LEXINGTON REALTY TRUST
Form S-3ASR
May 30, 2008

As filed with the Securities and Exchange Commission on May 16, 2008

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

LEXINGTON REALTY TRUST
(Exact name of Company as specified in its charter)

Maryland	13-3717318
(State of Organization)	(I.R.S. Employer Identification No.)

One Penn Plaza, Suite 4015
New York, NY 10019
(212) 692-7000
(Address, including zip code, and telephone number, including area code, of Company's principal executive offices)

T. Wilson Eglin
President and Chief Executive Officer
One Penn Plaza, Suite 4015
New York, NY 10119-4015
(212) 692-7200
(Name, address, including zip code, and telephone number, including area code, of agent for service):

Copies to:

Mark Schonberger, Esq.
Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, NY 10022
(212) 318-6000

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after the Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering. o

If this form is a registration statement pursuant to General Instruction I.D or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered (2)	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Shares of beneficial interest classified as common stock, par value $.0001 per share	75,733 shares	$14.49	$1,097,371.17	$43.13(3)

(1) Estimated pursuant to Rule 457(c) under the Securities Act solely for the purpose of calculating the registration fee based upon the average of the high and low reported sale prices of the Common Shares on The New York Stock Exchange on May 9, 2008.

(2) Pursuant to Rule 416 under the Securities Act of 1933, this Registration Statement also covers such number of additional securities as may be issued to prevent dilution from stock splits, stock dividends or similar transactions.

(3) Registration Fee previously paid with Form S-3 (File No. 333-150960, the “Previous S-3”) filed with the Securities and Exchange Commission on May 16, 2008. The Previous S-3 has since been withdrawn and replaced with this Form S-3.

PROSPECTUS

Lexington Realty Trust

75,733 Common Shares of Beneficial Interest

We are Lexington Realty Trust, a self-managed and self-administered real estate investment trust, or REIT, that acquires, owns and manages a geographically diversified portfolio of net leased office, industrial and retail properties. Our executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015, and our telephone number is (212) 692-7200.

Issuance of Common Shares upon Redemption of LCIF Units

We may issue up to 75,733 shares of beneficial interest classified as common stock, which we refer to as our Common Shares, in exchange for the redemption of an equal number of units of limited partnership, which we refer to as LCIF units, issued by one of our operating partnership subsidiaries, Lepercq Corporate Income Fund L.P., which we refer to as LCIF.

The 75,733 LCIF units covered by this prospectus consist of 9,368 LCIF units issued on August 1, 1995, which were redeemable on May 1, 2006 and every May 1st thereafter, and 66,365 LCIF units issued on October 24, 2004, which were redeemable on May 1, 2006 and each August 1st, November 1st, February 1st and May 1st thereafter.

We will not receive proceeds from any issuance of Common Shares in exchange for LCIF units but will acquire the LCIF units submitted for redemption. We are not being assisted by any underwriter in connection with any issuance of Common Shares in exchange for LCIF units.

To ensure that we maintain our qualification as a real estate investment trust, or "REIT," under the applicable provisions of the Internal Revenue Code of 1986, as amended, ownership of our equity securities by any person is subject to certain limitations. See "Certain Provisions of Maryland Law and of our Declaration of Trust and Bylaws—Restrictions Relating to REIT Status."

Our Common Shares trade on the New York Stock Exchange under the symbol "LXP." On May 15, 2008, the last reported sale price of our Common Shares, as reported on the New York Stock Exchange, was $15.53 per share.

Investing in our Common Shares involves risks. See "Risk Factors" referred to on page 6 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 16, 2008.

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You should rely only on the information contained in this prospectus or incorporated by reference herein. We have not authorized anyone to provide you with information or make any representation that is different. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the registered securities to which it relates, and this prospectus does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or solicitation. You should not assume that the information contained in this prospectus is correct on any date after the date of the prospectus, even though this prospectus is delivered or Common Shares are sold pursuant to the prospectus at a later date. Since the date of the prospectus contained in this Registration Statement, our business, financial condition, results of operations and prospects may have changed.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the Commission. This prospectus and any accompanying prospectus supplement do not contain all of the information included in the registration statement. For further information, we refer you to the registration statement and any amendments to such registration statement, including its exhibits. Statements contained in this prospectus and any accompanying prospectus supplement about the provisions or contents of any agreement or other document are not necessarily complete. If the Commission's rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

You should read both this prospectus and any prospectus supplement together with additional information described below under the heading "Where You Can Find More Information." Information incorporated by reference with the Commission after the date of this prospectus, or information included in any prospectus supplement or an amendment to the registration statement of which this prospectus forms a part, may add, update, or change information in this prospectus or any prospectus supplement. If information in these subsequent filings, prospectus supplements or amendments is inconsistent with this prospectus or any prospectus supplement, the information incorporated by reference or included in the subsequent prospectus supplement or amendment will supersede the information in this prospectus or any earlier prospectus supplement. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document.

All references to the "Company," "we," "us" and "LXP" in this prospectus means Lexington Realty Trust and all entities owned or controlled by us except where it is clear that the term means only the parent company. The term "you" refers to a prospective investor.

FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. 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 "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," or the negative of these words or other similar words or terms. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- changes in general business and economic conditions;
- competition;
- increases in real estate construction costs;
- changes in interest rates; and
- changes in accessibility of debt and equity capital markets.

These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference in this prospectus. We caution you that any forward-looking statement reflects only our belief at the time the statement is made. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee our future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update any of the forward-looking statements to reflect events or developments after the date of this prospectus.

SUMMARY

The information below is only a summary of the information included elsewhere in this prospectus and the documents incorporated herein by reference. This summary does not contain all the information that may be important to you or that you should consider before investing in our Common Shares. As a result, you should carefully read this entire prospectus, as well as the information incorporated herein by reference.

We are a self-managed and self-administered real estate investment trust, commonly referred to as a REIT, formed under the laws of the State of Maryland. In addition to our Common Shares, we have four outstanding classes of beneficial interest classified as preferred stock, which we refer to as preferred shares: our 8.05% Series B Cumulative Redeemable Preferred Stock, or "Series B Preferred Shares," our 6.50% Series C Cumulative Convertible Preferred Stock, or "Series C Preferred Shares," our 7.55% Series D Cumulative Redeemable Preferred Stock, or "Series D Preferred Shares," and our special voting preferred stock. Our Common Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares are traded on the New York Stock Exchange, or the "NYSE," under the symbols "LXP," "LXP_pb," "LXP_pc," and "LXP_pd," respectively. Our primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial 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 cost increases for real estate taxes, utilities, insurance and ordinary repairs and maintenance.

We conduct operations either directly or through (i) one of four operating partnerships in which we are the sole unit holder of the general partner and the sole unit holder of a limited partner that holds a majority of the limited partnership interests: The Lexington Master Limited Partnership, which we refer to as the "MLP," LCIF, Lepercq Corporate Income Fund II L.P., and Net 3 Acquisition L.P., which we collectively refer to as the "Operating Partnerships"; or (ii) Lexington Realty Advisors, Inc., a wholly-owned taxable REIT subsidiary.

