

LEXINGTON REALTY TRUST
Form 8-K/A
August 17, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Amendment No. 1 to
FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 7, 2007

LEXINGTON REALTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

| | | |
|--|--|---|
| <u>Maryland</u> (State or Other Jurisdiction of Incorporation) | <u>1-12386</u> (Commission File Number) | <u>13-3717318</u> (IRS Employer Identification Number) |
|--|--|---|

THE LEXINGTON MASTER LIMITED PARTNERSHIP
(Exact Name of Registrant as Specified in Its Charter)

| | | |
|--|--|--|
| <u>Delaware</u> (State or Other Jurisdiction of Incorporation) | <u>0-50268</u> (Commission File Number) | <u>11-3636084</u> (IRS Employer Identification Number) |
|--|--|--|

| | |
|---|---------------------------------|
| <u>One Penn Plaza, Suite 4015, New York, New York</u> (Address of Principal Executive Offices) | <u>10119-4015</u> (Zip Code) |
|---|---------------------------------|

(212) 692-7200
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions

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

____ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR
240.13e-4(c))

Item 9.01 Financial Statements and Exhibits

(b) Pro forma financial information

- (1) Unaudited pro forma condensed consolidated financial information for Lexington Realty Trust is presented as follows:
- a. Introduction to Unaudited Pro Forma Condensed Consolidated Financial Statements
 - b. Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2007
 - c. Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2006
 - d. Unaudited Pro Forma Condensed Consolidated for the three months ended March 31, 2007
 - e. Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)
 - f. Estimated Twelve Month Pro Forma Statement of Taxable Operating Results for the year ended December 31, 2006 (Unaudited)
- (2) Unaudited pro forma condensed consolidated financial information for The Lexington Master Limited Partnership is presented as follows:
- a. Introduction to Unaudited Pro Forma Condensed Consolidated Financial Statements
 - b. Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2007
 - c. Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2006
 - d. Unaudited Pro Forma Condensed Consolidated for the three months ended March 31, 2007
 - e. Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)
 - f. Estimated Twelve Month Pro Forma Statement of Taxable Operating Results for the year ended December 31, 2006 (Unaudited)
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SIGNATURES

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

Lexington Realty Trust

Date: August 17, 2007

By: /s/ T. Wilson Eglin
T. Wilson Eglin
Chief Executive Officer

LEXINGTON REALTY TRUST

Introduction to Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2007, reflects the financial position of Lexington Realty Trust (the “Trust”) as if the acquisition of a 100% interest in twenty-six properties (the “Properties”) from Lexington Acquiport, LLC and Lexington Acquiport II, LLC had occurred on March 31, 2007. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2006 and the three months ended March 31, 2007, present the results of operations of the Trust as if the acquisition of the Properties had occurred on January 1, 2006.

These unaudited pro forma condensed consolidated financial statements should be read in connection with the financial statements of the Trust for the year ended December 31, 2006, included in the Trust’s Annual Report on Form 10-K.

These unaudited pro forma financial statements are not necessarily indicative of the expected results of operations of the Trust for any future period. Differences could result from, among other considerations, future changes in the Trust’s portfolio of investments, changes in interest rates, changes in the capital structure of the Trust, changes in property level operating expenses and changes in property level revenues.

LEXINGTON REALTY TRUST
Unaudited Pro Forma Condensed Consolidated
Balance Sheet

March 31, 2007

(In thousands, except share and per share data)

