be made unless they are made pursuant to a tax-free exchange. We have a 33.33% equity interest in this joint venture. In December 2001, we formed a second joint venture with CRF to acquire additional properties in an aggregate amount of up to approximately $560.0 million. We have a 25% equity interest in this joint venture. As of December 31, 2006, this second joint venture has invested in 13 properties for an aggregate capitalized cost of $421.9 million.

Under these joint venture agreements, CRF has the right to sell its equity position in the joint ventures to us. In the event CRF exercises its right to sell its equity interest in either joint venture to us, we may, at our option, either issue our common shares to CRF for the fair market value of CRF s equity position, based upon a formula contained in the respective joint venture agreement, or pay cash to CRF equal to 110% of the fair market value of CRF s equity position. We have the right not to accept any property in the joint ventures (thereby reducing the fair market value of CRF s equity position) that does not meet certain underwriting criteria. In addition, the joint venture agreements contain a mutual buy-sell provision in which either CRF or us can force the sale of any property.

In October 2003, we entered into a joint venture agreement with Clarion, which has made investments in 17 properties for an aggregate capitalized cost of $487.0 million. No additional investments will be made unless they are made pursuant to a tax-free exchange or upon the mutual agreement of Clarion and us. We have a 30% equity interest in this joint venture. Under the joint venture agreement, Clarion has the right to sell its equity position in the joint venture to us. In the event Clarion exercises its right to sell its equity interest in the joint venture to us, we may, at our option, either issue our common shares to Clarion for the fair market value of Clarion s equity position, based upon a formula contained in the partnership agreement, or pay cash to Clarion equal to 100% of the fair market value of Clarion s equity position. We have the right not to accept any property in the joint venture (thereby reducing the fair market value of Clarion s equity position) that does not meet certain underwriting criteria. In addition, the joint venture agreement contains a mutual buy-sell provision in which either Clarion or us can force the sale of any property.

In June 2004, we entered in a joint venture agreement with Utah which was expanded in December 2004, to acquire properties in an aggregate amount of up to approximately $345.0 million. As of December 31, 2006, this joint venture has made investments in 15 properties for an aggregate capitalized cost of $247.0 million. We have a 30% equity interest in this joint venture. Under the joint venture agreement, Utah has the right to sell its equity position in the joint venture to us. This right becomes effective upon the occurrence of certain conditions. In the event Utah exercises its right to sell its equity interest in the joint venture to us, we may, at our option, either issue our common shares to Utah for the fair market value of Utah s equity position, based upon a formula contained in the joint venture agreement, or pay cash to Utah equal to 100% of the fair market value of Utah s equity position. We have the right not to accept any property in the joint venture (thereby reducing the fair market value of Utah s equity position) that does not meet certain underwriting criteria. In addition, the joint venture agreement contains a mutual buy-sell provision in which either Utah or us can force the sale of any property.

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

Following the completion of the Merger, an aggregate of approximately 41,207,615 of our common shares became issuable upon: (i) the exchange of units of limited partnership interests in our operating partnership subsidiaries (41,191,115 common shares in the aggregate), and (ii) the exercise of outstanding options under our equity-based award plans (16,500 common shares). 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 have filed a registration statement with the SEC that registers 35,505,267 of our common shares issuable on the redemption of outstanding MLP units to be sold. The registration statement also covers the resale of 3,500,000 of our common shares owned by Winthrop, which shares were previously subject to a lock up agreement that terminated on closing of the Merger, and 9,000 of our common shares held by The LCP Group L.P., whose chairman is E. Robert Roskind, our Co-Vice Chairman. The sale of these shares could result in a decrease in the market price 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 will be dependent on our executive officers for strategic business direction and real estate experience. Prior to the Merger, we had entered into employment agreements with 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, Patrick Carroll, our Executive Vice President, Chief Financial Officer and

Treasurer, John B. Vander Zwaag, our Executive Vice President, and Paul Wood, our Vice President, Chief Accounting Officer and Secretary. Upon the completion of the Merger, we entered into an employment agreement with Michael L. Ashner, Newkirk s former Chairman and Chief Executive Officer. 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.

