

LEXINGTON REALTY TRUST

Form 8-K/A

February 06, 2007

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 8-K/A**

**Current Report Pursuant**

**to Section 13 or 15(d) of the**

**Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported) December 31, 2006**

**LEXINGTON REALTY TRUST**

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation)

1-12386

13-371318

(Commission File Number)

(I.R.S. Employer Identification No.)

One Penn Plaza, Suite 4015, New York, New York

10119-4015

(Address of Principal Executive Offices)

(Zip Code)

(212) 692-7200

(Registrant's Telephone Number, Including Area Code)

n/a

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

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

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))

On January 8, 2007, we filed a current report on Form 8-K, which we refer to as the December 31 Form 8-K, to report the December 31, 2006 completion of our merger with Newkirk Realty Trust, Inc., which we refer to as the Merger, pursuant to the Agreement and Plan of Merger dated as of July 23, 2006 and attached as an exhibit to our Current Report on Form 8-K filed with the Securities and Exchange Commission, or the SEC, on July 23, 2006, as amended by Amendment No. 1 to the Agreement and Plan of Merger dated as of September 11, 2006 and attached as an exhibit to our Current Report on Form 8-K filed with the SEC on September 13, 2006, and by Amendment No. 2 to the Agreement and Plan of Merger dated as of October 13, 2006 and attached as an exhibit to our Current Report on Form 8-K filed with the SEC on October 13, 2006, which we refer to as the Merger Agreement.

In the December 31 Form 8-K, we stated that we would file the required pro forma financial information by amendment to the December 31 Form 8-K. By this Form 8-K/A, we are amending the December 31 Form 8-K to include the required pro forma financial information.

**Item 9.01. Financial Statements and Exhibits**

(b) Pro Forma Financial Information The pro forma financial information of Lexington Realty Trust is filed as part of this Current Report on Form 8-K/A.

(d) Exhibits None.

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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: February 6, 2007

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

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## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial statements were prepared to reflect the Merger. The Merger will be accounted for using the purchase method. The allocation of the purchase price reflected in the pro forma condensed consolidated balance sheet, and accordingly the pro forma adjustments as reflected in the pro forma condensed consolidated statements of income related to our new basis for assets acquired and liabilities assumed, is preliminary and is subject to change. We can give no assurance that when the final allocation of purchase price is completed the financial information will not change or that any change will not be material.

The unaudited pro forma condensed consolidated balance sheet at September 30, 2006 has been prepared to reflect the Merger as if the Merger occurred on September 30, 2006. The unaudited pro forma condensed consolidated statements of income for the year ended December 31, 2005 and the nine months ended September 30, 2006 have been prepared assuming the Merger occurred on January 1, 2005. The adjustments made in the pro forma condensed consolidated balance sheet have been made to reflect the Merger and the allocation of the purchase price and other costs of the Merger to the assets acquired and liabilities assumed. The adjustments made to the pro forma condensed consolidated statements of income have been made to reflect the effect of the Merger and reclassifications of certain items in Newkirk Realty Trust, Inc.'s historical financial statements in order to conform to our presentation. The following unaudited pro forma condensed consolidated statements of income do not purport to represent what our results of operations would actually have been if the Merger had in fact occurred as of January 1, 2005 or to project our results of operations for any future date or period.

The unaudited pro forma balance sheet reflects the dividend/distribution to be made by us pursuant to the Merger agreement at an amount equal to 125% of any dividend/distribution to be made by Newkirk Realty Trust, Inc. to maintain its REIT status and avoid imposition of entity-level income or excise taxes. In addition, the special dividend/distribution to be made by us equal to \$0.17 per common share/operating partnership unit is reflected in the pro forma balance sheet.

The pro forma adjustments are based on available information and on certain assumptions as set forth in the notes to the pro forma condensed consolidated financial statements that we believe are reasonable in the circumstances. The pro forma condensed consolidated financial statements and accompanying notes should be read in conjunction with our historical financial statements and related notes, the historical financial statements and related notes of Newkirk Realty Trust, Inc. and The Newkirk Master Limited Partnership and other documents filed by Lexington and The Lexington Master Limited Partnership & formerly known as The Newkirk Master Limited Partnership with the SEC from time to time.