| | Historical (A) | Properties (B) | Pro Forma |
|---|-------------------|-------------------|--------------|
| Assets: | | | |
| Real estate, at cost | \$ 3,772,745 | \$ 694,973 | \$ 4,467,718 |
| Less: accumulated depreciation | 305,432 | 24,567 | 329,999 |
| | 3,467,313 | 670,406 | 4,137,719 |
| Properties held for sale – discontinued operations | 86,540 | — | 86,540 |
| Intangible assets | 434,466 | 175,422 | 609,888 |
| Investment in and advances to non-consolidated entities | 243,494 | (66,995) | 176,499 |
| Cash and cash equivalents | 200,120 | (39,785) | 160,335 |
| Investment in marketable equity securities | 24,792 | — | 24,792 |
| Deferred expenses | 30,901 | 2,453 | 33,354 |
| Rent receivable, current and deferred | 52,516 | 4,328 | 56,844 |
| Notes receivable | 49,382 | — | 49,382 |
| Other assets, net | 81,444 | 5,757 | 87,201 |
| | \$ 4,670,968 | \$ 751,586 | \$ 5,422,544 |
| Liabilities and Shareholders' Equity: | | | |
| Liabilities: | | | |
| Mortgages and notes payable | \$ 1,526,813 | \$ 740,811 | \$ 2,267,624 |
| Exchangeable notes payable | 450,000 | — | 450,000 |
| Trust notes payable | 200,000 | — | 200,000 |
| Contracts rights payable | 12,527 | — | 12,527 |
| Liabilities – discontinued operations | 48,316 | — | 48,316 |
| Accounts payable and other liabilities | 24,621 | 997 | 25,618 |
| Accrued interest payable | 10,147 | 1,057 | 11,204 |
| Dividends Payable | 30,412 | — | 30,412 |
| Prepaid rent | 17,215 | 2,225 | 19,440 |
| Deferred revenue | 325,500 | 6,496 | 331,996 |
| | 2,645,551 | 751,586 | 3,397,137 |
| Minority Interests | 839,144 | — | 839,144 |
| Shareholder's equity | 1,186,273 | — | 1,186,273 |
| | 4,670,968 | 751,586 | 5,422,554 |

See accompanying notes to unaudited pro forma condensed consolidated financial statements

LEXINGTON REALTY TRUST
Unaudited Pro Forma Condensed Consolidated Statement of Operations

for the year ended December 31, 2006
(In thousands, except share and per share data)

| | Historical (AA) | Pro Forma Adjustments of the Properties | Pro Forma as Adjusted |
|--|-----------------|--|--------------------------|
| Revenues: | | | |
| Rental | \$ 185,312 | \$ 78,282 (BB) | \$ 263,594 |
| Advisory fees | 4,555 | (1,459) (BB) | 3,096 |
| Tenant reimbursements | 17,524 | 7,225 (BB) | 24,749 |
| Total gross revenues | 207,391 | 84,048 | 291,439 |
| Expense applicable to revenues: | | | |
| Depreciation and amortization | (80,688) | (39,013) (CC) | (119,701) |
| Property operating | (32,167) | (10,228) (BB) | (42,395) |
| General and administrative | (35,530) | — | (35,530) |
| Impairment charges | (7,221) | — | (7,221) |
| Non-operating income | 8,913 | — | 8,913 |
| Interest and amortization expense | (71,402) | (43,749) (DD) | (115,151) |
| Debt satisfaction gains | 7,228 | — | 7,228 |
| Loss before benefit for income taxes, minority interests, equity in earnings of non-consolidated entities and discontinued operations | | | |
| | (3,476) | (8,942) | (12,418) |
| Benefit for income taxes | 238 | 583 (EE) | 821 |
| Minority interests | (1,611) | 4,764 (FF) | 3,153 |
| Equity in earnings of non-consolidated entities | 4,186 | (2,981) (GG) | 1,205 |
| Loss from continuing operations | \$ (663) | \$ (6,576) | \$ (7,239) |
| Basic EPS - Loss from continuing operations | \$ (0.33) | | \$ (0.45) |
| Diluted EPS - Loss from continuing operations | \$ (0.33) | | \$ (0.45) |
| Basic weighted average common shares outstanding | 52,163,569 | | 52,163,569 |
| Diluted weighted average common shares outstanding | 52,163,569 | | 52,163,569 |

The accompanying notes are an integral part of these unaudited condensed consolidated
financial statements.