As of March 31, 2008, we had ownership interests in approximately 311 real estate assets, located in 42 states and The Netherlands, containing an aggregate of approximately 49.1 million net rentable square feet of space. Approximately 95.2% of the net rentable square feet is subject to a lease. Through the MLP, we also own interests in two co-investment programs: (i) Net Lease Strategic Assets Fund L.P., a co-investment program with Inland American Real Estate Trust, Inc. that invests in single-tenant net leased specialty real estate assets, and (ii) Concord Debt Holdings LLC, a co-investment program with Winthrop Realty Trust that invests in debt.

We elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or 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.

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.

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.

As part of our ongoing 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) attract 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.

Our operating partnership structure enables us to acquire properties by issuing to sellers, as a form of consideration, limited partnership interests in any of our four Operating Partnerships described above. We refer to the limited partnership interests generally as "OP units," the OP units issued by the MLP as "MLP Units" and the OP units issued by LCIF as LCIF Units. The OP units, including the LCIF units, are redeemable, after certain dates, for our Common Shares, or in certain cases, at our election, for cash. 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 while preserving our available cash for other purposes, including the payment of dividends and distributions.

Our principal executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015 and our telephone number is (212) 692-7200.

SECURITIES THAT MAY BE OFFERED

We may issue our Common Shares in exchange for LCIF units upon the redemption of the LCIF units by their holders on a one share for one unit basis. The Common Shares covered by this prospectus permit the holders thereof to sell such Common Shares generally without restriction in the open market or otherwise, but the registration of such offering does not necessarily mean that any of such LCIF units which may be redeemed in exchange for our Common Shares will be tendered for redemption or that any of such Common Shares will be offered or sold by the holders thereof. We will not receive any proceeds from the issuance of our Common Shares covered by this prospectus but will acquire the LCIF units submitted for redemption.

We may issue up to 75,733 of our Common Shares, if and to the extent that certain holders elect to tender up to an equal number of LCIF units for redemption. The 75,733 LCIF units covered by this prospectus consist of 9,368 LCIF units issued on August 1, 1995, which were redeemable on May 1, 2006 and every May 1st thereafter, and 66,365 LCIF units issued on October 24, 2004, which were redeemable on May 1, 2006 and each August 1st, November 1st, February 1st and May 1st thereafter.

RISK FACTORS

Investing in our Common Shares involves risks and uncertainties that could affect us and our business as well as the real estate industry generally. You should carefully consider the specific factors appearing or incorporated by reference in this prospectus. You should carefully consider the risks discussed under the caption "Risk Factors" included in our Annual Report on Form 10-K for the period ended December 31, 2007 and in any other documents incorporated by reference in this prospectus, including without limitation any updated risks included in our subsequent quarterly reports on Form 10-Q. These risk factors may be amended, supplemented or superseded from time to time by risk factors contained in any prospectus supplement or post-effective amendment we may file or in other reports we file with the Commission in the future. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance.

USE OF PROCEEDS

We will not receive any proceeds from the issuance of our Common Shares to the holders of LCIF units upon redemption of their units but will acquire the LCIF units submitted for redemption.

DESCRIPTION OF COMMON SHARES

The following is a summary of provisions of our Common Shares as of the date of this prospectus. This summary does not purport to be complete and is qualified in its entirety by reference to our declaration of trust and bylaws, each as supplemented, amended, or restated, and to Maryland law. See "Where You Can Find More Information" in this prospectus.

General

Authorized Capital

Under our declaration of trust, we have the authority to issue up to 1,000,000,000 shares of beneficial interest, par value $0.0001 per share, of which 400,000,000 shares are classified as Common Shares, 500,000,000 shares are classified as excess stock and 100,000,000 shares are classified as preferred stock, of which 3,160,000 shares are classified as Series B Preferred Shares, 3,100,000 shares are classified as Series C Preferred Shares, 6,200,000 shares are classified as Series D Preferred Shares and one share is classified as special voting preferred stock. Under Maryland law, our shareholders generally are not responsible for our debts or obligations as a result of their status as shareholders.

Special Voting Preferred Stock

The special voting preferred stock gives certain holders of MLP Units voting rights generally similar to those of our common shareholders. We refer to these MLP Units as "voting MLP Units." Each voting MLP Unit is entitled to one vote per voting MLP Unit. As of March 31, 2008, the number of voting MLP Units was 34,176,823, subject to reduction by the number of voting MLP Units that are subsequently redeemed by us. Pursuant to a voting trustee agreement, NKT Advisors LLC holds the special voting preferred stock and will cast the votes attached to the special voting preferred stock in proportion to the votes it receives from holders of voting MLP Units, subject to the following limitations. First, Vornado Realty Trust, which we refer to as "Vornado," will not have the right to vote for board members at any time when an affiliate of Vornado is serving or standing for election as a board member. In addition, at all other times, Vornado's right to vote in the election of trustees will be limited to the number of voting MLP Units that it owns, not to exceed 9.9% of our Common Shares outstanding on a fully diluted basis. NKT Advisors (through its managing member) will be entitled to vote in its sole discretion to the extent the voting rights of Vornado's affiliates are so limited. NKT Advisors LLC is an affiliate of Michael L. Ashner, our former Executive Chairman and Director of Strategic Acquisitions.

Unitholders in our other Operating Partnerships do not have such a voting right. Accordingly, based on our Common Shares and MLP Units outstanding as March 31, 2008, holders of MLP Units will be entitled to cast and/or direct the voting of approximately 36.2% of our votes.

Power to Issue and Classify Our Shares

We may issue our shares from time to time at the discretion of our board of trustees to raise additional capital, acquire assets, including additional real properties, redeem or retire debt or for any other business purpose. In addition, the undesignated preferred shares may be issued in one or more additional classes or series with such designations,

preferences and relative, participating, optional or other special rights including, without limitation, preferential dividend or voting rights, and rights upon liquidation, as will be fixed by our board of trustees. Our board of trustees is authorized to classify and reclassify any unissued shares by setting or changing, in any one or more respects, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares. This authority includes, without limitation, subject to the provisions of our declaration of trust, authority to classify or reclassify any unissued shares into a class or classes of preferred shares, preference shares, special shares or other shares, and to divide and reclassify shares of any class into one or more series of that class.

In some circumstances, the issuance of preferred shares, or the exercise by our board of trustees of its right to classify or reclassify shares, could have the effect of deterring individuals or entities from making tender offers for our Common Shares or seeking to change incumbent management.

Terms

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

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

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

We furnish our shareholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm.

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

Restrictions on Ownership

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

Transfer Agent

The transfer agent and registrar for our Common Shares is The Bank of New York Mellon.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR DECLARATION OF TRUST AND BYLAWS

This summary does not purport to be complete and is qualified in its entirety by reference to our declaration of trust and bylaws, each as supplemented, amended or restated, and Maryland law. See "Where You Can Find More Information" in this prospectus.