As a result of the Merger, we believe that there will be certain cost efficiencies due to the economies of scale of having a larger number of facilities in certain markets. We are evaluating the potential cost savings; however, we are not able to quantify the amount of such savings at this time. Accordingly, no adjustments have been made to the unaudited pro forma condensed consolidated statements of income to reflect expected cost savings.

In the opinion of management, all significant adjustments necessary to reflect the effects of the Merger that can be factually supported have been made. The pro forma adjustments and the purchase price allocation as presented are based on estimates and certain information that is currently available to management. Such pro forma adjustments and the purchase price allocation could change as additional information becomes available, as estimates are refined or as additional events occur, including any change in our closing share price on the date the Merger is consummated. Management does not anticipate that there will be any significant changes in the total purchase price as presented in these unaudited pro forma condensed consolidated financial statements, other than those caused by changes in our share price. The closing share price on the date the Merger was consummated was \$22.42 per share, which would result in an increase in the allocable purchase price of approximately \$62.9 million.



## Lexington Realty Trust

**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**September 30, 2006**

|  | <b>Lexington<br/>(Historical)</b> | <b>Newkirk(N)<br/>(Historical)</b> | <b>Pro Forma<br/>Merger<br/>Adjustments<br/>(Dollars in thousands)</b> | <b>Pro Forma<br/>Adjusted</b> |
|--|-----------------------------------|------------------------------------|--|-------------------------------|
| <b>ASSETS</b>                                    |                                   |                                    |  |                               |
| Real estate at cost, net                         | \$ 1,585,339                      | \$ 978,529                         | \$ 485,156(C)  | \$ 3,049,024                  |
| Properties held for sale discontinued operations | 16,227                            | 53,469                             |  | 69,696                        |
| Intangible assets, net                           | 128,932                           | 34,673                             | 365,618(E)   | 529,223                       |
| Cash and cash equivalents                        | 62,819                            | 133,859                            | (36,374)(B)  | 160,304                       |
| Investment in non-consolidated entities          | 181,246                           | 56,942                             | (4,717)(D)   | 233,471                       |
| Deferred expenses, net                           | 15,037                            | 11,286                             | (9,680)(F)   | 16,643                        |
| Notes receivable, including accrued interest     | 25,311                            | 14,406                             | 18,293(G)  | 58,010                        |
| Investments in marketable equity securities      | 5,782                             | 17,369                             |  | 23,151                        |
| Rent receivable current                          | 3,264                             | 25,477                             |  | 28,741                        |
| Rent receivable deferred                         | 27,882                            | 36,280                             | (36,280)(H)  | 27,882                        |
| Other assets                                     | 45,042                            | 90,148                             | (2,776)(I)   | 132,414                       |
| <b>Total assets</b>                              | <b>\$ 2,096,881</b>               | <b>\$ 1,452,438</b>                | <b>\$ 779,240</b>  | <b>\$ 4,328,559</b>           |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>       |                                   |                                    |  |                               |
| Borrowings on credit facility                    | \$                                | \$ 549,074                         | \$   | \$ 549,074                    |
| Mortgages and notes payable                      | 1,146,371                         | 283,222                            | (1,719)(J)   | 1,427,874                     |
| Liabilities discontinued operations              | 8,931                             | 150                                |  | 9,081                         |
| Dividends payable                                | 23,490                            | 7,750                              |  | 31,240                        |
| Accounts payable and other liabilities           | 15,973                            | 4,287                              | 14,251(K)  | 34,511                        |
| Accrued interest payable                         | 3,085                             | 5,307                              |  | 8,392                         |
| Deferred revenue                                 | 6,075                             | 12,466                             | 134,780(L)   | 153,321                       |
| Prepaid rent                                     | 13,696                            | 792                                |  | 14,488                        |
| <b>Total liabilities</b>                         | <b>1,217,621</b>                  | <b>863,048</b>                     | <b>147,312</b>   | <b>2,227,981</b>              |
| Minority interests                               | 52,641                            | 401,611                            | 504,495(M)   | 958,747                       |
| Shareholders equity                              | 826,619                           | 187,779                            | 127,433(A)   | 1,141,831                     |
| <b>Total liabilities and shareholders equity</b> | <b>\$ 2,096,881</b>               | <b>\$ 1,452,438</b>                | <b>\$ 779,240</b>  | <b>\$ 4,328,559</b>           |

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





**Lexington Realty Trust**

**Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**September 30, 2006**  
**(dollars in thousands, except per share data)**

In the Merger, each Newkirk stockholder received 0.80 Lexington common shares for each common share of Newkirk that the stockholder owned immediately prior to the effective date of the Merger.

