LEXINGTON REALTY TRUST
Form 10-K
February 26, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________ to ________________
Commission file number 1-12386
LEXINGTON REALTY TRUST
(Exact name of registrant as specified in its charter)

Maryland	13-3717318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Penn Plaza, Suite 4015	
New York, NY	10119-4015
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 692-7200
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Shares of beneficial interest, par value $0.0001 per share, classified as Common Stock	New York Stock Exchange
6.50% Series C Cumulative Convertible Preferred Stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o.
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x.
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 x No o.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o.
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x.

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 the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x.
The aggregate market value of the shares of beneficial interest, par value $0.0001 per share, classified as common stock (“common shares”) of the registrant held by non-affiliates as of June 30, 2014, which was the last business day of the registrant's most recently completed second fiscal quarter, was $2,488,377,620 based on the closing price of the common shares on the New York Stock Exchange as of that date, which was $11.01 per share.
Number of common shares outstanding as of February 23, 2015 was 234,819,421.
DOCUMENTS INCORPORATED BY REFERENCE
Certain information contained in the Definitive Proxy Statement for registrant's Annual Meeting of Shareholders, to be held on May 19, 2015, is incorporated by reference in this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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PART I.

Introduction

When we use the terms “Lexington,” the “Company,” “we,” “us” and “our,” we mean Lexington Realty Trust and all entities owned by us, including non-consolidated entities, except where it is clear that the term means only the parent company or only the parent company and consolidated entities. All interests in properties are held through special purpose entities, which we refer to as property owner subsidiaries or lender subsidiaries, which are separate and distinct legal entities, but in some instances are consolidated for financial statement purposes and/or disregarded for income tax purposes. Assets and credit of a property owner subsidiary or lender subsidiary are not available to satisfy the debt and other obligations of any other person, including any other property owner subsidiary or lender subsidiary or any other affiliate.

References herein to this Annual Report are to this Annual Report on Form 10-K for the fiscal year ended December 31, 2014. When we use the term “REIT” we mean real estate investment trust. All references to 2014, 2013 and 2012 refer to our fiscal years ended, or the dates, as the context requires, December 31, 2014, December 31, 2013 and December 31, 2012, respectively.

Management of our interests in properties is generally conducted through Lexington Realty Advisors, Inc., a taxable REIT subsidiary, which we refer to as LRA, or through a property management joint venture subsidiary.

When we use the term “GAAP” we mean United States generally accepted accounting principles.

Cautionary Statements Concerning Forward-Looking Statements

This Annual Report, together with other statements and information publicly disseminated by us contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “estimates,” “projects,” “may,” “plans,” “predicts,” “will,” “will likely result” or similar expressions. Readers sh rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. In particular, among the factors that could cause actual results, performances or achievements to differ materially from current expectations, strategies or plans include, among others, those risks discussed below under “Risk Factors” in Part I, Item 1A of this Annual Report and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report. Except as required by law, we undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Accordingly, there is no assurance that our expectations will be realized.

Item 1. Business

General

We are a Maryland REIT that owns a diversified portfolio of equity and debt investments in single-tenant properties and land. A majority of these properties and all land interests are subject to net or similar leases, where the tenant bears all or substantially all of the costs, including cost increases, for real estate taxes, utilities, insurance and ordinary repairs. We also provide investment advisory and asset management services to investors in the single-tenant area.

As of December 31, 2014, we had equity ownership interests in approximately 215 consolidated real estate properties, located in 40 states and containing an aggregate of approximately 39.9 million square feet of space, approximately 96.4% of which was leased. In 2014, 2013 and 2012, no tenant/guarantor represented greater than 10% of our annual

base rental revenue.
In addition to our shares of beneficial interest, par value $0.0001 per share, classified as common stock, which we refer to as common shares, as of December 31, 2014, we had one outstanding class of beneficial interest classified as preferred stock, or preferred shares, our 6.50% Series C Cumulative Convertible Preferred Stock, par value $0.0001 per share, or our Series C Preferred Shares. Our common shares and Series C Preferred Shares are traded on the New York Stock Exchange, or NYSE, under the symbols “LXP” and “LXPPRC”, respectively.
We elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, commencing with our taxable year ended December 31, 1993. We intend to continue to qualify as a REIT. If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net taxable income that is currently distributed to our common shareholders.

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History

Our predecessor, Lexington Corporate Properties, Inc., was organized in the state of Delaware in October 1993 upon the combination of two investment programs, Lepercq Corporate Income Fund L.P., which we refer to as LCIF, and Lepercq Corporate Income Fund II L.P., which we refer to as LCIF II, which were formed to acquire net-lease real estate assets providing current income. Our predecessor was merged into Lexington Corporate Properties Trust, a Maryland statutory REIT, on December 31, 1997. On December 31, 2006, Lexington Corporate Properties Trust changed its name to Lexington Realty Trust and was the successor in a merger with Newkirk Realty Trust, or Newkirk, which we refer to as the Newkirk Merger. All of Newkirk's operations were conducted, and all of its assets were held, through its master limited partnership, subsequently named The Lexington Master Limited Partnership, which we refer to as the MLP. As of December 31, 2008, the MLP was merged with and into us.

We are structured as an umbrella partnership REIT, or UPREIT, as a portion of our business has been conducted through our operating partnership subsidiaries: (1) LCIF and (2) LCIF II. We refer to these subsidiaries as our operating partnerships and to limited partner interests in these operating partnerships as OP units. On December 30, 2013, LCIF II was merged with and into LCIF, with LCIF as the surviving entity. We are party to a funding agreement with LCIF under which we may be required to fund distributions made on account of OP units. The UPREIT structure enables us to acquire properties through an operating partnership by issuing OP units to a seller of property, as a form of consideration in exchange for the property. The outstanding OP units not held by us are generally redeemable for our common shares on a one OP unit for approximately 1.13 common shares basis, or, at our election in certain instances, 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 taxable gains for a contributor of property. As of December 31, 2014, there were approximately 3.4 million OP units outstanding, other than OP units held by us, which were convertible into approximately 3.9 million common shares, assuming we satisfied redemptions entirely with common shares.

Investment and Strategy

General. Our current business strategy is focused on enhancing our cash flow growth and stability, growing our portfolio with attractive long-term leased investments, reducing lease rollover risk and maintaining a strong and flexible balance sheet to allow us to act on opportunities as they arise. Our core assets consist of general purpose, single-tenant net-leased office and industrial assets and land investments subject to long-term leases, in well-located and growing markets or which are critical to the tenant's business, but may also include other asset types subject to long-term net-leases, such as retail facilities, schools and medical facilities. We attempt to manage residual value risk associated with such other asset types by acquiring such assets primarily through joint ventures or disposing of such assets when there is sufficient remaining lease term to generate favorable sale prices or by making loan investments secured by such assets at a loan-to-value ratio where we would be comfortable holding an equity interest. We believe our strategy of investing in core assets will provide shareholders with dividend growth and capital appreciation.

We implement our strategy by (1) recycling capital in compliance with regulatory and contractual requirements, (2) refinancing or repurchasing outstanding indebtedness when advisable, including refinancing secured debt with unsecured debt, (3) effecting strategic transactions, portfolio and individual property acquisitions and dispositions, (4) expanding existing properties, (5) executing new leases with tenants, (6) extending lease maturities in advance of or at expiration and (7) exploring new business lines and operating platforms. Additionally, we may continue to enter into joint ventures and co-investment programs with third-party investors as a means of mitigating risk, creating additional growth and expanding the revenue realized from advisory and asset management activities as situations warrant.

Portfolio diversification is central to our investment strategy as we seek to create and maintain an asset base that provides steady, predictable and growing cash flows while being insulated against rising property operating expenses, regional recessions, industry-specific downturns and fluctuations in property values and market rent levels. Regardless of capital market and economic conditions, we intend to stay focused on (1) enhancing operating results, (2) improving portfolio quality and reducing risks associated with lease rollover, (3) mitigating risks relating to interest rates and real estate cycles and (4) implementing strategies where our management skills and real estate expertise can add value. We attempt to maintain a portfolio of properties that provide for income and capital appreciation. The proportion of total return generated from rental income versus capital appreciation will vary by asset type, lease term, contractual rental escalations and market location. We believe that our business strategy will continue to improve our liquidity and strengthen our overall balance sheet while creating meaningful shareholder value.

We intend to maintain a strong balance sheet primarily by (1) financing property acquisitions with non-recourse mortgage debt or unsecured corporate level borrowings at what we believe are favorable rates, (2) issuing equity when market conditions are favorable, (3) selling non-core and underperforming assets and (4) extending debt maturities and refinancing debt at lower rates.

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Investments. When opportunities arise, we intend to continue to make investments in single-tenant assets that we believe will generate favorable returns. We seek to grow our portfolio primarily by (1) engaging in, or providing funds to developers who are engaged in, build-to-suit projects for single-tenant corporate users, (2) providing capital to corporations by buying properties and leasing them back to the sellers under net or similar leases, (3) acquiring properties already subject to net or similar leases and (4) making mortgage and mezzanine loans generally secured by single-tenant properties subject to net or similar leases.

Our management has established a broad network of contacts to source investments, including major corporate tenants, developers and brokers. We believe that our geographical diversification and acquisition experience will allow us to continue to compete effectively for such investments.

Prior to effecting any investment, our underwriting includes analyzing the (1) property's design, construction quality, efficiency, functionality and location with respect to the immediate sub-market, city and region, (2) lease integrity with respect to term, rental rate increases, corporate guarantees and property maintenance provisions, (3) present and anticipated conditions in the local real estate market and (4) prospects for selling or re-leasing the property on favorable terms in the event of a vacancy. To the extent of information publicly available or made available to us, we also evaluate each potential tenant's financial strength, growth prospects, competitive position within its respective industry and a property's strategic location and function within a tenant's operations or distribution systems. We believe that our comprehensive underwriting process is critical to the assessment of long-term profitability of any investment by us.

Strategic Transactions with Other Real Estate Investment Companies. We seek to capitalize on the unique investment experience of our management team as well as their network of relationships in the industry to achieve appropriate risk-adjusted yields through strategic transactions. Accordingly, we occasionally pursue the (1) acquisition of portfolios of assets and equity interests in companies with a significant number of single-tenant assets, including through mergers and acquisitions activity, and (2) participation in strategic partnerships, co-investment programs and joint ventures.

We believe that entering into co-investment programs and joint ventures with institutional investors and other real estate investment companies may mitigate our risk in certain assets and increase our return on equity to the extent we earn management or other fees. However, investments in co-investment programs and joint ventures limit our ability to make unilateral investment decisions relating to the assets and limit our ability to deploy capital.

Competition

There are numerous commercial developers, real estate companies, financial institutions, such as banks and insurance companies, and other investors with greater financial or other resources that compete with us in seeking properties for acquisition and tenants who will lease space in these properties. Our competitors include other REITs, pension funds, banks, private companies and individuals.

Internal Growth and Effectively Managing Assets

Tenant Relations and Lease Compliance. We endeavor to maintain close contact with the tenants in the properties in which we have an interest in order to understand their financial strength and future real estate needs. We monitor the financial, property maintenance and other lease obligations of the tenants in properties in which we have an interest, through a variety of means, including periodic reviews of financial statements that we have access to and physical inspections of the properties.