LEXINGTON REALTY TRUST**Unaudited Pro Forma Condensed Consolidated Statement of Operations**

For the Three Months Ended March 31, 2007

(In thousands, except share and per share data)

| | Historical (AA) | Pro Forma Adjustments of the Properties | Pro Forma as Adjusted |
|---|-----------------|--|--------------------------|
| Revenues: | | | |
| Rental | \$ 88,792 | \$ 19,571 (BB) | \$ 108,363 |
| Advisory fees | 719 | (347) (BB) | 372 |
| Tenant reimbursements | 5,651 | 2,001 (BB) | 7,652 |
| Total gross revenues | 95,162 | 21,225 | 116,387 |
| Expense applicable to revenues: | | | |
| Depreciation and amortization | (54,302) | (9,753) (CC) | (64,055) |
| Property operating | (11,475) | (2,811) (BB) | (14,286) |
| General and administrative | (8,816) | — | (8,816) |
| Non-operating income | 2,560 | — | 2,560 |
| Interest and amortization expense | (32,978) | (10,937) (DD) | (43,915) |
| Loss before (provision) benefit for income taxes, minority interests, equity in earnings of non-consolidated entities and discontinued operations | (9,849) | (2,276) | (12,125) |
| Provision (benefit) for income taxes | (543) | 139 (EE) | (404) |
| Minority interests | 7,522 | 1,200 (FF) | 8,722 |
| Equity in earnings of non-consolidated entities | 3,508 | (844) (GG) | 2,664 |
| Income (loss) from continuing operations | \$ 638 | \$ (1,781) | \$ (1,143) |
| Basic EPS - Loss from continuing operations | \$ (0.07) | | \$ (0.10) |
| Diluted EPS - Loss from continuing operations | \$ (0.07) | | \$ (0.10) |
| Basic weighted average common shares outstanding | 68,538,404 | | 68,538,404 |
| Diluted weighted average common shares outstanding | 68,538,404 | | 68,538,404 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

LEXINGTON REALTY TRUST
Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)
(\$ 000's)

Adjustments to Pro Forma Condensed Consolidated Balance Sheet

The adjustments to the pro forma condensed consolidated balance sheet as of March 31, 2007 are as follows:

(A) Reflects the Trust's historical condensed consolidated balance sheet as of March 31, 2007.

(B) Reflects the pro forma acquisition of the Properties as follows:

Asset acquired:

| | |
|---------------------------------------|------------|
| Real estate | \$ 694,973 |
| Accumulated depreciation | (24,567) |
| Intangible assets | 175,422 |
| Deferred expenses, net | 2,453 |
| Cash acquired | 13,698 |
| Rent receivable, current and deferred | 4,328 |
| Other Assets | 5,757 |

Less liabilities:

| | |
|--|------------|
| Mortgages assumed | \$ 515,811 |
| New borrowings | 225,000 |
| Accounts payable and other liabilities | 997 |
| Accrued interest payable | 1,057 |
| Prepaid rent | 2,225 |
| Deferred revenue | 6,496 |
| | 120,478 |
| Investment in non-consolidated entities | 66,995 |
| Cash paid, net debt assumed and new borrowings | 53,483 |
| Less cash acquired | 13,698 |
| Cash adjustment, net | 39,785 |

Adjustments to Pro Forma Condensed Consolidated Statement of Operations

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The adjustments to the pro forma condensed consolidated statement of operations for the year ended December 31, 2006 are as follows:

(AA) Reflects the Trust's historical condensed consolidated statement of operations for the year ended December 31, 2006 and three months ended March 31, 2007.

(BB) Reflects the pro forma acquisition of the Properties as follows:

Increase in rental revenues reflects (i) the recalculation of straight-line rents and (ii) the amortization of above and below market leases on a straight-line basis over the remaining term of in-place leases.

Decrease in advisory fees reflects acquisition, financing and asset management fees related to Properties purchased from non-consolidated entities.

Increase in property operating expenses and tenant reimbursements reflect operating activities of the Properties.

(CC) Depreciation has been adjusted to reflect the Properties total capitalized cost depreciated on a straight line basis over the estimated economic useful life of the real estate. Amortization includes the pro forma effect of amortization of intangibles on a straight-line basis over the remaining term of the respective leases.

(DD) The pro forma adjustment to interest expense reflects additional interest expense as a result of mortgages assumed in the transaction and the \$225,000 term loan obtained to partially fund the acquisitions.

(EE) Represents the tax impact related to the reduction in advisory fees.

(FF) Represents the minority interest impact of the pro forma adjustments.

(GG) The pro forma adjustment to equity in earnings of non-consolidated entities reflects the net income statement impact of the Properties purchased from non-consolidated entities.