For purposes of the unaudited pro forma condensed consolidated balance sheet the total purchase price is based on the number of outstanding Newkirk common shares at September 30, 2006 and the average of the closing share price of Lexington common shares on the two (2) business days prior to September 30, 2006 of \$21.20. It is assumed that no cash is paid for fractional shares.

**(A) Shareholders equity**

|   |            |
|---|------------|
| Newkirk common stock outstanding at September 30, 2006  | 19,375,000 |
| Exchange ratio  | 0.80       |
| Shares of Lexington to be issued  | 15,500,000 |
| Average share price (rounded)   | \$ 21.20   |
| Fair value of equity to be issued   | 328,527    |
| Special dividend of \$0.2325 per share to be paid by Lexington to shareholders of record on December 28, 2006 | (12,346)   |
| Special dividend of \$0.05 per share to be paid by Newkirk to shareholders of record on December 29, 2006     | (969)      |
| Newkirk historical equity   | (187,779)  |
| Pro forma equity adjustment   | \$ 127,433 |

**(B) Cash and cash equivalents**

Reduction in cash for items assumed to be paid by Newkirk prior to or on the effective date of the Merger, for:

|   |             |
|---|-------------|
| Termination of advisory fee agreement pursuant to Merger agreement  | \$ (12,500) |
| Merger investment advisory fees   | (4,500)     |
| Merger legal and accounting fees  | (2,500)     |
| Reduction in cash for special dividend/distribution of \$0.2325 per share/unit to be paid by Lexington to shareholders/unitholders of record on December 28, 2006 | (13,653)    |
| Reduction in cash for dividend/distribution of \$0.05 per share/unit to be paid by Newkirk to shareholders/unitholders of record on December 29, 2006             | (3,221)     |
|   | \$ (36,374) |

**(C) Real estate at cost, net**

Adjustment to real estate at cost, net, calculated as follows:

|   |              |
|---|--------------|
| Estimated fair value of Newkirk real estate | \$ 1,463,685 |
| Newkirk historical basis                    | (978,529)    |
|   | \$ 485,156   |

**(D) Investment in non-consolidated entities**

|  |            |
|--|------------|
| Adjustment to reduce Newkirk's historical cost basis of partnership interests to estimated fair value based on most recent tender offers made by Newkirk and accepted by the investors in the partnerships | \$ (4,717) |
|--|------------|

**(E) Intangible assets, net**

Allocation of estimated fair market value of the acquired assets to the following:

|  |            |
|--|------------|
| Estimated above-market leases                    | \$ 147,069 |
| Estimated lease in place costs                   | 253,222    |
| Reversal of Newkirk historical unamortized basis | (34,673)   |
|  | \$ 365,618 |

**(F) Deferred expenses**

|   |             |
|---|-------------|
| Write-off of Newkirk historical unamortized deferred financing costs and deferred leasing costs | \$ (11,286) |
| Estimated costs to be incurred relating to assuming Newkirk debt                                | 1,606       |
|   | \$ (9,680)  |

**(G) Notes receivable, including accrued interest**

|   |           |
|---|-----------|
| Adjustment to bring Newkirk's historical basis of loans and accrued interest receivable to fair value | \$ 18,293 |
|---|-----------|

**(H) Rent receivable deferred**

|   |             |
|---|-------------|
| Write-off of historical Newkirk straight-line rent receivable | \$ (36,280) |
|---|-------------|

**(I) Other assets**

Adjustment to other assets is comprised of the following:

|   |             |
|---|-------------|
| Write-off of Newkirk historical deferred costs related to exclusivity agreement and lease options | \$ (10,938) |
| Valuing transition services and asset management contracts at estimated fair value                | 2,900       |
| Increasing basis in investment in REMIC certificates to estimated fair value                      | 5,445       |
| Other   | (183)       |
|   | \$ (2,776)  |

**(J) Mortgage and notes payable**

|   |            |
|---|------------|
| Adjustment of mortgage debt to estimated fair value | \$ (1,719) |
|---|------------|

**(K) Accounts payable and other liabilities**

|  |           |
|--|-----------|
| Estimated Merger costs to be incurred by Lexington               | \$ 12,645 |
| Estimated costs to be incurred relating to assuming Newkirk debt | 1,606     |
|  | \$ 14,251 |