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, 2006, we owned or had interests in approximately 58.9 million square feet of rentable space in approximately 365 office, industrial and retail properties. As of December 31, 2006, our properties were 97.5% 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.

Ground Leases. We, including through non-consolidated entities, have numerous properties that 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. We generally use fixed rate, non-recourse mortgages to partially fund the acquisition of real estate. As of December 31, 2006, we had outstanding mortgages, including mortgages classified as discontinued operations, of $2.1 billion with a weighted average interest rate of 6.1%.

Table Regarding Real Estate Holdings

The tables on the following pages sets forth certain information relating to the pre-merger real property portfolio of Lexington Corporate Properties Trust, or the Lexington Portfolio, Newkirk, or the Newkirk Portfolio, and the non-consolidated entities of Lexington Corporate Properties Trust, or the Joint Venture Portfolio, as of December 31, 2006. All the properties listed have been fully leased by tenants for the last five years, or since the date of purchase by us or our non-consolidated entities if less than five years, with the exception of the properties in the Newkirk Portfolio located in Bedford, Texas; Sandy, Utah; San Francisco, California; Evanston, Wyoming; Aurora, Colorado; Littleton, Colorado; Port Richey, Florida; Tallahassee, Florida; Lubbock, Texas; Cincinnati, Ohio; Edmonds, Washington; and Cheyenne, Wyoming acquired in the Merger, which are fully vacant, except for San Francisco, California (16.3% vacant) and Evanston, Wyoming (37.9% vacant) at December 31, 2006 and the properties in the Lexington Portfolio and Joint Venture Portfolio located in Dallas, Texas; Hebron, Kentucky; Antioch, Tennessee; Memphis, Tennessee; San Francisco, California; Honolulu, Hawaii; Farmington Hills, Michigan; Auburn Hills, Michigan; and Phoenix, Arizona. During the last five years, (1) the Dallas, Texas property (formerly leased to Vartec Telecom) was 100% and 37.2% vacant as of December 31, 2005 and 2006, respectively, (2) the Hebron, Kentucky property (formerly leased to Fidelity Corporate Real Estate, LLC) has been vacant

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since April 2004 (except that 21,542 square feet was leased during 2005 and 9,164 square feet leased in 2006), (3) the Antioch Tennessee property has been 50% vacant since the second quarter of 2006 and (4) the tenant at the Memphis, Tennessee property, Mimeo.com, Inc., entered into a lease extension in 2005 leaving 33,959 square feet of rentable space vacant. The San Francisco, California property (primarily leased to California Culinary and acquired by a non-consolidated entity in 2005) has 13,461 square feet vacant. The Honolulu, Hawaii (the multi-tenanted office portion), Farmington Hills, Michigan (formerly leased to Dana Corporation), Auburn Hills, Michigan (formerly leased to Lear Corporation), and Phoenix, Arizona (partially leased to Bull Information Systems, Inc.) properties are 2.5%, 100%, 100% and 36.3% vacant at December 31, 2006, respectively.

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LEXINGTON PORTFOLIO
PROPERTY CHART