Lexington Realty Trust
Estimated Twelve Month Pro Forma Statement of Taxable Operating Results
For the year ended December 31, 2006
(Unaudited)
(Amounts in thousands)

The following unaudited statement is a pro forma estimate for a twelve month period of taxable operating results of the Properties. This statement does not purport to forecast actual taxable operating results for any period in the future.

This statement should be read in conjunction with the unaudited pro forma financial statements of Lexington Realty Trust (contained elsewhere in this Form 8-K).

| | December 31, 2006 |
|--|-------------------|
| Loss from continuing operations | \$ (6,576) |
| Estimated net adjustment for tax basis income recognition (Note1) | (2,279) |
| Estimated GAAP depreciation and amortization in excess of tax depreciation and amortization (Note 2) | 21,414 |
| Pro forma estimate of taxable income from continuing operations | \$ 12,559 |

Note 1: Represents the net adjustment to reverse the effect of rental revenue recognized on a straight line basis.

Note 2: Tax depreciation is based on the original cost allocated to the buildings, depreciated on a straight line basis over their respective tax lives.

THE LEXINGTON MASTER LIMITED PARTNERSHIP
Introduction to Unaudited Pro Forma Condensed Consolidated Financial Statements

The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2007, reflects the financial position of The Lexington Master Limited Partnership (the “MLP”) as if the acquisition of a 100% interest in ten properties (the “Properties”) from Lexington Acquiport, LLC had occurred on March 31, 2007. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2006 and the three months ended March 31, 2007, present the results of operations of the MLP as if the acquisition of the Properties had occurred on January 1, 2006.

These unaudited pro forma condensed consolidated financial statements should be read in connection with the financial statements of the MLP for the year ended December 31, 2006, included in the MLP’s Annual Report on Form 10-K .

These unaudited pro forma financial statements are not necessarily indicative of the expected results of operations of the MLP for any future period. Differences could result from, among other considerations, future changes in the Trust’s portfolio of investments, changes in interest rates, changes in the capital structure of the MLP, changes in property level operating expenses and changes in property level revenues.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

March 31, 2007

(In thousands, except share and per share data)

| | Historical (A) | Properties (B) | Pro Forma |
|---|-------------------|-------------------|--------------|
| Assets: | | | |
| Real estate, at cost | \$ 1,500,233 | \$ 271,038 | \$ 1,771,271 |
| Less: accumulated depreciation | 481,072 | 12,403 | 493,475 |
| | 1,019,161 | 258,635 | 1,277,796 |
| Properties held for sale – discontinued operations | 10,665 | — | 10,665 |
| Intangible assets | 41,462 | 63,709 | 105,171 |
| Investment in and advances to non-consolidated entities | 101,320 | — | 101,320 |
| Cash and cash equivalents | 37,207 | 111,492 | 148,699 |
| Investment in marketable equity securities | 20,822 | — | 20,822 |
| Deferred expenses | 18,828 | 1,790 | 20,618 |
| Rent receivable, current and deferred | 46,439 | 2,544 | 48,983 |
| Notes receivable | 6,447 | — | 6,447 |
| Other assets, net | 49,785 | 6,090 | 55,875 |
| | \$ 1,352,136 | \$ 444,260 | \$ 1,796,396 |
| Liabilities and Shareholders' Equity: | | | |
| Liabilities: | | | |
| Mortgages and notes payable | \$ 291,377 | \$ 399,870 | \$ 691,247 |
| Related party note payable | 50,609 | — | 50,609 |
| Exchangeable notes payable | 427,639 | — | 427,639 |
| Embedded derivative financial instrument | 28,350 | — | 28,350 |
| Contracts rights payable | 12,527 | — | 12,527 |
| Liabilities – discontinued operations | 203 | — | 203 |
| Accounts payable and other liabilities | 10,010 | 44 | 10,054 |
| Accrued interest payable | 6,324 | 502 | 6,826 |
| Distributions payable | 19,325 | — | 19,325 |
| Prepaid rent | 2,323 | 678 | 3,001 |
| Deferred revenue | 11,925 | 1,414 | 13,339 |
| | 860,612 | 402,508 | 1,263,120 |
| Minority interests | 13,801 | — | 13,801 |
| | 477,723 | 41,752 | 519,475 |
| Partners' capital | \$ 1,352,136 | \$ 444,260 | \$ 1,796,396 |

