

LEXINGTON REALTY TRUST  
Form 10-Q  
November 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2009.

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

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-12386

LEXINGTON REALTY TRUST

(Exact name of registrant as specified in its charter)

Maryland

13-3717318

(State or other jurisdiction of  
incorporation or organization)

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

One Penn Plaza – Suite 4015

New York, NY

10119

(Address of principal executive offices)

(Zip code)

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(212) 692-7200

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(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the registrant's classes of common shares, as of the latest practicable date: 121,822,924 common shares, par value \$0.0001 per share on November 5, 2009.

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**PART 1. - FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

September 30, 2009 and December 31, 2008  
(Unaudited and in thousands, except share and per share data)

	September 30, 2009		December 31, 2008
<b>Assets:</b>			
Real estate, at cost	\$ 3,651,751	\$	3,756,188
Less: accumulated depreciation and amortization	530,522		461,661
	3,121,229		3,294,527
Properties held for sale – discontinued operations	697		8,150
Intangible assets, net	282,721		343,192
Cash and cash equivalents	56,465		67,798
Restricted cash	23,657		31,369
Investment in and advances to non-consolidated entities	61,772		179,133
Deferred expenses, net	39,728		35,741
Notes receivable, net	61,364		68,812
Rent receivable – current	11,011		19,829
Rent receivable – deferred	12,784		16,499
Other assets	30,413		40,675
Total assets	\$ 3,701,841	\$	4,105,725
<b>Liabilities and Equity:</b>			
<b>Liabilities:</b>			
Mortgages and notes payable	\$ 1,912,743	\$	2,033,854
Exchangeable notes payable	102,590		204,074
Trust preferred securities	129,120		129,120
Contract rights payable	14,900		14,776
Dividends payable	8,328		24,681
Liabilities – discontinued operations	55		6,142
Accounts payable and other liabilities	43,643		33,814
Accrued interest payable	8,480		16,345
Deferred revenue - below market leases, net	108,861		121,722
Prepaid rent	14,784		20,126
	2,343,504		2,604,654
Commitments and contingencies (notes 7, 8, 9, 10, 11, 12, 13, 14 and 15)			
<b>Equity:</b>			
Preferred shares, par value \$0.0001 per share; authorized 100,000,000 shares,	76,315		76,315

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Series B Cumulative Redeemable Preferred, liquidation preference \$79,000; 3,160,000 shares issued and outstanding		
Series C Cumulative Convertible Preferred, liquidation preference \$104,760 and \$129,915, respectively; 2,095,200 and 2,598,300 shares issued and outstanding in 2009 and 2008, respectively	101,778	126,217
Series D Cumulative Redeemable Preferred, liquidation preference \$155,000; 6,200,000 shares issued and outstanding	149,774	149,774
Common shares, par value \$0.0001 per share; authorized 400,000,000 shares, 116,703,832 and 100,300,238 shares issued and outstanding in 2009 and 2008, respectively	12	10
Additional paid-in-capital	1,723,798	1,638,540
Accumulated distributions in excess of net income	(787,587)	(569,131)
Accumulated other comprehensive income (loss)	160	(15,650)
Total shareholders' equity	1,264,250	1,406,075
Noncontrolling interests	94,087	94,996
Total equity	1,358,337	1,501,071
Total liabilities and equity	\$ 3,701,841	\$ 4,105,725

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

## LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and nine months ended September 30, 2009 and 2008

(Unaudited and in thousands, except share and per share data)

	Three Months ended		Nine Months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Gross revenues:				
Rental	\$ 86,394	\$ 90,226	\$ 261,645	\$ 296,971
Advisory and incentive fees	388	396	1,434	1,072
Tenant reimbursements	10,512	10,105	30,866	29,269
Total gross revenues	97,294	100,727	293,945	327,312
Expense applicable to revenues:				
Depreciation and amortization	(45,401)	(49,346)	(136,985)	(186,221)
Property operating	(22,470)	(20,379)	(65,132)	(56,771)
General and administrative	(5,057)	(7,105)	(17,904)	(25,453)
Non-operating income	1,339	1,781	6,955	22,577
Interest and amortization expense	(33,017)	(36,326)	(100,655)	(118,233)
Debt satisfaction gains, net	3,152	2,590	16,868	35,364
Change in value of forward equity commitment	7,031	--	2,596	--
Impairment charges and loan losses	(23,668)	--	(24,753)	--
Gains on sale-affiliates	--	--	--	31,806
Income (loss) before provision for income taxes, equity in losses of non-consolidated entities and discontinued operations				
	(20,797)	(8,058)	(25,065)	30,381
Provision for income taxes	(663)	(651)	(1,665)	(2,582)
Equity in losses of non-consolidated entities	(525)	(1,525)	(130,813)	(23,171)
Income (loss) from continuing operations	(21,985)	(10,234)	(157,543)	4,628
Discontinued operations:				
Income (loss) from discontinued operations	(97)	(205)	(24)	488
Provision for income taxes	(2)	(191)	(54)	(384)
Debt satisfaction gains (charges), net	6,006	(120)	4,607	(433)
Gains on sales of properties	--	7,374	6,280	11,986
Impairment charges	(6,053)	(1,063)	(15,610)	(3,757)
Total discontinued operations	(146)	5,795	(4,801)	7,900
Net income (loss)	(22,131)	(4,439)	(162,344)	12,528
Less net (income) loss attributable to noncontrolling	2	436	(1,841)	4,016