**(L) Deferred revenue**

|   |            |
|---|------------|
| Record estimated value of below market leases relating to real estate assets acquired | \$ 147,246 |
| Reversal of Newkirk historical basis  | (12,466)   |
|   | \$ 134,780 |

**(M) Minority Interests**

|  |            |
|--|------------|
| Record estimated fair value of minority partners' equity in revalued assets and liabilities relating to the Merger | \$ 909,665 |
| Special distribution of \$0.2325 per unit to be paid by Lexington to unitholders of record on December 28, 2006    | (1,307)    |
| Special distribution of \$0.05 per unit to be paid by Newkirk to unit holders of record on December 29, 2006       | (2,252)    |
| Reversal of Newkirk historical basis   | (401,611)  |
|  | \$ 504,495 |

**(N) Newkirk (historical)**

Certain balance sheet categories have been reclassified to conform with the Lexington presentation

## Lexington Realty Trust

**Unaudited Pro Forma Condensed Consolidated Statement of Income**  
**Year ended December 31, 2005**

|  | <b>Lexington<br/>(Historical)</b> | <b>Newkirk<br/>(Historical<br/>for<br/>November 7,<br/>2005 to<br/>December 31,<br/>2005)</b> | <b>Predecessor(B)<br/>(Historical<br/>for<br/>January 1,<br/>2005 to<br/>November 6,<br/>2005)</b> | <b>Reclassifications<br/>(A)</b> | <b>Pro<br/>Forma<br/>Merger<br/>Adjustments<br/>(C)</b> | <b>Pro Forma<br/>Adjusted</b> |
|--|-----------------------------------|---|--|----------------------------------|---|-------------------------------|
| <i>Gross revenues</i>  |                                   |   |  |                                  |   |                               |
| Rental   | \$ 180,871                        | \$ 27,403   | \$ 157,854   | \$ (27)                          | \$ (63,934)(C)  | \$ 302,167                    |
| Advisory fee   | 5,365                             | 38  | 249  |                                  |   | 5,652                         |
| Tenant reimbursements  | 10,896                            |   |  | 27                               |   | 10,923                        |
| Interest income  |                                   | 1,356   | 2,794  | (4,150)                          |   |                               |
| Gain from disposal of<br>real estate securities held<br>for sale   |                                   | 2   |  | (2)                              |   |                               |
| Total gross revenues   | 197,132                           | 28,799  | 160,897  | (4,152)                          | (63,934)  | 318,742                       |
| Depreciation and<br>amortization   | (70,906)                          | (4,623)   | (25,740)   |                                  | (45,218)(E)   | (146,487)                     |
| Property operating<br>General and<br>administrative  | (23,494)                          | (243)   | (526)  | (2,232)                          |   | (26,495)                      |
| Impairment charges   | (17,612)                          | (1,258)   | (3,799)  | (10,500)                         | 10,300(H)   | (22,869)                      |
| Non-operating income   | (12,050)                          |   | (2,750)  |                                  | 2,750(I)  | (12,050)                      |
| Interest and amortization  | 1,519                             |   |  | 4,152                            | (573)(D)  | 5,098                         |
| Debt satisfaction gains<br>(charges), net  | (65,065)                          | (8,466)   | (51,042)   |                                  | 2,901(F)  | (121,672)                     |
| Compensation expense<br>for exclusivity rights   | 4,409                             |   | (25,306)   |                                  |   | (20,897)                      |
| Ground rent  |                                   | (10,500)  |  | 10,500                           |   |                               |
|  |                                   | (373)   | (1,859)  | 2,232                            |   |                               |
| Income (loss) before<br>benefit (provision) for<br>income taxes, minority<br>interests and equity in<br>earnings of<br>non-consolidated entities | 13,933                            | 3,336   | 49,875   |                                  | (93,774)  | (26,630)                      |
| Benefit (provision) for<br>income taxes  | 150                               | (182)   | (1,415)  |                                  |   | (1,447)                       |
| Minority interest<br>expense of partially  |                                   | (2,842)   |  | (15,884)                         | 19,070(J)   | 344                           |