Restrictions Relating To REIT Status

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

Equity shares owned, or deemed to be owned, or transferred to a shareholder in excess of the Ownership Limit, or that would result in our being "closely held" (within the meaning of Section 856(h) of the Code), will automatically be converted into shares of beneficial interest classified as excess stock, which we refer to as our excess shares, that will be transferred to us as trustee of a trust for the exclusive benefit of the transferees to whom such shares may be ultimately transferred without violating the Ownership Limit. The excess shares are not entitled to be voted, be considered for purposes of any shareholder vote or the determination of a quorum for such vote and, except upon liquidation, entitled to participate in dividends or other distributions. Any dividend or distribution paid to a proposed transferee of excess shares prior to our discovery that equity shares have been transferred in violation of the provisions of our declaration of trust will be repaid to us upon demand. The excess shares are not treasury shares, but rather constitute a separate class of our issued and outstanding shares. The original transferee-shareholder may, at any time the excess shares are held by us in trust, transfer the interest in the trust representing the excess shares to any individual whose ownership of the equity shares exchanged into such excess shares would be permitted under our declaration of trust, at a price not in excess of the price paid by the original transferee-shareholder for the equity shares that were exchanged into excess shares, or, if the transferee-shareholder did not give value for such shares, a price not in excess of the market price (as determined in the manner set forth in our declaration of trust) on the date of the purported transfer. Immediately upon the transfer to the permitted transferee, the excess shares will automatically be exchanged for equity shares of the class from which they were converted. If the foregoing transfer restrictions are determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the intended transferee of any excess shares may be deemed, at our option, to have acted as an agent on our behalf in acquiring the excess shares and to hold the excess shares on our behalf.

In addition to the foregoing transfer restrictions, we will have the right, for a period of 90 days, after the later of the day we receive written notice of a transfer or other event, or our board of trustees determines in good faith that a

transfer or other event has occurred, resulting in excess shares, to purchase all or any portion of the excess shares from the original transferee-shareholder for the lesser of the price paid for the equity shares by the original transferee-shareholder or the market price (as determined in the manner set forth in our declaration of trust) of the equity shares on the date we exercise our option to purchase.

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

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

Maryland Law

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

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

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

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

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

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

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

In connection with its approval of our merger with Newkirk Realty Trust, Inc., or Newkirk, referred to as the Merger, our board of trustees has exempted, to a limited extent, certain holders of Newkirk stock and MLP Units who received our Common Shares in the Merger.

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

Control Share Acquisitions. Maryland law provides that control shares of a Maryland real estate investment trust acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, by officers or by employees who are trustees of the trust are excluded from shares entitled to vote on the matter. Control shares are voting shares which, if aggregated with all other shares owned by the acquirer or in respect of which the acquirer is able to exercise or

direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing trustees within one of the following ranges of voting power:

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

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

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

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

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

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

Unsolicited Takeover Provisions of Maryland Law

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

- officers or employees of the trust;
- persons seeking to acquire control of the trust;

- trustees, officers, affiliates or associates of any person seeking to acquire control of the trust; or
- nominated or designated as trustees by a person seeking to acquire control of the trust.

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

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

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

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

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

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

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

We have not elected to be governed by these specific provisions. However, our declaration of trust and/or bylaws, as applicable, already provide for an 80% shareholder vote to remove trustees (and then only for cause), that the number of trustees may be determined by a resolution of our board of trustees, subject to a minimum number, and that special meetings of the shareholders may only be called by the chairman of the board of trustees or the president or by a majority of the board of trustees and as may be required by law. In addition, we can elect to be governed by any or all of the foregoing provisions of the Maryland law at any time in the future.

Merger, Amendment to Declaration of Trust, Termination

Pursuant to the Maryland REIT Law, a real estate investment trust generally cannot amend its declaration of trust or merge unless approved by the affirmative vote of shareholders holding at least two-thirds of the votes to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes to be cast on the matter) is set forth in its declaration of trust. Our declaration of trust provides that those actions, with the exception of certain amendments to our declaration of trust for which a higher vote requirement has been set, will be valid and effective if authorized by holders of a majority of the total number of votes entitled to be cast on the matter. Certain amendments to preserve our REIT status may be made without shareholder approval. Subject to the provisions of any other class or series of shares, we may be terminated by the affirmative vote of the holders of not less than two-thirds of the votes entitled to be cast on the matter.

Advance Notice of Trustee Nominations and New Business

Our bylaws provide that for any shareholder proposal to be presented in connection with an annual meeting of shareholders, including any proposal relating to the nomination of a trustee, the shareholders must have given timely notice thereof in writing to our secretary in accordance with the provisions of our bylaws.

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DESCRIPTION OF LCIF UNITS

The material terms of the LCIF units covered by this prospectus, including a summary of certain provisions of the LCIF Partnership Agreement, as in effect as of the date of this prospectus, are set forth below. The following description does not purport to be complete and is subject to and qualified in its entirety by reference to applicable provisions of Delaware law and the LCIF Partnership Agreement. For a comparison of the voting and other rights of holders of LCIF units, whom we refer to as LCIF unitholders or limited partners, and our shareholders, see "Comparison of Ownership of LCIF Units and Common Shares" elsewhere in this prospectus.

General

We are the sole equity owner of Lex GP-1 Trust, or Lex GP-1, a Delaware statutory trust, which is the general partner of LCIF and holds, as of the date of this prospectus, a 1% interest in LCIF. We are also the sole equity owner of Lex LP-1 Trust, or Lex LP-1, a Delaware statutory trust, which holds, as of the date of this prospectus, approximately 85.8% of the LCIF units.

Issuance of LCIF Units

Our operating partnership structure enables us to acquire property by issuing equity partnership units, including LCIF units, to a direct or indirect property owner as a form of consideration. All of the LCIF units which have been issued as of the date of this prospectus are redeemable, at the option of the holders thereof, on a one-for-one basis (subject to certain anti-dilution adjustments) for Common Shares at various times, and certain LCIF units require us to pay distributions to the holders thereof (although certain LCIF units currently outstanding do not require the payment of distributions). As a result, our cash available for distribution to shareholders is reduced by the amount of the distributions required by the terms of such LCIF units, and the number of Common Shares that will be outstanding in the future is expected to increase, from time to time, as such LCIF units are redeemed for Common Shares. Lex GP-1 has the right to redeem the LCIF units held by all, but not less than all, of the LCIF unitholders (other than those LCIF unitholders identified as the "Special Limited Partners" in the LCIF Partnership Agreement) under certain circumstances, including but not limited to a merger, sale of assets, consolidation, share issuance, share redemption or other similar transaction by us or LCIF which would result in a change of beneficial ownership in us or LCIF by 50% or more.

LCIF unitholders hold LCIF units and all LCIF unitholders are entitled to share in the profits and losses of LCIF.