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interests

Net income (loss) attributable to Lexington Realty Trust	(22,129)	(4,003)	(164,185)	16,544
Dividends attributable to preferred shares – Series B	(1,590)	(1,590)	(4,770)	(4,770)
Dividends attributable to preferred shares – Series C	(1,702)	(2,110)	(5,516)	(6,740)
Dividends attributable to preferred shares – Series D	(2,926)	(2,926)	(8,777)	(8,777)
Redemption discount – Series C	--	--	--	5,678
Conversion dividend – Series C	--	--	(6,994)	--
Net income (loss) attributable to common shareholders	\$ (28,347)	\$ (10,629)	\$ (190,242)	\$ 1,935
Income (loss) per common share–basic:				
Loss from continuing operations	\$ (0.25)	\$ (0.22)	\$ (1.76)	\$ (0.04)
Income (loss) from discontinued operations	--	0.05	(0.05)	0.07
Net income (loss) attributable to common shareholders	\$ (0.25)	\$ (0.17)	\$ (1.81)	\$ 0.03
Weighted average common shares outstanding–basic	112,217,415	64,433,457	105,490,039	61,485,277
Income (loss) per common share–diluted:				
Loss from continuing operations	\$ (0.25)	\$ (0.22)	\$ (1.76)	\$ (0.04)
Income (loss) from discontinued operations	--	0.05	(0.05)	0.07
Net income (loss) attributable to common shareholders	\$ (0.25)	\$ (0.17)	\$ (1.81)	\$ 0.03
Weighted average common shares outstanding–diluted	112,217,415	64,433,457	105,490,039	61,485,277
Amounts attributable to common shareholders:				
Loss from continuing operations	\$ (28,201)	\$ (13,969)	\$ (185,083)	\$ (2,111)
Income (loss) from discontinued operations	(146)	3,340	(5,159)	4,046
Net income (loss) attributable to common shareholders	\$ (28,347)	\$ (10,629)	\$ (190,242)	\$ 1,935

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

**LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

Three and nine months ended September 30, 2009 and 2008

(Unaudited and in thousands)

	Three Months ended		Nine Months ended	
	September 30, 2009	2008	September 30, 2009	2008
Net income (loss)	\$ (22,131)	\$ (4,439)	\$ (162,344)	\$ 12,528
Other comprehensive income (loss):				
Change in unrealized gain (loss) in marketable equity securities, net	--	--	--	38
Change in unrealized gain (loss) on foreign currency translation	55	(299)	(9)	3
Change in unrealized gain (loss) on interest rate swap, net	(208)	(750)	1,292	1,735
Change in unrealized loss from non-consolidated entities, net	--	(819)	26,174	3,466
Other comprehensive income (loss)	(153)	(1,868)	27,457	5,242
Comprehensive income (loss)	(22,284)	(6,307)	(134,887)	17,770
Comprehensive (income) loss attributable to noncontrolling interests	2	1,179	(1,841)	1,854
Comprehensive income (loss) attributable to Lexington Realty Trust	\$ (22,282)	\$ (5,128)	\$ (136,728)	\$ 19,624

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

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**LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Nine months ended September 30, 2009 and 2008

(Unaudited and in thousands, except share amounts)

	Lexington Realty Trust Shareholders						
	Total	Preferred Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests
Balance December 31, 2008	\$1,501,071	\$352,306	\$10	\$1,638,540	\$(569,131)	\$(15,650)	\$94,996
Effect of adoption of new accounting pronouncement by non-consolidated entity	--	--	--	--	11,647	(11,647)	--
Contributions from noncontrolling interests	1,554	--	--	--	--	--	1,554
Redemption of noncontrolling OP units for common shares	--	--	--	1,227	--	--	(1,227)
Issuance of common shares, net	18,637	--	1	18,636	--	--	--
Dividends/distributions	(28,038)	--	1	33,962	(58,924)	--	(3,077)