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|  |           |         |           |        |             |          |
|--|-----------|---------|-----------|--------|-------------|----------|
| owned entities   |           |         |           |        |             |          |
| Minority interest  | (2,111)   | (901)   | (15,884)  | 15,884 | 27,868(K)   | 24,856   |
| Equity in earnings of non consolidated entities                      | 6,220     | 496     | 2,632     |        | 109(G)      | 9,457    |
| Income (loss) from continuing operations                             | \$ 18,192 | \$ (93) | \$ 35,208 | \$     | \$ (46,727) | \$ 6,580 |
| Income (loss) from continuing operations per common share basic(N)   | 0.04      |         |           |        |             | (0.15)   |
| Income (loss) from continuing operations per common share diluted(N) | 0.04      |         |           |        |             | (0.33)   |
| Weighted average shares outstanding basic                            | 49,836    |         |           |        | 15,500(L)   | 65,336   |
| Weighted average shares outstanding diluted                          | 49,903    |         |           |        | 56,899(M)   | 106,802  |

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

**Lexington Realty Trust**

**Notes to Unaudited Pro Forma Condensed Consolidated Statement of Income**  
**Year ended December 31, 2005**  
**(dollars and shares in thousands)**

**(A) Reclassifications**

Certain balances contained in the Newkirk historical Statement of Income have been reclassified to conform with Lexington's presentation

**(B) Represents historical financial data for the MLP and its subsidiaries**

**(C) Rental Revenue**

Adjustment to Newkirk's historical rental revenue, calculated as follows:

|  |             |
|--|-------------|
| Reversal of historical straight-line rent adjustment and amortization of above and below market leases | \$ 5,645    |
| New straight-line rent adjustment  | (19,991)    |
| New amortization, net of above and below market leases over the applicable remaining lease periods     | (49,588)    |
|  | \$ (63,934) |

**(D) Non-operating Income**

Adjustment to Newkirk's non-operating income, calculated as follows:

|   |          |
|---|----------|
| Reversal of historical interest income related to contract rights receivable                | \$ (19)  |
| New interest income based on fair market value of contract rights receivable at acquisition | 237      |
| Reversal of historical interest income from REMIC certificates                              | (1,583)  |
| New interest income on the investment in REMIC certificates based on fair value             | 792      |
|   | \$ (573) |

**(E) Depreciation & Amortization**

Adjustment to Newkirk's historical real estate depreciation & amortization, calculated as follows:

|   |             |
|---|-------------|
| Reversal of historical depreciation expense   | \$ 27,481   |
| New depreciation expense based on real estate fair value at acquisition over estimated useful life of 40 years    | (29,898)    |
| Reversal of historical amortization expense   | 2,882       |
| New amortization of fair value of intangible assets from leases in place over remaining noncancellable lease term | (45,683)    |
|   | \$ (45,218) |



**(F) Interest and Amortization**

Adjustment to Newkirk's historical interest and amortization calculated as follows:

|   |          |
|---|----------|
| Reversal of historical deferred financing costs                                 | \$ 3,134 |
| Record amortization of costs expected to be incurred related to loan assumption | (233)    |
|   | \$ 2,901 |

**(G) Equity in Earnings of Non-Consolidated Entities**

|  |        |
|--|--------|
| Record reduction to depreciation from a reduction in basis to fair value | \$ 109 |
|--|--------|

**(H) General and Administrative**

|  |           |
|--|-----------|
| Assumes an increase in directors and officers insurance  | \$ (200)  |
| Reversal of historical compensation expense from exclusivity agreement upon consummation of the Merger | 10,500    |
|  | \$ 10,300 |

**(I) Impairment Loss**

|  |          |
|--|----------|
| Elimination of impairment charges relating to revaluing assets to estimated fair value as of January 1, 2005 | \$ 2,750 |
|--|----------|

**(J) Minority Interest Expense of Partially Owned Entities**

|   |           |
|---|-----------|
| Adjustment to Newkirk minority interest expense, calculated as follows:                                     |           |
| Minority interest share of estimated straight-line rent adjustment  | \$ 2,338  |
| Minority interest share of estimated amortization on above/below market lease intangibles                   | 8,321     |
| Reversal of minority interest in partially owned entities share of historical depreciation and amortization | (2,147)   |
| Minority interest share of estimated depreciation on fair value basis                                       | 3,650     |
| Minority interest share of estimated amortization on fair value basis                                       | 6,908     |
|   | \$ 19,070 |

**(K) Minority Interest**

|  |           |
|--|-----------|
| Adjustment for the 69.9% minority interest partner's share of pro forma loss of the Newkirk Operating Partnership for the year ended December 31, 2005 | \$ 27,868 |
|--|-----------|