See accompanying notes to unaudited pro forma condensed consolidated financial statements

THE LEXINGTON MASTER LIMITED PARTNERSHIP
Unaudited Pro Forma Condensed Consolidated Statement of Operations
for the year ended December 31, 2006
(In thousands, except share and per share data)

| | Historical (AA) | Pro Forma Adjustments of the Properties | Pro Forma as Adjusted |
|--|-----------------|--|--------------------------|
| Revenues: | | | |
| Rental | \$ 190,436 | \$ 32,474 (BB) | \$ 222,910 |
| Advisory fees | 248 | — | 248 |
| Tenant reimbursements | — | 4,837 (BB) | 4,837 |
| Total gross revenues | 190,684 | 37,311 | 227,995 |
| Expense applicable to revenues: | | | |
| Depreciation and amortization | (37,095) | (15,311) (CC) | (52,406) |
| Property operating | (9,514) | (6,878) (BB) | (16,392) |
| General and administrative | (41,393) | — | (41,393) |
| Impairment charges | (1,440) | — | (1,440) |
| Non-operating income | 14,539 | — | 14,539 |
| Interest and amortization expense | (55,248) | (23,540) (DD) | (78,788) |
| Debt satisfaction charge | (1,315) | — | (1,315) |
| Income (loss) before provision for income taxes, minority interests, equity in earnings of non-consolidated entities, gains on sale of marketable equity securities and discontinued operations | | | |
| | 59,218 | (8,418) | 50,800 |
| Provision for income taxes | (2,276) | — | (2,276) |
| Minority interests | (16,451) | — | (16,451) |
| Equity in earnings of non-consolidated entities | 3,451 | — | 3,451 |
| Gains on marketable securities | 1,650 | — | 1,650 |
| Income (loss) from continuing operations | \$ 45,592 | \$ (8,418) | \$ 37,174 |
| Basic - Income from continuing operations | | | |
| | \$ 0.89 | | \$ 0.68 |
| Diluted - Income from continuing operations | | | |
| | \$ 0.89 | | \$ 0.68 |
| Basic weighted average partnership units outstanding | | | |
| | 51,519,435 | 3,077,633 (EE) | 54,597,068 |
| Diluted weighted average partnership units outstanding | | | |
| | 51,519,435 | 3,077,633 (EE) | 54,597,068 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

THE LEXINGTON MASTER LIMITED PARTNERSHIP
Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Three Months Ended March 31, 2007

(In thousands, except share and per share data)

| | Historical (AA) | Pro Forma Adjustments of the Properties | Pro Forma as Adjusted |
|---|-----------------|--|--------------------------|
| Revenues: | | | |
| Rental | \$ 45,348 | \$ 8,119 (BB) | \$ 53,467 |
| Tenant reimbursements | 304 | 1,425 (BB) | 1,729 |
| Total gross revenues | 45,652 | 9,544 | 55,196 |
| Expense applicable to revenues: | | | |
| Depreciation and amortization | (9,688) | (3,828) (CC) | (13,516) |
| Property operating | (3,060) | (1,949) (BB) | (5,009) |
| General and administrative | (4,230) | — | (4,230) |
| Non-operating income | 4,673 | — | 4,673 |
| Interest and amortization expense | (14,171) | (5,885) (DD) | (20,056) |
| Debt satisfaction | (2,434) | — | (2,434) |
| Change in fair value of embedded derivative | (5,325) | — | (5,325) |
| Income before provision for income taxes, minority interests, equity in earnings of non-consolidated entities, gains on sale of marketable equity securities and discontinued operations | | | |
| | 11,417 | (2,118) | 9,299 |
| Provisions for income taxes | (232) | — | (232) |
| Minority interests | (4,710) | — | (4,710) |
| Equity in earnings of non-consolidated entities | 2,029 | — | 2,029 |
| Gain on sale of marketable equity securities | 766 | — | 766 |
| Income from continuing operations | \$ 9,270 | \$ (2,118) | \$ 7,152 |
| Basic - Income from continuing operations | \$ 0.18 | | \$ 0.13 |
| Diluted - Income from continuing operations | \$ 0.18 | | \$ 0.13 |
| Basic weighted average partnership units outstanding | 51,533,504 | 2,051,755 | 53,585,259 |
| Diluted weighted average partnership units outstanding | 51,533,504 | 2,051,755 | 53,585,259 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