Extending Lease Maturities. Our property owner subsidiaries seek to extend tenant leases in advance of the lease expiration in order for us to maintain a balanced lease rollover schedule and high occupancy levels.

Revenue Enhancing Property Expansions. Our property owner subsidiaries undertake expansions of properties based on lease requirements, tenant requirements or marketing opportunities. We believe that selective property expansions can provide attractive rates of return.

Capital Recycling. Subject to regulatory and contractual requirements, we generally sell our interests in properties when we believe that the return realized from selling a property will exceed the expected return from continuing to hold such property and/or there is a better use of the capital to be received upon sale. We also focus our disposition efforts on non-core assets such as vacant, multi-tenant, retail and short-term leased assets.

Occasionally, we provide seller financing as a means of efficiently disposing of an asset. As a result, if a buyer defaults under the seller financing, we will once again be the owner of the underlying asset.

Conversion to Multi-Tenant. If one of our property owner subsidiaries is unable to renew a single-tenant lease or if it is unable to find a replacement single tenant, we either attempt to sell our interest in the property or the property owner subsidiary may seek to market the property for multi-tenant use. When appropriate, we seek to sell our interests in these multi-tenant properties.

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Property Management. From time to time, our property owner subsidiaries use property managers to manage certain properties. Our property management joint venture with an unaffiliated third party manages substantially all of these properties. We believe this joint venture provides us with (1) better management of our assets, (2) better tenant relationships, (3) revenue-enhancing opportunities and (4) cost efficiencies.

Financing Strategy

General. Since becoming a public company, our principal sources of financing have been the public and private equity and debt markets, property specific debt, revolving loans, corporate level term loans, issuance of OP units and undistributed cash flows.

Property Specific Debt. Our property owner subsidiaries seek non-recourse secured debt on a limited basis including when credit tenant lease financing is available. Credit tenant lease financing allows us to significantly or fully leverage the rental stream from an investment at, what we believe are, attractive rates.

Corporate Level Borrowings. We also use corporate level borrowings, such as revolving loans, term loans, and debt offerings. We expect to finance more of our operations with such corporate level borrowings as (1) non-recourse secured debt matures and (2) such corporate level borrowings are available on favorable terms.

Balance Sheet Management. In recent years, we have reduced our weighted-average interest rate through the retirement of higher rate non-recourse mortgage debt with proceeds from recourse corporate level borrowings. Our objective is to continually strengthen our balance sheet to provide financial flexibility.

Common Share Issuances

From time to time, we raise capital by issuing common shares through (1) our At-The-Market, or ATM, offering program, initiated in 2013, (2) underwritten public offerings, (3) block trades and (4) our direct share purchase plan. The proceeds from our common share offerings are generally used for working capital, including to fund investments and to retire indebtedness.

Preferred Share Repurchases

We have made, and may continue to make, repurchases of our preferred shares in individual transactions when we believe the discount to the liquidation preference is attractive.

Advisory Contracts

Certain members of our management have been in the business of investing in single-tenant net-lease properties since 1973. This experience has enabled us to provide advisory services to various net-lease investors, including institutional investors and high net-worth individuals. With the termination of certain of our co-investment programs in 2007 and our acquisition of Net Lease Strategic Assets Fund L.P., or NLS, in 2012, advisory fees have declined in recent years. If and when we increase our co-investment joint venture activity, we expect advisory fees to increase.

In 2012, LRA entered into an agreement to arrange for up to $100.0 million of investments on behalf of a third-party investor. Under the agreement, we will be a co-investor with a target to contribute 15% to each venture.We granted the third-party investor an exclusivity, until May 2015 and subject to certain conditions, on investment opportunities for (1) properties with a lease due to expire in less than 10 years, and (2) properties that are dedicated to non-office and non-warehouse/distribution uses, including properties with tenants in the medical, hospital and health care industries.

Environmental Matters

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. Although generally the tenants of the properties in which we have an interest are primarily responsible for any environmental damage and claims related to the leased premises, in the event of the bankruptcy or inability of a tenant of such premises to satisfy any obligations with respect to such environmental liability, a property owner subsidiary may be required to satisfy such obligations. In addition, as the owner of such properties, a property owner subsidiary may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

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From time to time, in connection with the conduct of our business and generally upon acquisition of a property and prior to surrender by a tenant, the property owner subsidiary authorizes the preparation of a Phase I and, when recommended, a Phase II environmental report with respect to its properties. Based upon such environmental reports and our ongoing review of the properties in which we have an interest, as of the date of this Annual Report, we are not aware of any environmental condition with respect to any of the properties in which we have an interest which we believe would be reasonably likely to have a material adverse effect on our financial condition and/or results of operations. There can be no assurance, however, that (1) the discovery of environmental conditions, the existence or severity of which were previously unknown, (2) changes in law, (3) the conduct of tenants or (4) activities relating to properties in the vicinity of the properties in which we have an interest, will not expose us to material liability in the future. Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of the tenants of properties in which we have an interest, which would adversely affect our financial condition and/or results of operations.

Summary of 2014 Transactions and Recent Developments

The following summarizes certain of our transactions during 2014, including transactions disclosed elsewhere and in our other periodic reports.

Acquisitions/Investments. With respect to acquisitions/investments, we:

- purchased six properties for an aggregate cost of $122.3 million;
- completed three build-to-suit transactions for an aggregate capitalized cost of $90.0 million;
- formed a joint venture, in which we currently hold a 25% interest, which is constructing a private school in Houston, Texas for a maximum commitment of $86.5 million, which, upon completion, will be subject to a 20-year net lease;
- continue to fund four ongoing build-to-suit transactions not yet completed at December 31, 2014 with an aggregate estimated cost of $309.2 million of which $109.4 million was invested as of December 31, 2014; and
- entered into forward commitments to acquire a build-to-suit industrial property in Richland, Washington for an estimated cost of $155.0 million and a build-to-suit office property in Auburn Hills, Michigan for $40.0 million, which will be subject to 20-year and 14-year net leases, respectively.

Capital Recycling. With respect to capital recycling activity, we:

- disposed of our interests in properties to unaffiliated third parties for an aggregate gross disposition price of $272.4 million;
- conveyed in foreclosure a property for full satisfaction of the related $9.9 million non-recourse mortgage; and
- received an aggregate $43.1 million for the payoff of the Homestead, Florida and Norwalk, Connecticut loan investments.

Leasing. Our property owner subsidiaries entered into 59 new leases and lease extensions encompassing an aggregate 5.1 million square feet, ending the year with our overall portfolio leased at 96.4% as of December 31, 2014.

Financing. With respect to financing activities, we:

- issued $250.0 million aggregate principal amount of 4.40% Senior Notes due 2024, or 4.40% Senior Notes, which are unsecured;
- converted $12.8 million aggregate original principal amount of 6.00% Convertible Guaranteed Notes due 2030, or 6.00% Convertible Notes, for approximately 1.9 million common shares and aggregate cash payments of $0.2 million plus accrued and unpaid interest;
- borrowed $99.0 million under our term loan maturing in 2018 and entered into an interest rate swap agreement fixing the LIBOR component of the borrowing at 1.155%;
- retired $242.3 million in property non-recourse mortgage debt with a weighted-average interest rate of 5.4%;

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- obtained $27.8 million in non-recourse mortgage financing with a fixed interest rate of 2.21%; and
- repaid all borrowings under our line of credit.

Subsequent to December 31, 2014, we:

- acquired a 360 acre golf course in Venice, Florida for $16.9 million, which is net leased for a 40-year term;
- entered into a forward commitment to acquire a build-to-suit industrial property in Detroit, Michigan for approximately $29.7 million, which will be subject to a 20-year net lease; and
- obtained a 10-year, 4.1% interest-only $29.2 million non-recourse mortgage secured by a land parcel owned in New York, New York.

Other

Employees. As of December 31, 2014, we had 48 full-time employees. Lexington Realty Trust is a master employer and employee costs are allocated to subsidiaries as applicable.

Industry Segments. We primarily operate in one industry segment, single-tenant real estate assets.

Web Site. Our Internet address is www.lxp.com. We make available, free of charge, on or through the Investors section of our web site or by contacting our Investor Relations Department, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or SEC. Also posted on our web site, and available in print upon request of any shareholder to our Investor Relations Department, are our declaration of trust and amended and restated by-laws, charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of our Board of Trustees, our Corporate Governance Guidelines, and our Code of Business Conduct and Ethics governing our trustees, officers and employees (which contains our whistle blower procedures). Within the time period required by the SEC and the NYSE, we will post on our web site any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any of our trustees or executive officers. In addition, our web site includes information concerning purchases and sales of our equity securities by our executive officers and trustees as well as disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by similar means from time to time. Information contained on our web site or the web site of any other person is not incorporated by reference into this Annual Report or any of our other filings or furnishings with the SEC.

Our Investor Relations Department can be contacted at Lexington Realty Trust, One Penn Plaza, Suite 4015, New York, New York 10119-4015, Attn: Investor Relations, by telephone: (212) 692-7200, or by e-mail: ir@lxp.com.

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

NYSE CEO Certification. Our Chief Executive Officer made an unqualified certification to the NYSE with respect to our compliance with the NYSE corporate governance listing standards in 2014.

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Item 1A. Risk Factors

Set forth below are material factors that may adversely affect our business and operations.

Risks Related to Our Business

We are subject to risks involved in single-tenant leases.

We focus our acquisition activities on real estate properties that are net leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease is likely to cause a significant or complete reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property and result in a non-cash impairment charge. In addition, our property owner subsidiary will be responsible for 100% of the operating costs following a vacancy at a single-tenant building.

We rely on revenues derived from major tenants.

Revenues from several tenants and/or their guarantors constitute a significant percentage of our base rental revenues. The default, financial distress or bankruptcy of any of the tenants and/or guarantors of these properties could cause interruptions in the receipt of lease revenues and/or result in vacancies, which would reduce the property owner subsidiary's revenues and increase operating costs until the affected property is re-let, and could decrease the ultimate sale value of that property. Upon the expiration or other termination of the leases that are currently in place with respect to these properties, the property owner subsidiary may not be able to re-lease the vacant property at a comparable lease rate, at all, or without incurring additional expenditures in connection with the re-leasing. Under current bankruptcy law, a tenant can generally assume or reject a lease within a certain number of days of filing its bankruptcy petition. If a tenant rejects the lease, a landlord's damages, subject to availability of funds from the bankruptcy estate, are generally limited to the greater of (1) one year's rent and (2) the rent for 15% of the remaining term of the lease not to exceed three years rent.

You should not rely on the credit ratings of our tenants.

Some of our tenants, guarantors and/or their parent entities are rated by certain rating agencies. Any such credit ratings are subject to ongoing evaluation by these credit rating agencies and we cannot assure you that any such ratings will not be changed or withdrawn by these rating agencies in the future if, in their judgment, circumstances warrant. If these rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw the credit rating of a tenant, guarantor or its parent entity, the value of our investment in any properties leased by such tenant could significantly decline.

Our assets may be subject to impairment charges.

We periodically evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on GAAP, which include a variety of factors such as market conditions, the status of significant leases, the financial condition of major tenants and other factors that could affect the cash flow or value of an investment. During 2014, 2013 and 2012, we incurred $48.6 million, $34.6 million and $10.0 million, respectively, of non-cash impairment charges, excluding loan losses recorded on loans receivable. We may continue to take similar non-cash impairment charges, which could affect the implementation of our current business strategy. These impairments could have a material adverse effect on our financial condition and results of operations.