**(L) Weighted Average Shares Outstanding Basic**

|  |        |
|--|--------|
| Newkirk historical common shares outstanding | 19,375 |
| Exchange ratio                               | .80    |
|  | 15,500 |

**(M) Weighted Average Shares Outstanding Diluted**

|  |        |
|--|--------|
| Newkirk historical common shares outstanding | 19,375 |
|--|--------|

|  |        |
|--|--------|
| Newkirk historical operating partnership units outstanding | 45,040 |
|  | 64,415 |
| Exchange ratio   | .80    |
|  | 51,532 |
| Lexington historical operating partnership units dilutive  | 5,434  |
| Lexington historical common shares options anti-dilutive   | (67)   |
|  | 56,899 |

**(N) Income (Loss) from Continuing Operations Per Common Share Basic and Diluted**

Income (loss) from continuing operations per common share basic and diluted is computed by dividing income from continuing operations reduced by preferred dividends by the weighted average shares outstanding basic and diluted, as applicable

## Lexington Realty Trust

**Unaudited Pro Forma Condensed Consolidated Statement of Income**  
**Nine months ended September 30, 2006**

|  | <b>Lexington<br/>Historical</b>                      | <b>Newkirk<br/>(Historical)</b> | <b>Reclassifications<br/>(A)</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>Adjusted</b> |
|--|--|---------------------------------|----------------------------------|----------------------------------|-------------------------------|
|  | <b>(Amounts in thousands, except per share data)</b> |                                 |                                  |                                  |                               |
| <i><b>Gross revenues</b></i>   |  |                                 |                                  |                                  |                               |
| Rental   | \$ 137,080   | \$ 147,721                      | \$ (590)                         | \$ (42,828)(B)                   | \$ 241,383                    |
| Advisory fee   | 3,527  | 188                             |                                  |                                  | 3,715                         |
| Tenant reimbursements  | 12,622   |                                 | 590                              |                                  | 13,212                        |
| Interest income  |  | 11,371                          | (11,371)                         |                                  |                               |
| Total gross revenues   | 153,229  | 159,280                         | (11,371)                         | (42,828)                         | 258,310                       |
| Depreciation & amortization  | (59,576)   | (28,168)                        |                                  | (28,798)(D)                      | (116,542)                     |
| Property operating   | (23,126)   | (4,811)                         | (1,750)                          |                                  | (29,687)                      |
| General and administrative   | (15,868)   | (9,990)                         | (2,500)                          | 2,350(H)                         | (26,008)                      |
| Impairment charges   | (1,121)  |                                 |                                  |                                  | (1,121)                       |
| Non-operating income   | 7,669  |                                 | 11,459                           | (2,937)(C)                       | 16,191                        |
| Interest and amortization  | (52,825)   | (40,619)                        |                                  | 1,222(E)                         | (92,222)                      |
| Debt satisfaction charge, net  | (216)  |                                 |                                  |                                  | (216)                         |
| Compensation expense for<br>exclusivity rights   |  | (2,500)                         | 2,500                            |                                  |                               |
| Ground rent  |  | (1,750)                         | 1,750                            |                                  |                               |
| Income (loss) before benefit<br>(provision) for income taxes,<br>minority interests, and equity in<br>earnings of non-consolidated<br>entities | 8,166  | 71,442                          | 88                               | (70,991)                         | 8,705                         |
| Benefit (provision) for income<br>taxes  | (23)   | (1,361)                         |                                  |                                  | (1,384)                       |
| Minority interest expense of<br>partially owned entities   |  | (15,948)                        |                                  | 12,979(F)                        | (2,969)                       |
| Minority interest  | (1,231)  | (40,457)                        |                                  | 41,994(I)                        | 306                           |
| Equity in earnings of<br>non-consolidated entities   | 3,075  | 1,511                           |                                  | 82(G)                            | 4,668                         |
| Gain on sale of securities   |  | 88                              | (88)                             |                                  |                               |
| Income (loss) from continuing<br>operations  | \$ 9,987   | \$ 15,275                       | \$ 0                             | \$ (15,936)                      | \$ 9,326                      |
| Loss from continuing operations<br>per common share basic(K)   | (0.05)   |                                 |                                  |                                  | (0.04)                        |
| Loss from continuing operations<br>per common share diluted(K)   | (0.05)   |                                 |                                  |                                  | (0.04)                        |