LCIF unitholders have the rights to which limited partners are entitled under the LCIF Partnership Agreement and the Delaware Revised Uniform Limited Partnership Act, which we refer to as the Delaware Act. The LCIF units have not been registered pursuant to the federal or state securities laws and are not listed on any exchange or quoted on any national market system.

As of the date of this prospectus, there are approximately 3,954,782 LCIF units outstanding that are not held by us, all which are currently redeemable for Common Shares, including the 75,733 LCIF units to which this prospectus relates. The average annualized distribution per LCIF unit is currently $1.32. Of the total LCIF units, 787,144 LCIF units are beneficially owned by E. Robert Roskind, the chairman of our board of trustees.

Purposes, Business And Management

The purpose of LCIF includes the conduct of any business that may be conducted lawfully by a limited partnership organized under the Delaware Act, except that the LCIF Partnership Agreement requires the business of LCIF to be conducted in such a manner that will permit us to continue to be classified as a REIT under Sections 856 through 860

of the Code, unless we cease to qualify as a REIT for reasons other than the conduct of the business of LCIF. Subject to the foregoing limitation, LCIF may enter into partnerships, joint ventures or similar arrangements and may own interests in any other entity.

We, as sole equity owner of Lex GP-1, which is the sole general partner of LCIF, have exclusive power and authority to conduct the business of LCIF, subject to the consent of the limited partners in certain limited circumstances discussed below. No limited partner may take part in the operation, management or control of the business of LCIF by virtue of being a LCIF unitholder.

Ability To Engage In Other Businesses; Conflicts Of Interest

Lex GP-1 may not, without the consent of the holders of a majority of the LCIF units held by the Special Limited Partners, engage in any business other than to hold and own LCIF units. The holders of a majority of the LCIF units held by the Special Limited Partners have consented to Lex GP-1's holding and ownership of units of limited partnership of our other operating partnerships and acting as the general partner thereof and of another one of our partnership subsidiaries. Neither LXP nor other persons (including our officers, trustees, employees, agents and other affiliates) are prohibited under the LCIF Partnership Agreement from engaging in other business activities or are required to present any business opportunities to LCIF.

Distributions; Allocations Of Income And Loss

Generally, LCIF unitholders are allocated and distributed amounts with respect to their LCIF units which approximate the amount of distributions made with respect to the same number of our Common Shares, as determined in the manner provided in the LCIF Partnership Agreement and subject to certain restrictions and exceptions for certain limited partners. Remaining amounts available for distribution are generally allocated to Lex GP-1.

Borrowing By LCIF

Lex GP-1 has full power and authority to cause LCIF to borrow money and to assume and guarantee debt.

Reimbursement Of Expenses; Transactions With The General Partner And Its Affiliates

Neither we nor Lex GP-1 receives any compensation for Lex GP-1's services as general partner of LCIF. Lex GP-1 and Lex LP-1, however, as partners in LCIF, have the same right to allocations and distributions as other partners of LCIF. In addition, LCIF will reimburse Lex GP-1 and us for all expenses incurred by them related to the ownership and operation of, or for the benefit of, LCIF. In the event that certain expenses are incurred for the benefit of LCIF and other entities (including us), such expenses are allocated by us, as sole equity owner of the general partner of LCIF, to LCIF and such other entities in a manner as we, as sole equity owner of the general partner of LCIF, in our sole and absolute discretion deem fair and reasonable. We have guaranteed the obligations of LCIF in connection with the redemption of LCIF units pursuant to the LCIF Partnership Agreement.

We and our affiliates may engage in any transactions with LCIF subject to the fiduciary duties established under applicable law.

Funding Agreement

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

prevailing rates as determined by us in our discretion but no less than the applicable federal rate. The MLP's right to receive these loans will expire if we contribute to the MLP all of our economic interests in the other Operating Partnerships, including LCIF, our existing joint ventures and all of our other subsidiaries that are partnerships, joint ventures or limited liability companies. However, thereafter the MLP will remain obligated to continue to make these loans until there are no remaining units outstanding in the other Operating Partnerships, including LCIF, and all loans have been repaid.

Liability Of General Partner And Limited Partners

Lex GP-1, as the general partner of LCIF, is ultimately liable for all general recourse obligations of LCIF to the extent not paid by LCIF. Lex GP-1 is not liable for the nonrecourse obligations of LCIF. The limited partners of LCIF are not required to make additional capital contributions to LCIF. Assuming that a limited partner does not take part in the control of the business of LCIF in its capacity as a limited partner thereof and otherwise acts in conformity with the provisions of the LCIF Partnership Agreement, the liability of the limited partner for obligations of LCIF under the LCIF Partnership Agreement and the Delaware Act is generally limited, subject to certain limited exceptions, to the loss of the limited partner's investment in LCIF. LCIF will operate in a manner the general partner deems reasonable, necessary and appropriate to preserve the limited liability of the limited partners.

Exculpation And Indemnification Of The General Partner

Generally, Lex GP-1, as general partner of LCIF (and us as the sole equity owner of the general partner of LCIF) will incur no liability to LCIF or any limited partner for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission if we carried out our duties in good faith. In addition, neither Lex GP-1 nor us are responsible for any misconduct or negligence on the part of their agents, provided such agents were appointed in good faith. Lex GP-1 and the Company may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors, and any action it takes or omits to take in reliance upon the opinion of such persons, as to matters that Lex GP-1 and the Company reasonably believe to be within their professional or expert competence, shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

The LCIF Partnership Agreement also provides that LCIF will indemnify Lex GP-1 and us, our respective directors, trustees and officers, and such other persons as Lex GP-1 and the Company may from time to time designate to the fullest extent permitted under the Delaware Act.

Sales Of Assets

Under the LCIF Partnership Agreement, Lex GP-1 generally has the exclusive authority to determine whether, when and on what terms the assets of LCIF will be sold. LCIF, however, is prohibited under the LCIF Partnership Agreement and certain contractual agreements from selling certain assets, except in certain limited circumstances. Lex GP-1 may not consent to a sale of all or substantially all of the assets of LCIF, or a merger of LCIF with another entity, without the consent of a majority in interest of the Special Limited Partners.

Lex GP-1 has the right to redeem the LCIF units held by all, but not less than all, of the LCIF unitholders (other than those LCIF unitholders identified as the "Special Limited Partners" in the LCIF Partnership Agreement) under certain circumstances, including but not limited to a merger, sale of assets, consolidation, share issuance, share redemption or other similar transaction by us or LCIF which would result in a change of beneficial ownership in us or LCIF by 50% or more.

Removal Of The General Partner; Restrictions on Transfer By The General Partner Or Us

The LCIF Partnership Agreement provides that the limited partners may not remove Lex GP-1 as general partner of LCIF. Lex GP-1 may not transfer any of its interests as the general partner of LCIF, and Lex LP-1 may not transfer any of its interests as a limited partner in LCIF, except to each other or to us.