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
OFFICE			
295 Chipeta Way Salt Lake City, UT	Northwest Pipeline Corp.	295,000	09/30/09
10001 Richmond Avenue Houston, TX	Baker Hughes, Inc.	554,385	09/27/15
6303 Barfield Road & 859 Mount Vernon Hwy. Atlanta, GA	Internet Security Systems, Inc.	289,000	05/31/13
1701 Market Street Philadelphia, PA	Morgan Lewis & Bockius LLC	321,815	01/31/14
3480 Stateview Blvd. Fort Mill, SC	Wells Fargo Bank N.A.	169,218	05/31/14
33 Commercial Street Foxboro, MA	Invensys Systems, Inc. (Siebe, Inc.)	164,689	07/01/15
3476 Stateview Boulevard Fort Mill, SC	Wells Fargo Home Mortgage, Inc.	169,083	01/30/13
9950 Mayland Drive Richmond, VA	Circuit City Stores, Inc.	288,562	02/28/10
1415 Wyckoff Road Wall Township, NJ	New Jersey Natural Gas Co.	157,511	06/30/21
2750 Monroe Boulevard Valley Forge, PA	Quest Diagnostics, Inc.	109,281	04/30/11
700 Oakmont Lane Westmont, IL	North American Van Lines, Inc. (SIRVA, Inc.)	269,715	11/30/15
70 Mechanic Street Foxboro, MA	Invensys Systems, Inc. (Siebe, Inc.)	251,914	07/01/14
13651 McLearen Road Herndon, VA	Boeing North American Services, Inc. (The Boeing Company)	159,664	05/30/08
		103,260	03/31/11

1311 Broadfield Blvd. Houston, TX	Transocean Offshore Deepwater Drilling, Inc. (Transocean Sedco Forex, Inc.) Newpark Drilling Fluids, Inc. (Newpark Resources, Inc.)	52,731	08/31/09
601 & 701 Experian Pkwy. Dallas, TX	Experian Information Solutions, Inc. (TRW Inc.)	292,700	10/15/10
2211 South 47th Street Phoenix, AZ	Avnet, Inc.	176,402	11/14/12
5600 Broken Sound Blvd Boca Raton, FL	Océ Printing Systems USA, Inc.	143,290	02/14/20
4200 RCA Boulevard Palm Beach Gardens, FL	The Wackenhut Corp.	114,518	02/28/11

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LEXINGTON PORTFOLIO
PROPERTY CHART

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
OFFICE (continued)			
701 Brookfield Parkway Greenville, SC	Verizon Wireless	192,884	01/31/12
19019 No. 59th Avenue Glendale, AZ	Honeywell, Inc.	252,300	07/15/11
4201 Marsh Lane Carrollton, TX	Carlson Restaurants Worldwide, Inc.	130,000	11/30/18
12645 W. Airport Road Sugar Land, TX	Baker Hughes, Inc.	165,836	09/27/15
26210 and 26220 Enterprise Court Lake Forest, CA	Apria Healthcare Group, Inc.	100,012	01/31/12
10475 Crosspoint Blvd. Indianapolis, IN	John Wiley & Sons, Inc.	141,047	10/31/09
2210 Enterprise Drive Florence, SC	Washington Mutual Home Loans, Inc.	177,747	06/30/08
27404 Drake Road Farmington Hills, MI	VACANT	111,454	
200 Executive Blvd. S Southington, CT	Hartford Fire Insurance Co.	153,364	12/31/12
810 & 820 Gears Road Houston, TX	IKON Office Solutions, Inc.	157,790	01/31/13
1600 Eberhardt Road Temple, TX	Nextel of Texas	108,800	01/31/16
5757 Decatur Blvd. Indianapolis, IN	Allstate Insurance Co. Damar Services, Inc	84,200 5,756	08/31/12 03/31/07
6200 Northwest Pkwy. San Antonio, TX	PacifiCare Health Systems, Inc.	142,500	11/30/10
4000 Johns Creek Pkwy. Atlanta, GA	Kraft Foods N.A., Inc. PerkinElmer Instruments LLC	73,264 13,955	01/31/12 11/30/16

6455 State Hwy 303 NE Bremerton, WA	Nextel West Corporation	60,200	05/14/16
270 Billerica Road Chelmsford, MA	Cadence Design Systems	100,000	09/30/13
2550 Interstate Dr. Harrisburg, PA	AT&T Wireless Services, Inc.	81,859	11/15/08
180 Rittenhouse Circle Bristol, PA	Jones Apparel Group USA, Inc. (Jones Apparel Group, Inc.)	96,000	07/31/13

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LEXINGTON PORTFOLIO
PROPERTY CHART