Furthermore, we may take an impairment charge on a property subject to a non-recourse secured mortgage which reduces the book value of such property to its fair value, which may be below the balance of the mortgage on our balance sheet. Upon foreclosure or other disposition, we may be required to recognize a gain on debt satisfaction equal to the difference between the fair value of the property and the balance of the mortgage.

If a sale-leaseback transaction is re-characterized in a tenant’s bankruptcy proceeding, our financial condition could be adversely affected.

We have entered and may continue to enter into sale-leaseback transactions, whereby we would purchase a property and then lease the same property back to the person from whom we purchased it. In the event of the bankruptcy of a tenant, a transaction structured as a sale-leaseback may be re-characterized as either a financing or a joint venture, either of which outcomes could adversely affect our financial condition, cash flow and the amount available for distributions to our shareholders.

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If the sale-leaseback were re-characterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the tenant. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the tenant for the amounts owed under the lease, with the claim arguably secured by the property. The tenant/debtor might have the ability to propose a plan restructuring the term, interest rate and amortization schedule of its outstanding balance. If confirmed by the bankruptcy court, we could be bound by the new terms and prevented from foreclosing our lien on the property. If the sale-leaseback were re-characterized as a joint venture, our tenant and we could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the tenant relating to the property.

Certain of our leases may not result in fair market lease rates over time, which could negatively impact our income and reduce the amount of funds available to make distributions to shareholders.

A significant portion of our rental income comes from long-term net leases, which generally provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Furthermore, net leases typically have longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. If we do not accurately judge the potential for increases in market rental rates when negotiating these long-term leases, significant increases in future property operating costs, to the extent not covered under the net leases could result in us receiving less than fair value from these leases. As a result, our income and distributions to our shareholders could be lower than they would otherwise be if we did not engage in long-term net leases.

Our interests in loans receivable are subject to delinquency, foreclosure and loss.

Our interests in loans receivable are generally non-recourse and secured by real estate properties owned by borrowers that were unable to obtain similar financing from a commercial bank. These loans are subject to many risks including delinquency. The ability of a borrower to repay a loan secured by a real estate property is typically and primarily dependent upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If a borrower were to default on a loan, it is possible that we would not recover the full value of the loan as the collateral may be non-performing.

In 2014, we initiated foreclosure proceedings against the borrowers of a loan secured by an office property in Westmont, Illinois. We sold this property in 2007 but issued a purchase mortgage to the buyer. Effective November 2013, the tenant of the property terminated its lease. In 2013, we reduced our carrying value to an estimated fair value of $12.6 million and recorded a loan loss of $13.9 million. In 2014, we recorded a $2.5 million loan loss on a loan secured by an office property in Southfield, Michigan, reducing our carrying value to $3.3 million, as the borrower has indicated that it will not satisfy the loan at maturity.

In 2013, we foreclosed on one of our loans receivable, which was secured by an office property in Schaumburg, Illinois. The loan had an outstanding balance of $21.6 million (not including default interest and other penalties), which we believe was less than the then estimated fair value of the property.

We face uncertainties relating to lease renewals and re-letting of space.

Upon the expiration of current leases for space located in properties in which we have an interest, our property owner subsidiaries may not be able to re-let all or a portion of such space, or the terms of re-letting (including the cost of concessions to tenants and leasing commissions) may be less favorable than current lease terms or market rates. If our property owner subsidiaries are unable to promptly re-let all or a substantial portion of the space located in their respective properties, or if the rental rates a property owner subsidiary receives upon re-letting are significantly lower than current rates, our earnings and ability to satisfy our debt service obligations and to make expected distributions to our shareholders may be adversely affected due to the resulting reduction in rent receipts and increase in property operating costs. There can be no assurance that our property owner subsidiaries will be able to retain tenants in any of our properties upon the expiration of leases.

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We may not be able to generate sufficient cash flow to meet our debt service obligations and to pay distributions on our common shares.

Our ability to make payments on and to refinance our indebtedness, to make distributions on our common shares and to fund our operations, working capital and capital expenditures, depends on our ability to generate cash in the future. To a certain extent, our cash flow is subject to general economic, industry, financial, competitive, operating, legislative, regulatory and other factors, many of which are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us in an amount sufficient to enable us to pay amounts due on our indebtedness or to make distributions on our common shares and fund our other liquidity needs. Additionally, if we incur additional indebtedness in connection with future acquisitions or development projects or for any other purpose, our debt service obligations could increase.

We may need to refinance all or a portion of our indebtedness on or before maturity. Our ability to refinance our indebtedness or obtain additional financing will depend on, among other things:

- our financial condition and market conditions at the time; and
- restrictions in the agreements governing our indebtedness.

As a result, we may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. If we do not generate sufficient cash flow from operations, and additional borrowings or refinancings or proceeds of asset sales or other sources of cash are not available to us, we may not have sufficient cash to enable us to meet all of our obligations. Accordingly, if we cannot service our indebtedness, we may have to take actions such as seeking additional equity, or delaying strategic acquisitions and alliances or capital expenditures, any of which could have a material adverse effect on our operations. We cannot assure you that we will be able to effect any of these actions on commercially reasonable terms, or at all.

Our inability to carry out our growth strategy could adversely affect our financial condition and results of operations.

Our growth strategy is based on the acquisition and development of additional properties and related assets. In the context of our business plan, “development” generally means an expansion or renovation of an existing property or the financing and/or acquisition of a newly constructed build-to-suit property. For newly constructed build-to-suit properties, we may (1) provide a developer with either a combination of financing for construction of a build-to-suit property or a commitment to acquire a property upon completion of construction of a build-to-suit property and commencement of rent from the tenant or (2) acquire a property subject to a lease and engage a developer to complete construction of a build-to-suit property as required by the lease.

Our plan to grow through the acquisition and development of new properties could be adversely affected by trends in the real estate and financing businesses. The consummation of any future acquisitions will be subject to satisfactory completion of an extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. Our ability to implement our strategy may be impeded because we may have difficulty finding new properties and investments at attractive prices that meet our investment criteria, negotiating with new or existing tenants or securing acceptable financing. If we are unable to carry out our strategy, our financial condition and results of operations could be adversely affected. Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations.

Redevelopment and new project development are subject to numerous risks, including risks of construction delays, cost overruns or force majeure events that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and the incurrence of development costs in connection with projects that are not pursued to completion.

Some of our acquisitions and developments may be financed using the proceeds of periodic equity or debt offerings, lines of credit or other forms of secured or unsecured financing that may result in a risk that permanent financing for newly acquired projects might not be available or would be available only on disadvantageous terms. If permanent debt or equity financing is not available on acceptable terms to refinance acquisitions undertaken without permanent financing, further acquisitions may be curtailed, or cash available to satisfy our debt service obligations and distributions to shareholders may be adversely affected.

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Acquisition activities may not produce expected results and may be affected by outside factors.

Acquisitions of commercial properties entail certain risks, such as (1) underwriting assumptions, including occupancy, rental rates and expenses, may differ from estimates, (2) the properties may become subject to environmental liabilities that we were unaware of at the time we acquired the property despite any environmental testing, (3) we may have difficulty obtaining financing on acceptable terms or paying the operating expenses and debt service associated with acquired properties prior to sufficient occupancy and (4) projected exit strategies may not come to fruition due to a variety of factors such as market conditions at time of dispositions.

We may not be successful in identifying suitable real estate properties or other assets that meet our acquisition criteria. We may also fail to complete acquisitions or investments on satisfactory terms. Failure to identify or complete acquisitions could slow our growth, which could, in turn, have a material adverse effect on our financial condition and results of operations.

We face certain risks associated with our build-to-suit activities.

From time to time, we engage in, or provide capital to developers who are engaged in, build-to-suit activities. We face uncertainties, associated with a developer's performance and timely completion of a project, including the performance or timely completion by contractors and subcontractors. A developer's performance may be affected or delayed by their own actions or conditions beyond the developer's control. If a developer, contractor or subcontractor fails to perform, we may resort to legal action to compel performance, remove the developer or rescind the purchase or construction contract. Legal action may cause further delays and our costs may not be reimbursed.

We may incur additional risks when we make periodic progress payments or other advances to developers before completion of construction. These and other factors can result in increased costs of a project or loss of our investment. We also rely on third-party construction managers and/or engineers to monitor the construction activities.

We rely on rental income and expense projections and estimates of the fair market value of a property upon completion of construction when agreeing upon a purchase price at the time we acquire the property, which may be up to two years prior to the estimated date of completion. If our projections are inaccurate or markets change, we may pay more than the fair value of a property.

Our multi-tenant properties expose us to additional risks.

Our multi-tenant properties involve risks not typically encountered in real estate properties which are operated by a single tenant. The ownership of multi-tenant properties could expose us to the risk that a sufficient number of suitable tenants may not be found to enable the property to operate profitably and provide a return to us. This risk may be compounded by the failure of existing tenants to satisfy their obligations due to various factors. These risks, in turn, could cause a material adverse impact to our results of operations and business.

Multi-tenant properties are also subject to tenant turnover and fluctuation in occupancy rates, which could affect our operating results. Furthermore, multi-tenant properties expose us to the risk of potential "CAM slippage," which may occur when the actual cost of taxes, insurance and maintenance at the property exceeds the operating expenses paid by tenants and/or the amounts budgeted.

We face possible liability relating to environmental matters.

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, our property owner subsidiaries may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under the properties in which we have an interest as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on our property owner subsidiaries in connection with the activities of an operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages, and our liability therefore, could be significant and could exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect a property owner subsidiary's ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to satisfy our debt service obligations and to make distributions.

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A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although the tenants of the properties in which we have an interest are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of the tenants of the properties in which we have an interest to satisfy any obligations with respect to the property leased to that tenant, our property owner subsidiary may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business, our property owner subsidiaries authorize the preparation of Phase I environmental reports and, when recommended, Phase II environmental reports, with respect to their properties. There can be no assurance that these environmental reports will reveal all environmental conditions at the properties in which we have an interest or that the following will not expose us to material liability in the future:

- the discovery of previously unknown environmental conditions;
- changes in law;
- activities of tenants; or
- activities relating to properties in the vicinity of the properties in which we have an interest.

Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of the tenants of the properties in which we have an interest, which could adversely affect our financial condition or results of operations.

From time to time we are involved in legal proceedings arising in the ordinary course of our business.

Legal proceedings arising in the ordinary course of our business require time and effort. The outcomes of legal proceedings are subject to significant uncertainty. In the event that we are unsuccessful defending or prosecuting these proceedings, as applicable, we may incur a judgment or fail to realize an award of damages that could have an adverse effect on our financial condition.

Uninsured losses or a loss in excess of insured limits could adversely affect our financial condition.

We carry comprehensive liability, fire, extended coverage and rent loss insurance on certain of the properties in which we have an interest, with policy specifications and insured limits that we believe are customary for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we generally do not maintain rent loss insurance. In addition, certain of our leases require the tenant to maintain all insurance on the property, and the failure of the tenant to maintain the proper insurance could adversely impact our investment in a property in the event of a loss. Furthermore, there are certain types of losses, such as losses resulting from wars, terrorism or certain acts of God, that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types could adversely affect our financial condition and results of operations.