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|   |        |           |        |
|---|--------|-----------|--------|
| Weighted average shares<br>outstanding<br>basic   | 52,082 | 15,500(J) | 67,582 |
| Weighted average shares<br>outstanding<br>diluted | 52,082 | 15,500(J) | 67,582 |

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

**Lexington Realty Trust**

**Notes to Unaudited Pro Forma Condensed Consolidated Statement of Income**  
**Nine months ended September 30, 2006**  
**(dollars and shares in thousands)**

**(A) Reclassifications**

Certain balances contained in the Newkirk historical Statement of Income have been reclassified to conform with Lexington's presentation

**(B) Rental Revenue**

|  |             |
|--|-------------|
| Adjustment to Newkirk's historical rental revenue, calculated as follows:                          |             |
| Reversal of historical straight-line rent adjustment   | \$ 4,404    |
| New straight-line rent adjustment  | (9,879)     |
| New amortization, net of above and below market leases over the applicable remaining lease periods | (37,353)    |
|  | \$ (42,828) |

**(C) Non-operating income**

|   |            |
|---|------------|
| Adjustment to Newkirk non-operating income, calculated as follows:                          |            |
| Reversal of historical interest income related to contract rights receivable                | \$ (3,471) |
| New interest income based on fair market value of contract rights receivable at acquisition | 1,166      |
| Reversal of historical interest income from investment in REMIC certificates                | (1,244)    |
| New interest income from investment in REMIC certificates based on fair market value        | 612        |
|   | \$ (2,937) |

**(D) Depreciation & Amortization**

|   |             |
|---|-------------|
| Adjustment to Newkirk's historical real estate depreciation & amortization, calculated as follows:                |             |
| Reversal of historical depreciation expense   | \$ 23,556   |
| New depreciation expense based on real estate fair value at acquisition over estimated useful life of 40 years    | (22,069)    |
| Reversal of historical amortization expense   | 4,612       |
| New amortization of fair value of intangible assets from leases in place over remaining noncancellable lease term | (34,897)    |
|   | \$ (28,798) |

**(E) Interest and Amortization**

Adjustment to Newkirk's historical interest and amortization, calculated as follows:

|   |          |
|---|----------|
| Reversal of historical deferred financing costs   | \$ 1,733 |
| Record amortization of costs expected to be incurred related to loan assumption         | (134)    |
| Reversal of certain historical mortgage interest expense that is being marked to market | 695      |
| Record interest expense on certain mortgage debt based on fair market                   | (1,072)  |
| value   | \$ 1,222 |

**(F) Minority Interest Expense of Partially Owned Entities**

|  |           |
|--|-----------|
| Adjustment to Newkirk minority interest expense, calculated as follows:                          |           |
| Minority interest share of estimated straight-line rent adjustment                               | \$ 538    |
| Minority interest share of estimated amortization on above/below market rents lease intangibles  | 6,241     |
| Reversal of minority interest in partially owned entities share of depreciation and amortization | (1,718)   |
| Minority interest share of estimated depreciation on fair value basis                            | 2,738     |
| Minority interest share of estimated amortization on fair value basis                            | 5,180     |
|  | \$ 12,979 |

**(G) Equity in Earnings of Non Consolidated Entities**

|  |       |
|--|-------|
| Record reduction to depreciation from a reduction in basis to fair value | \$ 82 |
|--|-------|

**(H) General and Administrative**

|  |          |
|--|----------|
| Assumes an increase in directors and officers insurance  | \$ (150) |
| Reversal of historical compensation expense from exclusivity agreement upon consummation of the Merger | 2,500    |
|  | \$ 2,350 |

**(I) Minority Interest**

|   |           |
|---|-----------|
| Adjustment for the 69.9% minority interest partner's share of the Newkirk Operating Partnership | \$ 41,994 |
|---|-----------|

**(J) Weighted Average Shares Outstanding-Basic and Diluted**

|  |        |
|--|--------|
| Newkirk historical common shares outstanding | 19,375 |
| Exchange ratio                               | 0.80   |
|  | 15,500 |

**(K) Income (Loss) from Continuing Operations Per Common Share Basic and Diluted**

Income (loss) from continuing operations per common share basic and diluted is computed by dividing income from continuing operations reduced by preferred dividends by the weighted average shares outstanding basic and diluted,



as applicable