THE LEXINGTON MASTER LIMITED PARTNERSHIP
Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)
 (\$ 000's)

Adjustments to Pro Forma Condensed Consolidated Balance Sheet

The adjustments to the pro forma condensed consolidated balance sheet as of March 31, 2007 are as follows:

(A) Reflects the MLP's historical condensed consolidated balance sheet as of March 31, 2007.

(B) Reflects the pro forma acquisition of the Properties as follows:

Asset acquired:

| | |
|---------------------------------------|------------|
| Real estate | \$ 271,038 |
| Accumulated depreciation | (12,403) |
| Intangible assets | 63,709 |
| Deferred expenses, net | 665 |
| Cash acquired | 5,449 |
| Rent receivable, current and deferred | 2,544 |
| Other Assets | 6,090 |

Less liabilities:

| | |
|--|------------|
| Mortgages assumed | \$ 174,870 |
| Accounts payable and other liabilities | 44 |
| Accrued interest payable | 502 |
| Prepaid rent | 678 |
| Deferred revenue | 1,414 |
| Net asset acquired | 159,584 |
| Partnership units issued | (41,752) |
| Cash paid | 117,832 |

Change in cash and cash equivalents

| | |
|-----------------------|------------|
| New borrowings | \$ 225,000 |
| Costs incurred | (1,125) |
| Cash acquired | 5,449 |
| Cash paid to acquired | (117,832) |

interests

\$ 111,492

Adjustments to Pro Forma Condensed Consolidated Statement of Operations

The adjustments to the pro forma condensed consolidated statement of operations for the year ended December 31, 2006 are as follows:

(AA) Reflects the MLP's historical condensed consolidated statement of operations for the year ended December 31, 2006 and three months ended March 31, 2007.

(BB) Reflects the pro forma acquisition of the Properties as follows:

Increase in rental revenues reflects (i) the recalculation of straight-line rents and (ii) the amortization of above and below market leases on a straight-line basis over the remaining term of in-place leases.

Increase in property operating expenses and tenant reimbursement income reflects operating activities of the Properties.

(CC) Depreciation has been adjusted to reflect the Properties total acquisition cost depreciated on a straight line basis over the estimated economic useful life of the real estate. Amortization includes the pro forma effect of amortization of intangibles on a straight-line basis over the remaining term of the respective leases.

(DD) The pro forma adjustment to interest expense reflects additional interest expense as a result of mortgages assumed in the transaction and the \$225,000 term loan obtained to partially fund the acquisitions.

(EE) Represents the units issued to acquire the Properties on a weighted average basis.

THE LEXINGTON MASTER LIMITED PARTNERSHIP
Estimated Twelve Month Pro Forma Statement of Taxable Operating Results
For the year ended December 31, 2006
(Unaudited)
(Amounts in thousands)

The following unaudited statement is a pro forma estimate for a twelve month period of taxable operating results of the Properties. This statement does not purport to forecast actual taxable operating results for any period in the future.

This statement should be read in conjunction with the unaudited pro forma financial statements of the MLP (contained elsewhere in this Form 8-K).

| | | December 31, 2006 |
|---|----|----------------------|
| Loss from continuing operations | \$ | (8,418) |
| Estimated net adjustment for tax basis income recognition (Note 1) | | 2,364 |
| Estimated GAAP depreciation and amortization in excess of tax depreciation and amortization (Note 2) | | 8,358 |
| Pro forma estimate of taxable income from continuing operations | \$ | 2,304 |

Note 1: Represents the net adjustment to reverse the effect of rental revenue recognized on a straight line basis.

Note 2: Tax depreciation is based on the original cost allocated to the buildings, depreciated on a straight line basis over their respective tax lives.