Future terrorist attacks, military conflicts and unrest in the Middle East could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.

The types of terrorist attacks since 2001, ongoing and future military conflicts and the continued unrest in the Middle East may affect commodity prices and interest rates, among other things. An increase in interest rates may increase our costs of borrowing, leading to a reduction in our earnings. Instability in the price of oil will also cause fluctuations in our operating costs, which may not be reimbursed by our tenants. Also, terrorist acts could result in significant damages to, or loss of, our properties or the value thereof.

We and the tenants of the properties in which we have an interest may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types could adversely affect our financial condition.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our tenant and investor relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those we have outsourced. Any processes, procedures and internal controls that we implement, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that our financial results, operations, business relationships or confidential information will not be negatively impacted by such an incident.

Competition may adversely affect our ability to purchase properties.

There are numerous commercial developers, real estate companies, financial institutions, such as banks and insurance companies, and other investors, such as pension funds, private companies and individuals, with greater financial and other resources than we have that compete with us in seeking investments and tenants. Due to our focus on single-tenant properties located throughout the United States, and because most competitors are often locally and/or regionally focused, we do not always encounter the same competitors in each market. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties and lower returns and impact our ability to grow.

Our failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and share price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal control over financial reporting. If we fail to maintain the adequacy of our internal control over financial reporting, as such standards may be modified, supplemented or amended from time to time, we will be required to disclose such failure and our financial reporting may not be relied on by most investors. Moreover, effective internal control, particularly related to revenue recognition, is necessary for us to produce reliable financial reports and to maintain our qualification as a REIT and is important in helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, our REIT qualification could be jeopardized, investors could lose confidence in our reported financial information and the trading price of our debt and equity securities could drop significantly.

We may have limited control over our joint venture investments.

Our joint venture investments involve risks not otherwise present for investments made solely by us, including the possibility that our partner might, at any time, become bankrupt, have different interests or goals than we do, or take action contrary to our expectations, its previous instructions or our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Other risks of joint venture investments include impasses on decisions, such as a sale, because neither we nor our partner has full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in joint ventures.

Our ability to change our portfolio is limited because real estate investments are illiquid.
Investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions is limited. Our Board of Trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number or type of properties in which we may seek to invest or on the concentration of investments in any one geographic region.

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Our reported financial results may be adversely affected by changes in accounting principles applicable to us and the tenants of properties in which we have an interest.

GAAP is subject to interpretation by various bodies formed to promulgate and interpret appropriate accounting principles such as the Financial Accounting Standards Board. A change in these principles or interpretations could have a significant effect on our reported financial results, could affect the reporting of transactions completed before the announcement of a change and could affect the business practices and decisions of the tenants of properties in which we have an interest.

We have engaged and may engage in hedging transactions that may limit gains or result in losses.

We have used derivatives to hedge certain of our liabilities and we currently have interest rate swap agreements in place. As of December 31, 2014, we have aggregate interest rate swap agreements on $505.0 million of borrowings. The counterparties of these arrangements are major financial institutions; however, we are exposed to credit risk in the event of non-performance by the counterparties. This has certain risks, including losses on a hedge position, which may reduce the return on our investments. Such losses may exceed the amount invested in such instruments. In addition, counterparties to a hedging arrangement could default on their obligations. We may have to pay certain costs, such as transaction fees or breakage costs, related to hedging transactions.

Our Board of Trustees may change our investment policy without shareholders' approval.

Subject to our fundamental investment policy to maintain our qualification as a REIT and invest in core assets, our Board of Trustees will determine our investment and financing policies, growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies.

Our Board of Trustees may revise or amend these strategies and policies at any time without a vote by shareholders. Changes made by our Board of Trustees may not serve the interests of debt or equity security holders and could adversely affect our financial condition or results of operations, including our ability to satisfy our debt service obligations, distribute cash to shareholders and qualify as a REIT. Accordingly, shareholders' control over changes in our strategies and policies is limited to the election of trustees.

We are dependent upon our key personnel.

We are dependent upon key personnel whose continued service is not guaranteed. We are dependent on certain of our executive officers for business direction. We have employment agreements, which expire in January 2018, with each of T. Wilson Eglin, our Chief Executive Officer and President, E. Robert Roskind, our Chairman, Richard J. Rouse, our Vice Chairman and Chief Investment Officer, and Patrick Carroll, our Executive Vice President, Chief Financial Officer and Treasurer. However, an employment agreement does not itself prevent an employee from resigning.

Our inability to retain the services of any of our key personnel or our loss of any of their services could adversely impact our operations. We do not have key man life insurance coverage on our executive officers.

There may be conflicts of interest between E. Robert Roskind and us.

E. Robert Roskind, our Chairman, beneficially owns a significant number of OP units, and as a result, may face different and more adverse tax consequences than our other shareholders will if we sell our interests in certain properties or reduce mortgage indebtedness on certain properties. Our Chairman may, therefore, have different objectives than us and our debt and equity security holders regarding the appropriate pricing and timing of any sale of such properties or reduction of mortgage debt. In the event of an appearance of a conflict of interest and in accordance with our policy regarding related party transactions, Mr. Roskind is required to recuse himself from any decision making or seek a waiver of our Code of Business Conduct and Ethics, which will be reviewed by the non-conflicted members of our Board of Trustees or the Audit Committee of the Board of Trustees.

In addition, Mr. Roskind's employment agreement with us permits Mr. Roskind to spend approximately one third of his business time on the affairs of The LCP Group L.P. and its affiliates. While Mr. Roskind is required to prioritize his business time to address our needs ahead of The LCP Group L.P., Mr. Roskind and The LCP Group L.P. may engage in a wide variety of activities in the real estate business which may result in conflicts of interest with respect to matters affecting us.

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Costs of complying with changes in governmental laws and regulations may adversely affect our results of operations.
We cannot predict what laws or regulations may be enacted in the future, how future laws or regulations will be administered or interpreted, or how future laws or regulations will affect our properties. Compliance with new laws or regulations, or stricter interpretation of existing laws, may require us or our tenants to incur significant expenditures, impose significant liability, restrict or prohibit business activities and could cause a material adverse effect on our results of operations.

We disclose Funds From Operations ("FFO") and Company Funds from Operations ("Company FFO"), which are non-GAAP financial measures, in documents filed with the SEC; however, neither FFO nor Company FFO is equivalent to our net income or loss as determined under GAAP, and you should consider GAAP measures to be more relevant to our operating performance.

We use and disclose to investors FFO and Company FFO, which are non-GAAP financial measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Funds from Operations" in Part II, Item 7 of this Annual Report. FFO and Company FFO are not equivalent to our net income or loss as determined in accordance with GAAP, and investors should consider GAAP measures to be more relevant to evaluating our operating performance. FFO and Company FFO and GAAP net income differ because FFO and Company FFO exclude many items that are factored into GAAP net income.

Because of the differences between FFO and Company FFO and GAAP net income or loss, FFO and Company FFO may not be accurate indicators of our operating performance, especially during periods in which we are acquiring properties. In addition, Company FFO is not necessarily indicative of cash flow available to fund cash needs and investors should not consider FFO and Company FFO as alternatives to cash flows from operations, as an indication of our liquidity or as indicative of funds available to fund our cash needs, including our ability to make distributions to our shareholders.

Neither the SEC nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO and Company FFO. Also, because not all companies calculate FFO and Company FFO the same way, comparisons with other companies may not be meaningful.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial condition and our ability to fulfill our obligations under the documents governing our unsecured indebtedness and otherwise adversely impact our business and growth prospects.

We have a substantial amount of debt. We are more leveraged than certain of our competitors. We have incurred, and may continue to incur, direct and indirect indebtedness in furtherance of our activities. Neither our declaration of trust nor any policy statement formerly adopted by our Board of Trustees limits either the total amount of indebtedness that we may incur, and accordingly, we could become even more highly leveraged. As of December 31, 2014, our total consolidated indebtedness was approximately $2.1 billion and we had approximately $385.4 million available for us to borrow under our principal credit agreement, subject to covenant compliance.

Our substantial indebtedness could adversely affect our financial condition and results of operations and have important consequences to us and our debt and equity security holders. For example, it could:

- make it more difficult for us to satisfy our indebtedness and debt service obligations and adversely affect our ability to pay distributions;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of interest on and principal of our indebtedness, thereby reducing the availability of cash to fund working capital, capital expenditures and other general corporate purposes;
- limit our ability to borrow money or sell stock to fund our development projects, working capital, capital expenditures, general corporate purposes or acquisitions;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- place us at a disadvantage compared to competitors that have less debt; and
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate.

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In addition, the agreements that govern our current indebtedness contain, and the agreements that may govern any future indebtedness that we may incur may contain, financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of our debt.

Market interest rates could have an adverse effect on our borrowing costs, profitability and the value of our fixed rate debt securities.

We have exposure to market risks relating to increases in interest rates due to our variable-rate debt. An increase in interest rates may increase our costs of borrowing on existing variable-rate indebtedness, leading to a reduction in our earnings. As of December 31, 2014, we had no outstanding consolidated variable-rate indebtedness that was not subject to an interest rate swap agreement. The level of our variable-rate indebtedness, along with the interest rate associated with such variable-rate indebtedness, may change in the future and materially affect our interest costs and earnings. In addition, our interest costs on our fixed-rate indebtedness may increase if we are required to refinance our fixed-rate indebtedness upon maturity at higher interest rates. Also, fixed rate debt securities generally decline in value as market rates rise because the premium, if any, over market interest rates will decline.

Potential disruptions in the financial markets could affect our ability to obtain debt financing on reasonable terms and have other adverse effects on us.

Historically, the United States credit markets have experienced significant dislocations and liquidity disruptions which have caused the spreads on prospective debt financings to widen considerably. These circumstances may materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases may result in the unavailability of certain types of debt financing. Continued uncertainty in the credit markets may negatively impact our ability to access additional debt financing on reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of capital or difficulties in obtaining capital. These events in the credit markets may have an adverse effect on other financial markets in the United States, which may make it more difficult or costly for us to raise capital through the issuance of our common shares or preferred shares. These disruptions in the financial markets may have other adverse effects on us or the economy in general.

Covenants in certain of the agreements governing our debt could adversely affect our financial condition and our investment activities.

Our unsecured revolving credit facility, unsecured term loans and indentures governing our 4.40% and 4.25% Senior Notes and 6.00% Convertible Notes contain certain cross-default and cross-acceleration provisions as well as customary restrictions, requirements and other limitations on our ability to incur indebtedness and consummate mergers, consolidations or sales of all or substantially all of our assets. Our ability to borrow under our unsecured revolving credit facility is also subject to compliance with certain other covenants. In addition, failure to comply with our covenants could cause a default under the applicable debt instrument and we may then be required to repay such debt with capital from other sources. Under those circumstances other sources of capital may not be available to us or be available only on unattractive terms. Additionally, our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage against acts of terrorism than is available to us in the marketplace or on commercially reasonable terms.

We rely on debt financing, including borrowings under our unsecured revolving credit facility, unsecured term loan, debt securities, and debt secured by individual properties, for working capital, including to finance our investment activities. If we are unable to obtain financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations could be adversely affected.