Restrictions On Transfer Of LCIF Units By LCIF Unitholders

LCIF unitholders may not transfer their LCIF units without the consent of Lex GP-1, which may be withheld in its sole and absolute discretion, provided that LCIF unitholders may transfer all or a portion of their LCIF units to (i) immediate family members, (ii) certain 501(c)(3) organizations, (iii) a partner in such LCIF unitholder in a distribution to all of its partners or (iv) a lender as security for a loan to be made or guaranteed by such LCIF unitholder. However, a LCIF unitholder may assign the economic rights associated with its LCIF units, without the consent of Lex GP-1, but such assignee will not be (i) admitted to LCIF as a substituted limited partner or (ii)

entitled to the same rights as a substituted limited partner. In addition, LCIF unitholders may dispose of their LCIF units by exercising their rights to have their LCIF units redeemed for Common Shares. See “Redemption of LCIF Units” below.

Issuance Of Additional Limited Partnership Interests

Lex GP-1 is authorized, in its sole and absolute discretion and without the consent of the limited partners, to cause LCIF to issue additional LCIF units to any limited partners or any other persons for such consideration and on such terms and conditions as Lex GP-1 deems appropriate. In addition, Lex GP-1 may cause LCIF to issue additional partnership interests in different series or classes, which may be senior to the LCIF units. Subject to certain exceptions, no additional LCIF units may be issued to us, Lex GP-1 or Lex LP-1.

Meetings; Voting

The LCIF Partnership Agreement provides that limited partners may not take part in the operation, management or control of LCIF’s business. The LCIF Partnership Agreement does not provide for annual meetings of the limited partners, and LCIF does not anticipate calling such meetings.

Amendment Of The LCIF Partnership Agreement

The LCIF Partnership Agreement may be amended with the consent of Lex GP-1, Lex LP-1 and a majority in interest of the Special Limited Partners. Notwithstanding the foregoing, Lex GP-1 has the power, without the consent of limited partners, to amend the LCIF Partnership Agreement in certain limited circumstances.

Dissolution, Winding Up And Termination

LCIF will continue indefinitely, unless sooner dissolved and terminated. LCIF will be dissolved, and its affairs wound up upon the occurrence of the earliest of: (1) the withdrawal of Lex GP-1 as general partner (except in certain limited circumstances); (2) the sale of all or substantially all of LCIF’s assets and properties; or (3) the entry of a decree of judicial dissolution of LCIF pursuant to the provisions of the Delaware Act. Upon dissolution, Lex GP-1, as general partner, or any person elected as liquidator by a majority in interest of the limited partners, will proceed to liquidate the assets of LCIF and apply the proceeds therefrom in the order of priority set forth in the LCIF Partnership Agreement.

REDEMPTION OF LCIF UNITS

General

Each LCIF unitholder may, subject to certain limitations, require that LCIF redeem its LCIF units, by delivering a notice to LCIF. We have guaranteed the obligation of LCIF to redeem LCIF units covered by any such notice. Upon redemption, such unitholder will receive one Common Share in exchange for each LCIF unit held by such unitholder.

LCIF and the Company will satisfy any redemption right exercised by a unitholder through our issuance of Common Shares, whether pursuant to this prospectus or otherwise, whereupon we will acquire, and become the owner of, the LCIF units being redeemed. Each acquisition of LCIF units by us will be treated as a sale of the LCIF units by the redeeming unitholders to us for federal income tax purposes. See "— Tax Treatment of Redemption of LCIF Units" below. Upon redemption, the former unitholder's right to receive distributions from LCIF with respect to the LCIF units redeemed will cease. The unitholder will have rights to dividend distributions as one of our shareholders from the time of its acquisition of our Common Shares in exchange for the redemption of its LCIF units.

A unitholder must notify Lex GP-1 and us of its desire to require LCIF to redeem LCIF units by sending a notice in the form attached as an exhibit to the LCIF Partnership Agreement, a copy of which is available from us. A unitholder must request the redemption of at least 1,000 LCIF units, or, if the unitholder holds fewer than 1,000 LCIF units, all LCIF units held by such holder. No redemption can occur if the delivery of Common Shares would be prohibited under the provisions of the declaration of trust designed to protect our qualification as a REIT.

Tax Treatment Of Redemption Of LCIF Units

The following discussion summarizes certain federal income tax considerations that may be relevant to a unitholder that exercises its right to cause a redemption of its LCIF units.

The LCIF Partnership Agreement provides that the redemption of LCIF units will be treated by us and LCIF and the redeeming unitholder as a sale of LCIF units by the unitholder to us at the time of the redemption. The sale will be fully taxable to the redeeming unitholder.

The determination of gain or loss from the sale or other disposition will be based on the difference between the unitholder's amount realized for tax purposes and his tax basis in such LCIF units. The amount realized will be measured by the fair market value of property received (e.g., the Common Shares) plus the portion of the liabilities of LCIF, allocable to the LCIF units sold. In general, a unitholder's tax basis is based on the cost of the LCIF units, adjusted for the unitholder's allocable share of the income, loss, distributions and liabilities of LCIF, and can be determined by reference to Schedule K-1's of LCIF. To the extent that the amount realized exceeds the unitholder's basis for the LCIF units disposed of, such unitholder will recognize gain. It is possible that the amount of gain recognized or even the tax liability resulting from such gain could exceed the fair market value of the Common Shares received upon such disposition. EACH UNITHOLDER SHOULD CONSULT WITH ITS OWN TAX ADVISOR FOR THE SPECIFIC TAX CONSEQUENCES RESULTING FROM A REDEMPTION OF ITS LCIF UNITS.

Generally, any gain recognized upon a sale or other disposition of LCIF units will be treated as gain attributable to the sale or disposition of a capital asset. To the extent, however, that the amount realized upon the sale of LCIF units attributable to a unitholder's share of "unrealized receivables" of LCIF (as defined in Section 751 of the Code) exceeds the basis attributable to those assets, such excess will be treated as ordinary income. Unrealized receivables include, to the extent not previously included in the income of LCIF any rights to payment for services rendered or to be

rendered. Unrealized receivables also include amounts that would be subject to recapture as ordinary income if LCIF had sold its assets at their fair market value at the time of the transfer of LCIF units.

For individuals, trusts and estates, the maximum rate of tax on the net capital (i.e., long-term capital gain less short-term capital loss) gain from a sale or exchange of a long-term capital asset (i.e., a capital asset held for more than 12 months) is 15%. The maximum rate for net capital gains attributable to the sale of depreciable real property held for

more than 12 months is 25% to the extent of the prior depreciation deductions for "unrecaptured Section 1250 gain" (that is, depreciation deductions not otherwise recaptured as ordinary income under the existing depreciation recapture rules). Treasury Regulations provide that individuals, trusts and estates are subject to a 25% tax to the extent of their allocable share of unrecaptured Section 1250 gain immediately prior to their sale or disposition of the LCIF units (the "25% Amount"). Provided that the LCIF units are held as a long-term capital asset, such unitholders would be subject to a maximum rate of tax of 15% of the difference, if any, between any gain on the sale or disposition of the LCIF units and the 25% Amount.