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
OFFICE (continued)			
2529 West Thorns Drive Houston, TX	Baker Hughes, Inc.	65,500	09/27/15
12000 Tech Center Drive Livonia, MI	Kelsey-Hayes Company	80,230	04/30/14
2401 Cherahala Boulevard Knoxville, TN	Advance PCS, Inc.	59,748	05/31/13
1275 NW 128th Street Clive, IA	Principal Life Insurance Company	61,180	01/31/12
13430 N. Black Canyon Freeway Phoenix, AZ	Bull HN Information Systems, Inc.	69,492	10/31/10
	Associated Billing Services, LLC	17,767	07/31/16
	VACANT	49,799	
12600 Gateway Blvd. Fort Meyers, FL	Gartner, Inc.	62,400	01/31/13
421 Butler Farm Road Hampton, VA	Nextel Communications of the Mid-Atlantic, Inc. (Nextel Finance Company)	56,515	01/14/10
3940 South Teller St. Lakewood, CO	Travelers Express, Inc	68,165	03/31/12
100 Barnes Road Wallingford, CT	Minnesota Mining and Manufacturing Company	44,400	12/31/10
1440 East 15th Street Tucson, AZ	Cox Communications, Inc.	28,591	09/30/16
250 Turnpike Road Southborough, MA	Honeywell Consumer Products	57,698	09/30/15
11555 University Blvd. Sugarland, TX	KS Management Services, LLP (St. Luke s Episcopal Health System Corporation)	72,683	11/30/20
2999 SW 6th St. Redmond, OR	Voice Stream PCS I LLC (T-Mobile USA, Inc.)	77,484	01/31/19

160 Clairemont Avenue Decatur, GA	Allied Holdings, Inc.	112,248	12/31/07
27016 Media Center Drive Los Angeles, CA	Playboy Enterprises, Inc. Sony Electronics, Inc.	63,049 20,203	10/31/12 08/31/09
2800 Waterford Lake Dr. Richmond, VA	Alstom Power, Inc	99,057	10/31/14
26555 Northwestern Highway Southfield, MI	Federal-Mogul Corporation	187,163	01/31/15

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LEXINGTON PORTFOLIO
PROPERTY CHART

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
OFFICE (Continued)			
4848 129th East Ave. Tulsa, OK	Metris Companies, Inc.	101,100	01/31/10
10419 North 30th Street Tampa, FL	Time Customer Service, Inc. (Time, Inc.)	132,981	07/31/10
250 Rittenhouse Circle Bristol, PA	Jones Apparel Group USA, Inc. (Jones Apparel Group, Inc.)	255,019	03/25/13
8555 South River Pkwy. Tempe, AZ	ASM Lithography Holding NV	95,133	06/30/13
400 Butler Farm Road Hampton, VA	Nextel Communications of the Mid-Atlantic, Inc.	100,632	12/31/09
16676 Northchase Dr. Houston, TX	Kerr-McGee Oil and Gas Corporation	101,111	07/31/14
Nijborg 15 & 17, 3927 DA Renswoude, The Netherlands	AS Watson (Health & Beauty Continental Europe)	122,450	12/20/11 & 6/18/18
2300 Litton Lane Hebron, KY	AGC Automotive Americas Co. FTJ FundChoice, LLC VACANT	21,542 9,164 49,714	08/31/12 01/31/13
1600 Viceroy Drive Dallas, TX	The Visiting Nurse Association of Texas TFC Services (Freeman Decorating Co.) VACANT	48,027 108,565 92,860	06/2016 01/2019
104 and 110 South Front St. Memphis, TN	Hnedak Bobo Group, Inc.	37,229	10/31/16
3943 Denny Avenue Pascagoula, MS	Northrop Grumman Systems Corporation	94,841	10/14/08
1460 Tobias Gadsen Boulevard Charleston, SC	Hagemeyer North American, Inc.	50,076	07/2020
29 South Jefferson Road Whippany, NJ	CAE SimuFlite, Inc.	76,363	11/30/21
		41,000	10/31/19