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A downgrade in our credit ratings could materially adversely affect our business and financial condition.

The credit ratings assigned to our debt could change based upon, among other things, our results of operations and financial condition or the real estate industry generally. These ratings are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any rating will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, these credit ratings do not apply to our common shares and are not recommendations to buy, sell or hold any other securities. Any downgrade of our debt could materially adversely affect the market price of our debt securities and our common shares. If any of the credit rating agencies that have rated our debt downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a so-called "watch list" for a possible downgrading or lowering or otherwise indicates that its outlook for that rating is negative, it could also have a material adverse effect on our costs and availability of capital, which could in turn have a material adverse effect on our financial condition, results of operations, cash flows and our ability to satisfy our debt service obligations and to make dividends and distributions on our common shares and preferred shares.

We face risks associated with refinancings.

A significant number of the properties in which we have an interest are subject to mortgage or other secured notes with balloon payments due at maturity. In addition, our corporate level borrowings require interest only payments with all principal due at maturity.

As of December 31, 2014, the consolidated scheduled balloon payments, for the next five calendar years, are as follows ($ in millions):

Year	Property-Specific Balloon Payments(1)	Corporate Recourse Balloon Payments	
2015	$142.6	$0	
2016	$129.9	$0	
2017	$68.7	$16.2	(2)
2018	$18.2	$250.0	
2019	$83.8	$255.0	

(1) All payment obligations are non-recourse except a $15.0 million payment obligation in 2016.

(2) Assumes 6.00% Convertible Notes due in January 2030 are put to us in 2017.

The ability to make the scheduled balloon payment on a non-recourse mortgage note will depend upon (1) in the event we determine to contribute capital, our cash balances and the amount available under our unsecured credit facility and (2) the property owner subsidiary's ability either to refinance the related mortgage debt or to sell the related property. If the property owner subsidiary is unable to refinance or sell the related property, the property may be conveyed to the lender through foreclosure or other means or the property owner subsidiary may declare bankruptcy.

We face risks associated with returning properties to lenders.

A significant number of the properties in which we have an interest are subject to non-recourse mortgages, which generally provide that a lender's only recourse upon an event of default is to foreclose on the property. During 2014, a property in which we had an interest, was sold in foreclosure. As a result, we lost all of our interest in this property and any future opportunities to re-tenant this property. The loss of a significant number of properties to foreclosure or bankruptcy could adversely affect our financial condition and results of operations, relationships with lenders and ability to obtain additional financing in the future.

In addition, a lender may attempt to trigger a carve out to the non-recourse nature of a mortgage loan. To the extent a lender is successful, the ability of our property owner subsidiary to return the property to the lender may be inhibited and we may be liable for all or a portion of such loan.

Certain of our properties are cross-collateralized, and certain of our indebtedness is subject to cross-default and cross-acceleration provisions.

As of December 31, 2014, the mortgages on certain of our properties were cross-collateralized. To the extent that any of the properties in which we have an interest are cross-collateralized, any default by the property owner subsidiary under the mortgage note relating to one property will result in a default under the financing arrangements relating to any other property that also provides security for that mortgage note or is cross-collateralized with such mortgage note.

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In addition, substantially all of our corporate level borrowings contain cross-default and/or cross-acceleration provisions, which may be triggered if we default on certain indebtedness in excess of certain thresholds.

Risks Related to Our Outstanding Debt Securities

The effective subordination of our unsecured indebtedness and any related guaranty may reduce amounts available for payment on our unsecured indebtedness and any related guaranty.

The holders of our secured debt may foreclose on the assets securing such debt, reducing the cash flow from the foreclosed property available for payment of unsecured debt and any related guaranty. The holders of any of our secured debt also would have priority over unsecured creditors in the event of a bankruptcy, liquidation or similar proceeding.

Not all of our subsidiaries are guarantors of our unsecured debt, assets of non-guarantor subsidiaries may not be available to make payments on our unsecured indebtedness and any related guarantees may be released in the future if certain events occur.

As of December 31, 2014, only we and/or LCIF are borrowers or a guarantor of our unsecured indebtedness. In the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, holders of non-guarantor subsidiary debt, including trade creditors, will generally be entitled to payment of their claims from the assets of non-guarantor subsidiaries before any assets are made available for distribution to us or any of the subsidiary guarantors.

In addition, any subsidiary guarantor, including LCIF, will be deemed released if such subsidiary guarantor's obligations as a borrower or guarantor under our principal credit agreement terminates pursuant to the terms of our principal credit agreement or if our principal credit agreement is amended to remove certain or all of the subsidiary guarantors as borrowers or guarantors. To the extent any of our unsecured indebtedness is no longer guaranteed by any of our subsidiaries in the future, such debt will be our obligations exclusively. All of our assets are held through our operating partnership and our other subsidiaries. Consequently, our cash flow and our ability to meet our debt service obligations depends in large part upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of distributions or otherwise.

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require holders of certain of our unsecured indebtedness to return payments received from us or any related guarantor.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the debt evidenced by its guarantee:

- issued the guarantee to delay, hinder or defraud present or future creditors; or
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee, and:
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged or about to engage in a business or transaction for which the guarantor's remaining unencumbered assets constituted unreasonably small capital to carry on its business; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay the debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

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We cannot be sure as to the standards that a court would use to determine whether or not any guarantor was solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of such guaranty would not be voided or any such guaranty would not be subordinated to that of such guarantor's other debt. If a case were to occur, any such guaranty could also be subject to the claim that, since the guaranty was incurred for our benefit, and only indirectly for the benefit of such guarantor, the obligations of such guarantor were incurred for less than fair consideration. A court could thus void the obligations under the guarantees or subordinate the guarantees to such guarantor's other debt or take other action detrimental to holders of our unsecured indebtedness.

Risks Related to Our REIT Status

There can be no assurance that we will remain qualified as a REIT for federal income tax purposes.

We believe that we have met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Code, for which there are only limited judicial or administrative interpretations. The Code provisions and income tax regulations applicable to REITs are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. No assurance can be given that we have qualified or will remain qualified as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If we do not qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. Cash available to satisfy our debt service obligations and distributions to our shareholders would be significantly reduced or suspended for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

We may be subject to the REIT prohibited transactions tax, which could result in significant U.S. federal income tax liability to us.

A REIT will incur a 100% tax on the net income from a prohibited transaction. Generally, a prohibited transaction includes a sale or disposition of property held primarily for sale to customers in the ordinary course of a trade or business. While we believe that the dispositions of our assets pursuant to our investment strategy should not be treated as prohibited transactions, whether a particular sale will be treated as a prohibited transaction depends on the underlying facts and circumstances. We have not sought and do not intend to seek a ruling from the Internal Revenue Service regarding any dispositions. Accordingly, there can be no assurance that our dispositions of such assets will not be subject to the prohibited transactions tax. If all or a significant portion of those dispositions were treated as prohibited transactions, we would incur a significant U.S. federal income tax liability, which could have a material adverse effect on our financial position, results of operations and cash flows.

Distribution requirements imposed by law limit our flexibility.

To maintain our status as a REIT for federal income tax purposes, we are generally required to distribute to our shareholders at least 90% of our taxable income for that calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85% of our ordinary income for that year, (ii) 95% of our capital gain net income for that year and (iii) 100% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Code and to reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our taxable income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis in order to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

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Legislative or regulatory tax changes could have an adverse effect on us.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a debt and/or equity security holder. REIT dividends generally are not eligible for the reduced rates currently applicable to certain corporate dividends (unless attributable to dividends from taxable REIT subsidiaries and otherwise eligible for such rates). As a result, investment in non-REIT corporations may be relatively more attractive than investment in REITs. This could adversely affect the market price of our shares.

Risks Related to Our Shares

We may change the dividend policy for our common shares in the future.

The decision to declare and pay dividends on our common shares in the future, as well as the timing, amount and composition of any such future dividends, will be at the sole discretion of our Board of Trustees in light of conditions then existing, including our earnings, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors. The actual dividend payable will be determined by our Board of Trustees based upon the circumstances at the time of declaration and the actual dividend payable may vary from such expected amount. Any change in our dividend policy could have a material adverse effect on the market price of our common shares.

We may in the future choose to pay dividends in shares, in which case you may be required to pay income taxes in excess of the cash dividends you receive.

We may in the future distribute taxable dividends that are payable in shares. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. shareholder may be required to pay income taxes with respect to such dividends even though no cash dividends were received. If a U.S. shareholder sells the shares it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the shares at the time of the sale. Furthermore, with respect to non-U.S. shareholders, we may be required to withhold U.S. tax with respect to such dividends. In addition, if a significant number of our shareholders determine to sell such shares received in a dividend in order to pay taxes owed on such dividend, it may put downward pressure on the trading price of our common shares.

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

We have an unallocated universal shelf registration statement, pursuant to which we maintain an ATM program, and we also maintain a direct share purchase plan, pursuant to which we may issue additional common shares. In addition, as of December 31, 2014, an aggregate of approximately 5.2 million of our common shares were issuable upon the exercise of employee share options and upon the exchange of OP units. There were also approximately 2.4 million common shares underlying our 6.00% Convertible Notes as of December 31, 2014, which is subject to increase upon certain events, including if we pay a quarterly common share dividend in excess of $0.10 per common share. Depending upon the number of such securities issued, exercised or exchanged at one time, an issuance, exercise or exchange of such securities could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

There are certain limitations on a third party's ability to acquire us or effectuate a change in our control.

Limitations imposed to protect our REIT status. In order to protect against the loss of our REIT status, among other purposes, our declaration of trust limits any shareholder from owning more than 9.8% in value of our outstanding equity shares, defined as common shares or preferred shares, subject to certain exceptions. These ownership limits may have the effect of precluding acquisition of control of us. Our Board of Trustees has granted a limited waiver of the ownership limits to BlackRock, Inc.

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Severance payments under employment agreements. Substantial termination payments may be required to be paid under the provisions of employment agreements with certain of our executives upon a change of control and the subsequent termination of the executive. We have entered into employment agreements with four of our executive officers which provide that, upon the occurrence of a change in control of us (including a change in ownership of more than 50% of the total combined voting power of our outstanding securities, the sale of all or substantially all of our assets, dissolution, the acquisition, except from us, of 20% or more of our voting shares or a change in the majority of our Board of Trustees), if those executive officers are terminated without cause, as defined, those executive officers may be entitled to severance benefits based on their current annual base salaries and trailing average of recent annual cash bonuses as defined in the employment agreements and the acceleration of certain non-vested equity awards. Accordingly, these payments may discourage a third party from acquiring us.

Our ability to issue additional shares. Our declaration of trust authorizes 400,000,000 common shares, 100,000,000 preferred shares and 500,000,000 of beneficial interest, par value $0.0001 per share, classified as excess stock, or excess shares. Our Board of Trustees is authorized to cause us to issue these shares without shareholder approval. Our Board of Trustees may establish the preferences and rights of any such class or series of additional shares, which could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in shareholders' best interests. At December 31, 2014, in addition to common shares, we had outstanding 1,935,400 Series C Preferred Shares. Our Series C Preferred Shares include provisions, such as increases in dividend rates or adjustments to conversion rates, that may deter a change of control. The establishment and issuance of shares of our existing series of preferred shares or a future class or series of shares could make a change of control of us more difficult.