There is a risk that a redemption by LCIF of LCIF units issued in exchange for a contribution of property to LCIF may cause the original transfer of property to LCIF in exchange for LCIF units to be treated as a "disguised sale" of property. Section 707 of the Code and the Treasury Regulations thereunder (the "Disguised Sale Regulations") generally provide that, unless one of the prescribed exceptions is applicable, a partner's contribution of property to a partnership and a simultaneous or subsequent transfer of money or other consideration (which may include the assumption of or taking subject to a liability) from the partnership to the partner will be presumed to be a sale, in whole or in part, of such property by the partner to the partnership. Further, the Disguised Sale Regulations provide generally that, in the absence of an applicable exception, if money or other consideration is transferred by a partnership to a partner within two years of the partner's contribution of property, the transactions are presumed to be a sale of the contributed property unless the facts and circumstances clearly establish that the transfers do not constitute a sale. The Disguised Sale Regulations also provide that if two years have passed between the transfer of money or other consideration and the contribution of property, the transactions will be presumed not to be a sale unless the facts and circumstances clearly establish that the transfers constitute a sale. EACH UNITHOLDER SHOULD CONSULT WITH ITS OWN TAX ADVISOR TO DETERMINE WHETHER A REDEMPTION OF LCIF UNITS COULD BE SUBJECT TO THE DISGUISED SALE REGULATIONS.

REGISTRATION RIGHTS

We have filed the registration statement of which this prospectus is a part pursuant to our obligations under the LCIF Partnership Agreement in conjunction with certain agreements entered into in connection with the acquisition of certain properties. Under these agreements, executed in conjunction with the parties listed therein, we are obligated to use our reasonable efforts to keep the registration statement continuously effective for a period expiring on the date on which all of the LCIF units covered by these agreements have been redeemed pursuant to the registration statement. Any Common Shares that have been sold pursuant to such agreements, or have been otherwise transferred and new certificates for them have been issued without legal restriction on further transfer of such shares, will no longer be entitled to the benefits of those agreements.

We have no obligation under these agreements to retain any underwriter to effect the sale of the shares covered thereby and the registration statement will not be available for use for an underwritten public offering of such shares.

Pursuant to these agreements, we agreed to pay all expenses of effecting the registration of the Common Shares covered by this prospectus (other than underwriting discounts and commissions, fees and disbursements of counsel, and transfer taxes, if any) pursuant to the registration statement.

COMPARISON OF OWNERSHIP OF LCIF UNITS AND COMMON SHARES

The information below highlights a number of the significant differences between LCIF and us relating to, among other things, form of organization, permitted investments, policies and restrictions, management structure, compensation and fees, investor rights and federal income taxation, and compares certain legal rights associated with the ownership of LCIF units and our Common Shares, respectively. These comparisons are intended to assist unitholders in understanding how their investment will be changed if their LCIF units are redeemed for Common Shares. This discussion is summary in nature and does not constitute a complete discussion of these matters, and unitholders should carefully review the balance of this prospectus and the registration statement of which this prospectus is a part for additional important information about us.

LCIF	THE COMPANY
FORM OF ORGANIZATION AND ASSETS OWNED	
LCIF is organized as a Delaware limited partnership. LCIF owns interests (directly and indirectly through subsidiaries) in properties	We are a Maryland statutory real estate investment trust. We believe that we have operated so as to qualify as a REIT under the Code, commencing with our taxable year ended December 31, 1993, and intend to continue to so operate. Our indirect interest in LCIF gives us an indirect investment in the properties owned by LCIF. In addition, we own (either directly or indirectly through interests in subsidiaries other than LCIF) interests in other properties.
LENGTH OF INVESTMENT	
LCIF has a perpetual term, unless sooner dissolved and terminated.	We have a perpetual term and intend to continue our operations for an indefinite time period.
PURPOSE AND PERMITTED INVESTMENTS	
LCIF's purpose is to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Delaware Act, provided that such business is to be conducted in a manner that permits us to be qualified as a REIT unless we cease to qualify as a REIT for reasons other than the conduct of LCIF's business. LCIF may not take, or refrain from taking, any action which, in the judgment of the general partner (which is wholly owned by us) (i) could adversely affect our ability to continue to qualify as a REIT, (ii) could subject us to any additional taxes under Section 857 or Section 4981 of the Code, or any other Section of the Code, or (iii) could	Our purposes are to engage in the real estate business and lawful activities incidental thereto, and to engage in any lawful activity permitted under the applicable laws of the State of Maryland. We are permitted by the LCIF Partnership Agreement to engage in activities not related to the business of LCIF, including activities in direct or indirect competition with LCIF, and may own assets other than our interests in LCIF, and such other assets necessary to carry out our responsibilities under the LCIF Partnership Agreement, and our declaration of trust. In addition, we have no obligation to present opportunities to LCIF and the unitholders have

violate any law or regulation of any governmental body (unless such action, or inaction, is specifically consented to by us).

no rights by virtue of the LCIF Partnership Agreement in any of our outside business ventures.

ADDITIONAL EQUITY

LCIF is authorized to issue LCIF units and other partnership interests (including partnership interests of different series or classes that may be senior to LCIF units) as determined by the general partner, in its sole discretion.

Our board of trustees, in its discretion, may cause us to issue additional equity securities consisting of Common Shares and/or preferred shares. However, the total number of shares issued may not exceed the authorized number of shares set forth in our declaration of trust. The proceeds of equity capital raised by us are not required to be contributed to LCIF;

	provided, however, that if we desire to increase our ownership of LCIF units, we may only do so by contributing the proceeds of equity capital raised by us.

BORROWING POLICIES

LCIF has no restrictions on borrowings, and the general partner has full power and authority to borrow money on behalf of LCIF.	Neither our declaration of trust nor our by-laws impose any restrictions on our ability to borrow money. We are not required to incur our indebtedness through LCIF.

OTHER INVESTMENT RESTRICTIONS

Other than restrictions precluding investments by LCIF that would adversely affect our qualification as a REIT, there are no restrictions upon LCIF's authority to enter into certain transactions, including among others, making investments, lending LCIF funds, or reinvesting LCIF's cash flow and net sale or refinancing proceeds.	Neither our declaration of trust nor our by-laws impose any restrictions upon the types of investments made by us.

MANAGEMENT CONTROL

All management powers over the business and affairs of LCIF are vested in the general partner of LCIF, and no limited partner of LCIF has any right to participate in or exercise control or management power over the business and affairs of LCIF except that (1) the general partner of LCIF may not consent to the participation of LCIF in any merger, consolidation or other combination with or into another person or entity, or a sale of all or substantially all of LCIF's assets without the consent of a majority in interest of the Special Limited Partners, and (2) there are certain limitations on the ability of the general partner of LCIF to cause or permit LCIF to dissolve. See "—Voting Rights —Vote Required to Dissolve or Terminate LCIF or Us" below. The general partner may not be removed by the limited partners of LCIF with or without cause.	Our board of trustees has exclusive control over our business and affairs subject only to the restrictions in our declaration of trust and by-laws. Our board of trustees consists of ten trustees, which number may be increased or decreased by vote of at least a majority of the entire board of trustees pursuant to our by-laws. The trustees are elected at each annual meeting of our shareholders. The policies adopted by the board of trustees may be altered or eliminated without a vote of the shareholders. Accordingly, except for their vote in the elections of trustees, shareholders have no control over our ordinary business policies.