26410 McDonald Road Houston, TX	Montgomery County Management Company LLC		
2005 East Technology Circle Tempe, AZ	(i) Structure, LLC (Infocrossing, Inc.)	60,000	12/31/25
11707 Miracle Hills Drive Omaha, NE	(i) Structure, LLC (Infocrossing, Inc.)	86,800	11/30/25
2310 Village Square Pkwy. Jacksonville, FL	AmeriCredit Corporation	85,000	06/30/11
1409 Centerpoint Blvd. Knoxville, TN	Alstom Power, Inc.	84,404	10/31/14

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LEXINGTON PORTFOLIO
PROPERTY CHART

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
OFFICE (Continued)			
King Street	Multi Tenanted	206,535	Various
Honolulu, HI	VACANT	5,296	
5550 Britton Parkway Hilliard, OH	BMW Financial Services NA, LLC	220,966	02/28/21
	Office Subtotal	**10,071,886**	

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LEXINGTON PORTFOLIO
PROPERTY CHART

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
INDUSTRIAL			
541 Perkins Jones Road Warren, OH	Kmart Corp.	1,462,642	09/30/07
19500 Bulverde Road San Antonio, TX	Harcourt Brace & Company (Reed Elsevier, Inc.)	559,258	03/31/16
2425 Highway 77 North Waxahachie, TX	James Hardie Building Products, Inc. (James Hardie NV)	425,816	03/31/20
3501 West Avenue H Lancaster, CA	Michaels Stores, Inc.	762,775	09/30/19
9110 Grogans Mill Road Houston, TX	Baker Hughes, Inc.	275,750	09/27/15
159 Farley Drive Dillon, SC	Harbor Freight Tools USA, Inc. (Central Purchasing, Inc.)	1,010,859	12/31/21
590 Ecology Lane Chester, SC	Owens Corning	420,597	07/14/25
6345 Brackbill Boulevard Mechanicsburg, PA	Exel Logistics, Inc. (NFC plc)	507,000	03/19/12
3820 Micro Drive Millington, TN	Ingram Micro, L.P (Ingram Micro, Inc)	701,819	09/25/11
750 N. Black Branch Road Elizabethtown, KY	Dana Corporation	539,592	07/31/25
6938 Elm Valley Dr. Kalamazoo, MI	Dana Corporation	150,945	10/25/21
4425 Purks Road Auburn Hills, MI	VACANT	183,717	
6 Doughten Road New Kingston, PA	Exel Logistics, Inc. (NFC plc)	330,000	05/31/07
6500 Adelaide Court Groveport, OH	Anda Pharmaceuticals, Inc. (Andrx Corporation)	354,676	03/31/12

7500 Chavenelle Road Dubuque, IA	The McGraw-Hill Companies, Inc.	330,988	06/30/17
12025 Tech Center Drive Livonia, MI	Kelsey-Hayes Company	100,000	04/30/14
250 Swathmore Avenue High Point, NC	Steelcase, Inc.	244,851	09/30/17
Moody Commuter & Tech Park Moody, AL	TNT Logistics North America, Inc. (TPG N.V.)	595,346	01/02/14

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**LEXINGTON PORTFOLIO
PROPERTY CHART**

Property Location	Tenant/ (Guarantor)	Net Rentable Square Feet	Current Term Lease Expiration
INDUSTRIAL (Continued)			
3102 Queen Palm Drive Tampa, FL	Time Customer Service, Inc. (Time, Inc.)	229,605	07/31/10
2280 Northeast Drive Waterloo, IA	Ryder Integrated Logistics, Inc. (Ryder Systems, Inc.)	276,480	07/31/12
245 Salem Church Road Mechanicsburg, PA	Exel Logistics, Inc. (NFC plc)	252,000	12/31/07
359 Gateway Drive Livonia, GA	TI Group Automotive Systems, LLC	133,221	05/31/20
900 Industrial Boulevard Crossville, TN	Dana Corporation	222,200	09/30/16
2935 Van Vactor Way Plymouth, IN	Bay Valley Foods, LLC	300,500	06/30/15

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