Maryland Business Combination Act. The Maryland General Corporation Law, as applicable to Maryland REITs, establishes special restrictions against “business combinations” between a Maryland REIT and “interested shareholders” or their affiliates unless an exemption is applicable. An interested shareholder includes a person who beneficially owns, and an affiliate or associate of the trust who, at any time within the two-year period prior to the date in question was the beneficial owner of, 10% or more of the voting power of our then-outstanding voting shares, but a person is not an interested shareholder if the Board of Trustees approved in advance the transaction by which he otherwise would have become an interested shareholder, which approval may be conditioned by the Board of Trustees. Among other things, Maryland law prohibits (for a period of five years) a merger and certain other transactions between a Maryland REIT and an interested shareholder, or an affiliate of an interested shareholder. The five-year period runs from the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any such business combination must be recommended by the Board of Trustees and approved by two super-majority shareholder votes unless, among other conditions, the common shareholders receive a minimum price (as defined in the Maryland General Corporation Law) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares. The statute permits various exemptions from its provisions, including business combinations that are exempted by the Board of Trustees prior to the time that the interested shareholder becomes an interested shareholder. The business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if such acquisition would be in shareholders' best interests. In connection with the Newkirk Merger, Vornado Realty Trust, which we refer to as Vornado, was granted a limited exemption from the definition of “interested shareholder.”

Maryland Control Share Acquisition Act. Maryland law provides that a holder of “control shares” of a Maryland REIT acquired in a “control share acquisition” has no voting rights with respect to such shares except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter under the Maryland Control Share Acquisition Act. Shares owned by the acquirer, by our officers or by employees who are our trustees are excluded from shares entitled to vote on the matter. “Control Shares” are voting shares that, if aggregated with all other shares previously acquired 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 issued and outstanding control shares, subject to certain exceptions. If voting rights of control shares acquired in a control share acquisition are not approved at a shareholders meeting or if the acquiring person does not deliver an acquiring person statement as required under the statute, then, subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value, except those for which voting rights have been previously approved. If voting rights of such 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. Any control shares acquired in a control share acquisition which are not exempt under our by-laws will be subject to the Maryland Control Share Acquisition Act. The Maryland Control Share Acquisition Act does not apply to shares acquired in a merger, consolidation or statutory share exchange if the Maryland REIT is a party to the transaction, or to acquisitions approved or exempted by the declaration of trust or by-laws of the Maryland REIT. Our amended and restated by-laws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our shares. We cannot assure you that this provision will not be amended or eliminated at any time in the future.

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Limits on ownership of our capital shares may have the effect of delaying, deferring or preventing someone from taking control of us.

For us to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined for federal income tax purposes to include certain entities) during the last half of each taxable year, and these capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year for which a REIT election is made). Our declaration of trust includes certain restrictions regarding transfers of our capital shares and ownership limits.

Actual or constructive ownership of our capital shares in violation of the restrictions or in excess of the share ownership limits contained in our declaration of trust would cause the violative transfer or ownership to be void or cause the shares to be transferred to a charitable trust and then sold to a person or entity who can own the shares without violating these limits. As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex, and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits.

However, these restrictions and limits may not be adequate in all cases to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limits discussed above may have the effect of delaying, deferring or preventing someone from taking control of us, even though a change of control could involve a premium price for the common shares or otherwise be in shareholders' best interests.

The trading price of our common shares has been, and may continue to be, subject to significant fluctuations.

Since January 1, 2011, the closing sale price of our common shares on the NYSE (composite) has ranged from $13.64 to $5.96 per share. The market price of our common shares may fluctuate in response to company-specific and general market events and developments, including those described in this Annual Report. In addition, our leverage may impact investor demand for our common shares, which could have a material effect on the market price of our common shares.

Furthermore, the public valuation of our common shares is related primarily to the earnings that we derive from rental income with respect to the properties in which we have an interest and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common shares. For instance, if interest rates rise, the market price of our common shares may decrease because potential investors seeking a higher yield than they would receive from our common shares may sell our common shares in favor of higher yielding securities.

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC staff relating to our periodic or current reports under the Securities Exchange Act of 1934.

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Item 2. Properties

Real Estate Portfolio

General. As of December 31, 2014, we had equity ownership interests in approximately 215 consolidated real estate properties containing approximately 39.9 million square feet of rentable space, which were approximately 96.4% leased based upon net rentable square feet. Generally, all properties in which we have an interest are held through at least one property owner subsidiary.

The properties in which we have an interest are generally subject to net or similar leases; however, in certain leases, the property owner subsidiaries are responsible for roof, structural and other repairs. In addition, certain of the properties in which we have an interest are subject to leases in which the landlord is responsible for a portion of the real estate taxes, utilities and general maintenance. Furthermore, the property owner subsidiaries are or will be responsible for all operating expenses of any vacant properties, and the property owner subsidiaries may be responsible for a significant amount of operating expenses of multi-tenant properties.

Ground Leases. Certain of the properties in which we have an interest are subject to long-term ground leases where either the tenant of the building on the property or a third party owns and leases the underlying land to the property owner subsidiary. Certain of these properties are economically owned through the holding of industrial revenue bonds primarily for real estate tax abatement purposes and as such, neither ground lease payments nor bond interest payments are made or received, respectively. For certain of the properties held under a ground lease, the ground lessee has a purchase option. At the end of these long-term ground leases, unless extended or the purchase option exercised, the land together with all improvements thereon reverts to the landowner.

Leverage. As of December 31, 2014, we had outstanding mortgages and notes payable of approximately $0.9 billion with a weighted-average interest rate of approximately 5.2% and a weighted-average maturity of 5.9 years.

Property Charts. The following tables list our properties by type, their locations, the primary tenant/guarantor, the net rentable square feet, the expiration of the primary lease term and percent leased, as applicable, as of December 31, 2014.

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
LONG-TERM LEASES
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Property Type	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
318 Pappy Dunn Blvd.	Anniston	AL	International Automotive Components Group North America, Inc.	Industrial	267,055	11/24/2029	100	%
3030 North 3rd St.	Phoenix	AZ	CopperPoint Mutual Insurance Company	Office	252,400	12/31/2029	100	%
2005 E. Technology Cir.	Tempe	AZ	Infocrossing, Inc.	Office	60,000	12/31/2025	100	%
2706 Media Center Dr.	Los Angeles	CA	Bank of America, National Association/ Sony Electronics Inc.	Office	82,526	Various	100	%
9655 Maroon Circle	Englewood	CO	TriZetto Corporation	Office	166,912	4/30/2028	100	%
1315 West Century Dr.	Louisville	CO	Global Healthcare Exchange, Inc. (Global Healthcare Exchange, LLC)	Office	106,877	4/30/2027	81	%
143 Diamond Ave.	Parachute	CO	Encana Oil and Gas (USA) Inc. (Alena Inc.)	Office	49,024	10/31/2032	100	%
6277 Sea Harbor Dr.	Orlando	FL	Wyndham Vacation Ownership, Inc. (Wyndham Worldwide Corporation)	Office	358,381	10/31/2025	99	%
2910 Bush Lake Blvd.	Tampa	FL	BluePearl Holdings, LLC	Office	2,500	12/31/2033	100	%
2950 Bush Lake Blvd.	Tampa	FL	BluePearl Holdings, LLC	Office	8,000	12/31/2033	100	%
3000 Bush Lake Blvd.	Tampa	FL	BluePearl Holdings, LLC	Office	17,000	12/31/2033	100	%
832 N. Westover Blvd.	Albany	GA	Gander Mountain Company	Retail	45,554	11/30/2028	100	%
2500 Patrick Henry Pkwy.	McDonough	GA	Georgia Power Company	Office	111,911	6/30/2025	100	%
1001 Innovation Rd.	Rantoul	IL	Easton Bell Sports, Inc.	Industrial	813,126	10/31/2033	100	%
11201 Renner Blvd.	Lenexa	KS	United States of America	Office	169,585	10/31/2027	100	%
10000 Business Blvd.	Dry Ridge	KY	Dana Light Axle Products, LLC (Dana Holding Corporation and Dana Limited)	Industrial	336,350	6/30/2025	100	%
730 North Black Branch Rd.	Elizabethtown	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	Industrial	167,770	6/30/2025	100	%
750 North Black Branch Rd.	Elizabethtown	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	Industrial	539,592	6/30/2025	100	%
301 Bill Bryan Rd.	Hopkinsville	KY	Metalsa Structural Products, Inc. / Dana Structural Products,	Industrial	424,904	6/30/2025	100	%

			LLC (Dana Holding Corporation and Dana Limited)					
4010 Airpark Dr.	Owensboro	KY	Metalsa Structural Products, Inc. / Dana Structural Products, LLC (Dana Holding Corporation and Dana Limited)	Industrial	211,598	6/30/2025	100	%
5001 Greenwood Rd.	Shreveport	LA	Libbey Glass Inc. (Libbey Inc.)	Industrial	646,000	10/31/2026	100	%
1700 47th Ave North	Minneapolis	MN	Owens Corning / Owens Corning Roofing and Asphalt, LLC	Industrial	18,620	12/31/2025	100	%
3902 Gene Field Rd.	St. Joseph	MO	Boehringer Ingelheim Vetmedica, Inc. (Boehringer Ingelheim USA Corporation)	Office	98,849	6/30/2027	100	%

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459 Wingo Rd.	Byhalia	MS	Asics America Corporation (Asics Corporation)	Industrial	513,734	3/31/2026	100	%
671 Washburn Switch Rd.	Shelby	NC	Clearwater Paper Corporation	Industrial	673,518	5/31/2031	100	%
11707 Miracle Hills Dr.	Omaha	NE	Infocrossing, Inc.	Office	85,200	11/30/2025	100	%
1331 Capitol Ave.	Omaha	NE	The Gavilon Group, LLC	Office	127,810	11/30/2033	100	%
121 Technology Dr.	Durham	NH	Heidelberg Americas, Inc. (Heidelberg Drackmaschinen AG) (2021) / Goss International America, Inc. (Goss International Corporation) (2026)	Industrial	500,500	3/30/2026	100	%
333 Mount Hope Ave.	Rockaway	NJ	Atlantic Health System, Inc.	Office	92,326	6/30/2026	65	%
1237 W. Sherman Ave.	Vineland	NJ	HealthSouth Rehabilitation Hospital of New Jersey, LLC (HealthSouth Corporation)	Specialty	39,287	2/28/2043	100	%
6226 West Sahara Ave.	Las Vegas	NV	Nevada Power Company	Office	282,000	1/31/2029	100	%
5625 North Sloan Ln.	North Las Vegas	NV	Nicholas and Co., Inc.	Industrial	180,235	9/30/2034	100	%
29-01 Borden Ave. & 29-10 Hunters Point Ave.	Long Island City	NY	FedEx Ground Package Systems, Inc. (Federal Express Corporation)	Industrial	140,330	3/31/2028	100	%
15 West 45th St.	New York	NY	ZE-45 Ground Tenant LLC	Land	N/A	10/31/2113	100	%
8-12 Stone St.	New York	NY	Al-Stone Ground Tenant LLC	Land	N/A	10/31/2112	100	%
350 and 370-272 Canal St.	New York	NY	FC-Canal Ground Tenant LLC	Land	N/A	10/31/2112	100	%
309-313 West 39th St.	New York	NY	LG-39 Ground Tenant LLC	Land	N/A	10/31/2112	100	%
351 Chamber Dr.	Chillicothe	OH	The Kitchen Collection, Inc.	Industrial	475,218	6/30/2026	100	%
10590 Hamilton Ave.	Cincinnati	OH	The Hillman Group, Inc.	Industrial	264,598	12/31/2027	100	%
5500 New Albany Rd.	Columbus	OH	Evans, Mechwart, Hambleton & Tilton, Inc.	Office	104,807	12/29/2026	100	%
2221 Schrock Rd.	Columbus	OH	MS Consultants, Inc.	Office	42,290	7/6/2027	100	%
7005 Cochran Rd.	Glenwillow	OH	Royal Appliance Mfg. Co.	Industrial	458,000	7/31/2025	100	%
1700 Millrace Dr.	Eugene	OR	Oregon Research Institute / Educational Policy Improvement Center	Office	80,011	11/30/2027	100	%
250 Rittenhouse Circle	Bristol	PA	Northtec LLC (The Estée Lauder Companies Inc.)	Industrial	241,977	11/30/2026	100	%