DUTIES

Under Delaware law, the general partner of LCIF is accountable to LCIF as a fiduciary and, consequently, is required to exercise good	Under Maryland law, our trustees must perform their duties in good faith, in a manner that they reasonably believe to be in our best

faith and integrity in all of its dealings with respect to partnership affairs. However, under the LCIF Partnership Agreement, the general partner may, but is under no obligation to, take into account the tax consequences to any partner of any action taken by it, and the general partner is not liable for monetary damages for losses sustained or liabilities incurred by partners as a result of errors of judgment or of any act or omission, provided that the general partner has acted in good faith.

interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Trustees who act in such a manner generally will not be liable to us for monetary damages arising from their activities.

MANAGEMENT LIABILITY AND INDEMNIFICATION

Under Delaware law, the general partner has liability for the payment of the obligations and debts of LCIF unless

Under our declaration of trust, the liability of our trustees and officers to us and our shareholders for

limitations upon such liability are stated in the document or instrument evidencing the obligation. Under the LCIF Partnership Agreement, LCIF has agreed to indemnify Lex GP-1 and us, and any director, trustee or officer of Lex GP-1 or us to the fullest extent permitted under the Delaware Act. The reasonable expenses incurred by an indemnitee may be reimbursed by LCIF in advance of the final disposition of the proceeding upon receipt by LCIF of a written affirmation by such indemnitee of his, her or its good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking by such indemnitee to repay the amount if it is ultimately determined that such standard was not met.

money damages is limited to the fullest extent permitted under Maryland law. Under our declaration of trust we have agreed to indemnify our trustees and officers, to the fullest extent permitted under Maryland law and to indemnify our other employees and agents to such extent as authorized by our board of trustees or our by-laws, but only to the extent permitted under applicable law.

ANTI-TAKEOVER PROVISIONS

Except in limited circumstances (see "—Voting Rights" below), the general partner of LCIF has exclusive management power over the business and affairs of LCIF. The general partner may not be removed by the limited partners with or without cause. Under the LCIF Partnership Agreement, a limited partner may transfer his or her interest as a limited partner (subject to certain limited exceptions set forth in the LCIF Partnership Agreement), without obtaining the approval of the general partner. However, without the consent of the general partner, a transferee will not be (i) admitted to LCIF as a substituted limited partner or (ii) entitled to the same rights as a substituted limited partner.

Our declaration of trust and by-laws contain a number of provisions that may have the effect of delaying or discouraging an unsolicited proposal for the acquisition of us or the removal of incumbent management. These provisions include, among others: (1) authorized shares that may be issued as preferred shares in the discretion of the board of trustees, with superior voting rights to the Common Shares; (2) a requirement that trustees may be removed only for cause and only by the affirmative vote of the holders of at least 80% of the combined voting power of all classes of shares of beneficial interest entitled to vote in the election of trustees; and (3) provisions designed to, among other things, avoid concentration of share ownership in a manner that would jeopardize our status as a REIT under the Code.

Furthermore, under Maryland law, "business combinations" between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. See "Certain Provisions of Maryland Law and Our Declaration of Trust and Bylaws – Maryland Law," elsewhere in this prospectus.

VOTING RIGHTS	
All decisions relating to the operation and management of LCIF are made by the general partner. See “Description of LCIF Units” elsewhere in this prospectus. As of the date of this prospectus, we held, through Lex GP-1 and Lex LP-1, approximately 86.8% of the outstanding LCIF units. As LCIF units are redeemed by unitholders, our percentage ownership of LCIF will increase.	We are managed and controlled by a board of trustees presently consisting of ten members. Each trustee is to be elected by the shareholders at annual meetings of our shareholders. Maryland law requires that certain major corporate transactions, including most amendments to the declaration of trust, may not be consummated without the approval of shareholders as set forth below. All Common Shares have one vote, and the declaration of trust permits the board of trustees to classify and issue preferred shares in one or more series having voting power which may differ from that of the Common Shares. See “Description of Our Common Shares”

elsewhere in this prospectus.

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

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

The LCIF Partnership Agreement may be amended with the consent of Lex GP-1, Lex LP-1 and a majority in interest of the Special Limited Partners. Certain amendments that affect the fundamental rights of a limited partner must be approved by each affected limited partner. In addition, the general partner may, without the consent of the limited partners, amend the LCIF Partnership Agreement as to certain ministerial matters.	Amendments to our declaration of trust must be approved by our board of trustees and generally by at least a majority of the votes entitled to be cast on that matter at a meeting of shareholders. Certain amendments that affect provisions on termination require the affirmative vote of two-thirds of the votes entitled to be cast. In addition, our declaration of trust may be amended by a two-thirds majority of our trustees, without shareholder approval, in order to preserve our qualification as a REIT under the Code.

B. VOTE REQUIRED TO DISSOLVE OR TERMINATE LCIF OR US.

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

C. VOTE REQUIRED TO SELL ASSETS OR MERGE.

Under the LCIF Partnership Agreement, the sale, exchange, transfer or other disposition of all or substantially all of LCIF's assets, or a merger or consolidation of LCIF, requires the consent of a majority in interest of the Special Limited Partners. The general partner of LCIF has the exclusive authority to sell individual assets of LCIF.	Under Maryland law and our declaration of trust, the sale of all or substantially all of our assets, or a merger or consolidation of us, generally requires the approval of our board of trustees and the holders of a majority of the outstanding shares entitled to vote thereon. No approval of the shareholders is required for the sale of less than all or substantially all of our assets.

COMPENSATION, FEES AND DISTRIBUTIONS

The general partner does not receive any compensation for its services as general partner of LCIF. As a partner in LCIF, however, the general partner has the same right to allocations and distributions as other partners of LCIF. In addition, LCIF will reimburse Lex GP-1 (and us) for all expenses incurred relating to the ownership and operation of LCIF and any other offering of additional	Our non-employee trustees and our officers receive compensation for their services.

partnership interests in LCIF.

LIABILITY OF INVESTORS	
Under the LCIF Partnership Agreement and applicable state law, the liability of the limited partners for LCIF's debts and obligations is generally limited to the amount of their investment in LCIF.	Under Maryland law, our shareholders are generally not personally liable for our debts or obligations.
NATURE OF INVESTMENT	
The LCIF units constitute equity interests in LCIF. Generally, unitholders are allocated and distributed amounts with respect to their LCIF units which	Common Shares constitute equity interests in us. We are entitled to receive our pro rata share of distributions made by LCIF with respect to the LCIF units held by us,

approximate the amount of distributions made with respect to the same number of our Common Shares, as determined in the manner provided in the LCIF Partnership Agreement and subject to certain restrictions and exceptions for certain limited partners. LCIF generally intends to retain and reinvest proceeds of the sale of property or excess refinancing proceeds in its business.

and by our other direct subsidiaries. Each shareholder will be entitled to his pro rata share of any dividends or distributions paid with respect to the Common Shares. The dividends payable to the shareholders are not fixed in amount and are only paid if, when and as authorized by our board of trustees and declared by us. In order to continue to qualify as a REIT, we generally must distribute at least 90% of our net taxable income (excluding capital gains), and any taxable income (including capital gains) not distributed will be subject to corporate income tax.