25 Lakeview Dr.	Jessup	PA	TMG Health, Inc.	Office	150,000	8/7/2027	100	%
590 Ecology Ln.	Chester	SC	Boral Stone Products LLC (Boral Limited)	Industrial	420,597	7/14/2025	100	%
854 Paragon Way	Rock Hill	SC	Physicians Choice Laboratory Services, LLC	Office	104,497	3/31/2034	100	%
900 Industrial Blvd.	Crossville	TN	Dana Commercial Vehicle Products, LLC	Industrial	222,200	9/30/2026	100	%

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
LONG-TERM LEASES
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Property Location	City	State	Primary Tenant (Guarantor)	Property Type	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
633 Garrett Pkwy.	Lewisburg	TN	Calsonic Kansei North America, Inc.	Industrial	310,000	3/31/2026	100	%
601 & 701 Experian Pkwy.	Allen	TX	Experian Information Solutions, Inc. / TRW, Inc. (Experian Holdings, Inc.)	Office	292,700	3/14/2025	100	%
1401 Nolan Ryan Expy.	Arlington	TX	Triumph Aerostructures, LLC (Triumph Group, Inc.)	Office	161,808	1/31/2025	77	%
4001 International Pkwy.	Carrollton	TX	Motel 6 Operating, LP	Office	138,443	12/31/2025	100	%
810 Gears Rd.	Houston	TX	United States of America	Office	78,895	4/7/2030	87	%
10001 Richmond Ave.	Houston	TX	Baker Hughes Incorporated (2015) / Schlumberger Holdings Corp. (2025)	Office	554,385	9/30/2025	100	%
13901/14035 Industrial Rd.	Houston	TX	Industrial Terminals Management, L.L.C. (Maritime Holdings (Delaware) LLC)	Land/Infrastructure	132,449	3/31/2038	100	%
19311 SH 249	Houston	TX	BluePearl Holdings, LLC	Office	12,622	12/31/2033	100	%
13930 Pike Rd.	Missouri City	TX	Vulcan Construction Materials, LP (Vulcan Materials Company)	Land/Infrastructure	N/A	4/30/2032	100	%
25500 State Hwy. 249	Tomball	TX	Parkway Chevrolet, Inc. (Raymond Durdin & Jean W. Durdin)	Specialty	77,076	8/31/2026	100	%
175 Holt Garrison Pkwy.	Danville	VA	Home Depot USA, Inc.	Land	N/A	1/31/2029	100	%
9803 Edmonds Way	Edmonds	WA	Pudget Consumers Co-op d/b/a PCC Natural Markets	Retail	34,459	8/31/2028	100	%
2424 Alpine Rd.	Eau Claire	WI	Silver Spring Foods, Inc. (Huntsinger Farms, Inc.)	Industrial	159,000	4/30/2027	100	%
500 Kinetic Dr.	Huntington	WV	AMZN WVCS (Amazon.com, Inc.)	Office	68,693	11/30/2026	100	%
			Long-Term Leases Total		12,174,199		99.2	%

The 2014 net effective annual cash rent for the long-term lease portfolio as of December 31, 2014 was $8.25 per square foot, excluding land investments, and the weighted-average remaining lease term was 24.5 years.

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
OFFICE
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
12209 W. Markham St.	Little Rock	AR	Entergy Arkansas, Inc.	36,311	10/31/2020	100	%
5201 West Barraque St.	Pine Bluff	AR	Entergy Services, Inc.	27,189	10/31/2017	100	%
2211 South 47th St.	Phoenix	AZ	Avnet, Inc.	176,402	2/28/2023	100	%
19019 North 59th Ave.	Glendale	AZ	Honeywell International Inc.	252,300	7/15/2019	100	%
8555 South River Pkwy.	Tempe	AZ	DA Nanomaterials L.L.C. / Air Products and Chemicals, Inc.	95,133	6/30/2022	100	%
1440 East 15th St.	Tucson	AZ	CoxCom, LLC	28,591	7/31/2022	100	%
26210 and 26220 Enterprise Court	Lake Forest	CA	Apria Healthcare, Inc. (Apria Healthcare Group, Inc.)	100,012	1/31/2022	100	%
3333 Coyote Hill Rd.	Palo Alto	CA	Xerox Corporation	202,000	12/14/2023	100	%
9201 E. Dry Creek Rd.	Centennial	CO	Arrow Electronics, Inc.	128,500	9/30/2017	100	%
3940 South Teller St.	Lakewood	CO	MoneyGram Payment Systems, Inc.	68,165	3/31/2015	100	%
100 Barnes Rd.	Wallingford	CT	3M Company	44,400	6/30/2018	100	%
5600 Broken Sound Blvd.	Boca Raton	FL	Canon Solutions America, Inc. (Océ -USA Holding, Inc.)	143,290	2/14/2020	100	%
12600 Gateway Blvd.	Fort Myers	FL	Alta Resources Corp.	63,261	6/30/2023	100	%
550 International Parkway	Lake Mary	FL	JPMorgan Chase Bank, National Association	125,920	9/30/2020	100	%
600 Business Center Dr.	Lake Mary	FL	JPMorgan Chase Bank, National Association	125,155	9/30/2020	100	%
9200 South Park Center Loop	Orlando	FL	Corinthian Colleges, Inc.	59,927	9/30/2020	100	%
Sandlake Rd./Kirkman Rd.	Orlando	FL	Lockheed Martin Corporation	184,000	4/30/2018	100	%
4400 Northcorp Pkwy.	Palm Beach Gardens	FL	The Weiss Group, LLC	18,500	3/14/2022	100	%
10419 North 30th St.	Tampa	FL	Time Customer Service, Inc. (Time Incorporated)	132,981	6/30/2020	100	%
3500 N. Loop Rd.	McDonough	GA	Litton Loan Servicing LP	62,218	8/31/2018	100	%
3265 E. Goldstone Dr.	Meridian	ID	VoiceStream PCS Holding, LLC / T-Mobile PCS Holdings, LLC (T-Mobile USA, Inc.)	77,484	6/28/2019	100	%
850 & 950 Warrenville Rd.	Lisle	IL	National-Louis University	99,414	12/31/2019	100	%
231 N. Martingale Rd.	Schaumburg	IL	CEC Educational Services, LLC (Career Education Corporation)	317,198	12/31/2022	100	%
500 Jackson St.	Columbus	IN	Cummins, Inc.	390,100	7/31/2019	100	%
10300 Kincaid Dr.	Fishers	IN	Roche Diagnostics Operations, Inc.	193,000	1/31/2020	100	%
10475 Crosspoint Blvd.	Indianapolis	IN	John Wiley & Sons, Inc.	141,416	10/31/2019	97	%
9601 Renner Blvd.	Lenexa	KS		77,484	10/31/2019	100	%

VoiceStream PCS II Corporation
(T-Mobile USA, Inc.)

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
OFFICE
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
5200 Metcalf Ave.	Overland Park	KS	Swiss Re America Holding Corporation / Westport Insurance Corporation	320,198	12/22/2018	100	%
4455 American Way	Baton Rouge	LA	New Cingular Wireless PCS, LLC	70,100	10/31/2017	100	%
147 Milk St.	Boston	MA	Harvard Vanguard Medical Associates, Inc.	52,337	12/31/2022	100	%
33 Commercial St.	Foxboro	MA	Invensys Systems, Inc. (Siebe, Inc.)	164,689	6/30/2015	100	%
133 First Park Dr.	Oakland	ME	Omnipoint Holdings, Inc. (T-Mobile USA, Inc.)	78,610	8/31/2020	100	%
12000 & 12025 Tech Center Dr.	Livonia	MI	Kelsey-Hayes Company (TRW Automotive Inc.)	180,230	12/31/2024	100	%
26555 Northwestern Hwy.	Southfield	MI	Federal-Mogul Corporation	187,163	1/31/2015	100	%
9201 Stateline Rd.	Kansas City	MO	Swiss Re America Holding Corporation / Westport Insurance Corporation	155,925	4/1/2019	100	%
3943 Denny Ave.	Pascagoula	MS	Huntington Ingalls Incorporated	94,841	10/31/2018	100	%
1415 Wyckoff Rd.	Wall	NJ	New Jersey Natural Gas Company	157,511	6/30/2021	100	%
29 S. Jefferson Rd.	Whippany	NJ	CAE SimuFlite, Inc. (CAE Inc.)	123,734	11/30/2021	100	%
2000 Eastman Dr.	Milford	OH	Siemens Corporation	221,215	4/30/2016	100	%
500 Olde Worthington Rd.	Westerville	OH	InVentiv Communications, Inc.	97,000	9/30/2015	100	%
2999 Southwest 6th St.	Redmond	OR	VoiceStream PCS I, LLC / T-Mobile West Corporation (T-Mobile USA, Inc.)	77,484	1/31/2019	100	%
2550 Interstate Dr.	Harrisburg	PA	AT&T Services, Inc.	89,350	12/31/2018	69	%
1701 Market St.	Philadelphia	PA	Morgan, Lewis & Bockius LLP	304,037	1/31/2021	99	%
1460 Tobias Gadsen Blvd.	Charleston	SC	Hagemeyer North America, Inc.	50,076	7/8/2020	100	%
1362 Celebration Blvd.	Florence	SC	MED3000, Inc.	32,000	2/14/2024	100	%
3476 Stateview Blvd.	Fort Mill	SC	Wells Fargo Bank, N.A.	169,083	5/31/2024	100	%
3480 Stateview Blvd.	Fort Mill	SC	Wells Fargo Bank, N.A.	169,218	5/31/2024	100	%
333 Three D Systems Circle	Rock Hill	SC	3D Systems Corporation	80,028	8/31/2021	100	%
420 Riverport Rd.	Kingsport	TN	Kingsport Power Company	42,770	6/30/2018	100	%
1409 Centerpoint Blvd.	Knoxville	TN	Alstom Power, Inc.	84,404	10/31/2024	100	%
2401 Cherahala Blvd.	Knoxville	TN	AdvancePCS, Inc. / CaremarkPCS, L.L.C.	59,748	5/31/2020	100	%
104 & 110 S. Front St.	Memphis	TN	Hnedak Bobo Group, Inc.	37,229	10/31/2016	100	%
3965 Airways Blvd.	Memphis	TN	Federal Express Corporation	521,286	6/19/2019	100	%