POTENTIAL DILUTION OF RIGHTS

Lex GP-1 is authorized, in its sole discretion and without limited partner approval, to cause LCIF to issue additional LCIF units and other equity securities for any partnership purpose at any time to the limited partners or to other persons (including the general partner under certain circumstances set forth in the LCIF Partnership Agreement).

Our board of trustees may authorize us to issue, in its discretion, additional shares, and has the authority to cause us to issue from authorized capital a variety of other equity securities with such powers, preferences and rights as the board of trustees may designate at the time. The issuance of either additional Common Shares or other similar equity securities may result in the dilution of the interests of the shareholders.

LIQUIDITY

Limited partners may generally transfer their LCIF units without the general partner's consent. However, without the consent of the general partner, a transferee will not be (i) admitted to LCIF as a substituted limited partner or (ii) entitled to the same rights as a substituted limited partner. Certain limited partners have the right to tender their LCIF units for redemption by LCIF at certain times, as specified in the LCIF Partnership Agreement. See "Redemption of LCIF Units" elsewhere in this prospectus.

The Common Shares covered by this prospectus will be freely transferable as registered securities under the Securities Act. Our Common Shares are listed on the New York Stock Exchange. The breadth and strength of this secondary market will depend, among other things, upon the number of shares outstanding, our financial results and prospects, the general interest in the Company and other real estate investments, and our dividend yield compared to that of other debt and equity securities.

FEDERAL INCOME TAXATION

LCIF is not subject to federal income taxes. Instead, each unitholder includes its allocable share of LCIF's taxable income or loss in determining its individual federal income tax liability. The maximum federal income tax rate for individuals under current law is 35%.

We have elected to be taxed as a REIT. So long as we qualify as a REIT, we will be permitted to deduct distributions paid to our shareholders, which effectively will reduce the "double taxation" that typically results when a corporation earns income and distributes that

A unitholder's share of income and loss generated by LCIF generally is subject to the "passive activity" limitations. Under the "passive activity" rules, income and loss from LCIF that are considered "passive income" generally can be offset against income and loss from other investments that constitute "passive activities." Cash distributions from LCIF are not taxable to a unitholder except to the extent such distributions exceed such unitholder's basis in its interest in LCIF (which will include such holder's allocable share of LCIF's taxable income and nonrecourse debt). Each year, unitholders will receive a Schedule K-1	income to its shareholders in the form of dividends. A qualified REIT, however, is subject to federal income tax on income that is not distributed and also may be subject to federal income and excise taxes in certain circumstances. The maximum federal income tax rate for corporations under current law is 35%. Dividends paid by us will be treated as "portfolio" income and cannot be offset with losses from "passive activities." The maximum federal income tax rate for individuals under current law is 35%. Distributions made by us to our taxable domestic shareholders out of current or accumulated earnings and profits will be taken into account by them as ordinary income. Distributions

containing detailed tax information for inclusion in preparing their federal income tax returns.

Unitholders are required, in some cases, to file state income tax returns and/or pay state income taxes in the states in which LCIF owns property, even if they are not residents of those states.

that are designated as capital gain dividends generally will be taxed as long-term capital gain, subject to certain limitations, but generally would not be eligible for certain recently-enacted reduced rates. Distributions in excess of current or accumulated earnings and profits will be treated as a non-taxable return of basis to the extent of a shareholder's adjusted basis in its Common Shares, with the excess taxed as capital gain.

Each year, shareholders will receive an IRS Form 1099 used by corporations to report dividends paid to their shareholders.

Shareholders who are individuals generally will not be required to file state income tax returns and/or pay state income taxes outside of their state of residence with respect to our operations and distributions. We may be required to pay state income taxes in certain states.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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

The information in this section is based on the Code, existing, temporary and proposed regulations under the Code, the legislative history of the Code, current administrative rulings and practices of the IRS and court decisions, all as of the date hereof. No assurance can be given that future legislation, regulations, administrative interpretations and court decisions will not significantly change current law or adversely affect existing interpretations of current law. Any such change could apply retroactively to transactions preceding the date of the change. In addition, we have not received, and do not plan to request, any rulings from the IRS. Thus no assurance can be provided that the statements set forth herein (which do not bind the IRS or the courts) will not be challenged by the IRS or that such statements will be sustained by a court if so challenged. PROSPECTIVE HOLDERS OF OUR COMMON SHARES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF INVESTING IN OUR SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

Taxation of the Company

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

In the opinion of Paul, Hastings, Janofsky & Walker LLP, based on certain assumptions and our factual representations that are described in this section and in an officer’s certificate, commencing with our taxable year ended December 31, 1993, we have been organized and operated in conformity with the requirements for qualification as a REIT and our current and proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT. It must be emphasized that this opinion is based on various assumptions and is conditioned upon certain representations made by us as to factual matters including, but not limited to, those set forth herein, and those concerning our business and properties as set forth in this prospectus. An opinion of counsel is not binding on the IRS or the courts.

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

If 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. This treatment substantially eliminates the “double taxation” (at

the corporate and shareholder levels) that generally results from investment in a corporation. However, we will be subject to federal income tax as follows:

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

Second, under certain circumstances, we may be subject to the "alternative minimum tax" on our items of tax preference.

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

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

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

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

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

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

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

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

Finally, if we own a residual interest in a real estate mortgage investment conduit, or "REMIC," we will be taxable at the highest corporate rate on the portion of any excess inclusion income that we derive from the REMIC residual interests equal to the percentage of our shares that is held in record name by "disqualified

organizations." Similar rules apply if we own an equity interest in a taxable mortgage pool. A "disqualified organization" includes the United States, any state or political subdivision thereof, any foreign government or international organization, any agency or instrumentality of any of the foregoing, any rural electrical or telephone cooperative and any tax-exempt organization (other than a farmer's cooperative described in Section 521 of the Code) that is exempt from income taxation and from the unrelated business taxable income provisions of the Code. However, to the extent that we own a REMIC residual interest or a taxable mortgage pool through a taxable REIT subsidiary, we will not be subject to this tax. See the heading "Requirements for Qualification" below.

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

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

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

For taxable years beginning on or after January 1, 2001, a REIT may also hold any direct or indirect interest in a corporation that qualifies as a "taxable REIT subsidiary," as long as the REIT's aggregate holdings of taxable REIT subsidiary securities do not exceed 20% of the value of the REIT's total assets. A taxable REIT subsidiary is a fully taxable corporation that generally is permitted to engage in bus