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
OFFICE
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
4201 Marsh Ln.	Carrollton	TX	Carlson Restaurants Inc. (Carlson, Inc.)	130,000	11/30/2022	100	%
11511 Luna Rd.	Farmers Branch	TX	Haggar Clothing Co. (Texas Holding Clothing Corporation and Haggar Corp.)	180,507	4/30/2016	100	%
1200 Jupiter Rd.	Garland	TX	Raytheon Company	278,759	5/31/2016	100	%
2529 West Thorne Dr.	Houston	TX	Baker Hughes, Incorporated	65,500	9/27/2015	100	%
820 Gears Rd.	Houston	TX	Ricoh Americas Corporation	78,895	1/31/2018	100	%
1311 Broadfield Blvd.	Houston	TX	Transocean Offshore Deepwater Drilling, Inc. (Transocean Sedco Forex, Inc.)	155,040	3/31/2021	100	%
6555 Sierra Dr.	Irving	TX	TXU Energy Retail Company, LLC (Texas Competitive Electric Holdings Company, LLC)	247,254	3/31/2023	100	%
8900 Freeport Pkwy.	Irving	TX	Nissan Motor Acceptance Corporation (Nissan North America, Inc.)	268,445	3/31/2023	100	%
3711 San Gabriel	Mission	TX	VoiceStream PCS II Corporation / T-Mobile USA, Inc. / T-Mobile West Corporation	75,016	6/30/2015	100	%
6200 Northwest Pkwy.	San Antonio	TX	United HealthCare Services, Inc. / PacifiCare Healthsystems, LLC	142,500	11/30/2017	100	%
1600 Eberhardt Rd.	Temple	TX	Nextel of Texas, Inc. (Nextel Finance Company)	108,800	1/31/2016	100	%
2050 Roanoke Rd.	Westlake	TX	TD Auto Finance LLC	130,199	11/30/2024	60	%
400 Butler Farm Rd.	Hampton	VA	Nextel Communications of the Mid-Atlantic, Inc. (Nextel Finance Company)	100,632	12/31/2019	100	%
13651 McLearen Rd.	Herndon	VA	United States of America	159,644	5/30/2018	100	%
13775 McLearen Rd.	Herndon	VA	Orange Business Services U.S., Inc. (Equant N.V.)	132,617	7/31/2020	100	%
2800 Waterford Lake Dr.	Midlothian	VA	Alstom Power, Inc.	99,057	12/31/2021	100	%
1400 Northeast McWilliams Rd.	Bremerton	WA	Nextel West Corporation (Nextel Finance Company)	60,200	7/14/2016	100	%
			Office Total	9,403,682		99.1	%

The 2014 net effective annual cash rent for the office portfolio as of December 31, 2014 was $14.42 per square foot and the weighted-average remaining lease term was 5.3 years.

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
INDUSTRIAL
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
2415 U.S. Hwy 78 East	Moody	AL	Michelin North America, Inc.	595,346	12/31/2019	100	%
109 Stevens St.	Jacksonville	FL	Wagner Industries, Inc.	168,800	1/31/2017	83	%
2455 Premier Dr.	Orlando	FL	Walgreen Co. / Walgreen Eastern Co.	205,016	3/31/2016	100	%
3102 Queen Palm Dr.	Tampa	FL	Time Customer Service, Inc. (Time Incorporated)	229,605	6/30/2020	100	%
359 Gateway Dr.	Lavonia	GA	TI Group Automotive Systems, LLC (TI Automotive Ltd.)	133,221	5/31/2020	100	%
1420 Greenwood Rd.	McDonough	GA	Versacold USA, Inc.	296,972	10/31/2017	100	%
3600 Army Post Rd.	Des Moines	IA	HP Enterprise Services, LLC	405,000	4/30/2017	100	%
7500 Chavenelle Rd.	Dubuque	IA	The McGraw-Hill Companies, Inc.	330,988	6/30/2017	100	%
2935 Van Vactor Dr.	Plymouth	IN	Bay Valley Foods, LLC	300,500	6/30/2015	100	%
3686 S. Central Ave.	Rockford	IL	Pierce Packaging Co.	93,000	12/31/2016	100	%
749 Southrock Dr.	Rockford	IL	Jacobson Warehouse Company, Inc. (Jacobson Distribution Company, Inc. and Jacobson Transportation Company, Inc.)	150,000	12/31/2015	100	%
1901 Ragu Dr.	Owensboro	KY	Unilever Supply Chain, Inc. / R&B Foods (Unilever United States, Inc.)	443,380	12/19/2020	100	%
5417 Campus Dr.	Shreveport	LA	The Tire Rack, Inc.	257,849	3/31/2022	100	%
113 Wells St.	North Berwick	ME	United Technologies Corporation	972,625	4/30/2024	100	%
6938 Elm Valley Dr.	Kalamazoo	MI	Dana Commercial Vehicle Products, LLC (Dana Holding Corporation and Dana Limited)	150,945	10/25/2021	100	%
904 Industrial Rd.	Marshall	MI	Tenneco Automotive Operating Company, Inc. (Tenneco, Inc.)	246,508	9/30/2018	100	%
1601 Pratt Ave.	Marshall	MI	Autocam Corporation	58,707	12/31/2023	100	%
43955 Plymouth Oaks Blvd.	Plymouth	MI	Tower Automotive Operations USA I, LLC / Tower Automotive Products Inc. (Tower Automotive, Inc.)	290,133	10/31/2017	100	%
7111 Crabb Rd.	Temperance	MI	Michelin North America, Inc.	744,570	7/31/2016	100	%
7670 Hacks Cross Rd.	Olive Branch	MS	MAHLE Clevite, Inc. (MAHLE Industries, Incorporated)	268,104	2/28/2016	100	%
324 Industrial Park Rd.	Franklin	NC	SKF USA Inc.	72,868	6/30/2015	100	%
1133 Poplar Creek Rd.	Henderson	NC	Staples, Inc. / Corporate Express, Inc.	196,946	6/30/2016	100	%
250 Swathmore Ave.	High Point	NC	Steelcase Inc.	244,851	9/30/2017	100	%
2880 Kenny Biggs Rd.	Lumberton	NC	Quickie Manufacturing Corporation	423,280	11/30/2021	100	%

2203 Sherrill Dr.	Statesville	NC	Ozburn-Hessey Logistics, LLC (OHH Acquisition Corporation)	639,800	12/31/2017	100	%

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
INDUSTRIAL
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
736 Addison Rd.	Erwin	NY	Corning, Incorporated	408,000	11/30/2016	100	%
1650 - 1654 Williams Rd.	Columbus	OH	ODW Logistics, Inc.	772,450	6/30/2018	100	%
191 Arrowhead Dr.	Hebron	OH	Owens Corning Insulating Systems, LLC	250,410	5/31/2017	100	%
200 Arrowhead Dr.	Hebron	OH	Owens Corning Insulating Systems, LLC	400,522	5/31/2017	100	%
10345 Philipp Pkwy.	Streetsboro	OH	L'Oreal USA S/D, Inc. (L'Oreal USA, Inc.)	649,250	10/17/2019	100	%
50 Tyger River Dr.	Duncan	SC	Plastic Omnium Auto Exteriors, LLC	221,833	9/30/2018	100	%
101 Michelin Dr.	Laurens	SC	Michelin North America, Inc.	1,164,000	1/31/2020	100	%
477 Distribution Pkwy.	Collierville	TN	Federal Express Corporation / FedEx Techconnect, Inc.	126,213	5/31/2021	100	%
120 South East Pkwy Dr.	Franklin	TN	Essex Group, Inc. (United Technologies Corporation)	289,330	12/31/2018	100	%
3350 Miac Cove Rd.	Memphis	TN	Mimeo.com, Inc.	140,079	9/30/2020	77	%
3456 Meyers Ave.	Memphis	TN	Sears, Roebuck and Co. / Sears Logistics Services	780,000	2/28/2017	100	%
3820 Micro Dr.	Millington	TN	Ingram Micro L.P. (Ingram Micro Inc.)	701,819	9/30/2021	100	%
2425 Hwy. 77 North	Waxahachie	TX	James Hardie Building Products, Inc. (James Hardie NV & James Hardie Industries NV)	335,610	3/31/2020	100	%
291 Park Center Dr.	Winchester	VA	Kraft Foods Global, Inc.	344,700	5/31/2016	100	%
901 East Bingen Point Way	Bingen	WA	The Boeing Company	124,539	5/31/2024	100	%
			Industrial Total	14,627,769		99.6	%

The 2014 net effective annual cash rent for the industrial portfolio as of December 31, 2014 was $3.68 per square foot and the weighted-average remaining lease term was 4.2 years.

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
MULTI-TENANTED
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Property Type	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
13430 North Black Canyon Fwy.	Phoenix	AZ	Multi-tenanted	Office	138,940	Various	92	%
4200 Northcorp Pkwy.	Palm Beach Gardens	FL	Multi-tenanted	Office	95,065	Various	95	%
King St./1042 Fort St. Mall	Honolulu	HI	Multi-tenanted	Office	77,459	Various	69	%
100 Light St.	Baltimore	MD	Multi-tenanted	Office	476,459	Various	92	%
3165 McKelvey Rd.	Bridgeton	MO	BJC Health System	Office	51,067	12/31/2018	50	%
700 US Hwy. Route 202-206	Bridgewater	NJ	Vacant	Office	115,558	N/A	0	%
180 S. Clinton St.	Rochester	NY	Vacant	Office	226,000	N/A	0	%
275 Technology Dr.	Canonsburg	PA	Vacant	Office	107,872	N/A	0	%
2210 Enterprise Dr.	Florence	SC	Caliber Funding, LLC	Office	176,557	6/30/2018	21	%
6050 Dana Way	Antioch	TN	Multi-tenanted	Industrial	672,629	Various	79	%
1501 Nolan Ryan Expy.	Arlington	TX	Vacant	Office	74,739	N/A	0	%
22011 Southeast 51st St.	Issaquah	WA	Vacant	Office	95,600	N/A	0	%
5150 220th Ave.	Issaquah	WA	Vacant	Office	106,944	N/A	0	%
			Multi-Tenanted Total		2,414,889		53.9	%

The 2014 net effective annual cash rent for the multi-tenant portfolio as of December 31, 2014 was $9.04 per square foot and the weighted-average remaining lease term was 6.9 years.

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LEXINGTON CONSOLIDATED PORTFOLIO
PROPERTY CHART
RETAIL/SPECIALTY
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
255 Northgate Dr.	Manteca	CA	Kmart Corporation	107,489	12/31/2018	100	%
12080 Carmel Mountain Rd.	San Diego	CA	Kmart Corporation	107,210	12/31/2018	100	%
2223 N. Druid Hills Rd.	Atlanta	GA	Bank of America, N.A. (Bank of America Corporation)	6,260	12/31/2019	100	%
956 Ponce de Leon Ave.	Atlanta	GA	Bank of America, N.A. (Bank of America Corporation)	3,900	12/31/2019	100	%
4545 Chamblee-Dunwoody Rd.	Chamblee	GA	Bank of America, N.A. (Bank of America Corporation)	4,565	12/31/2019	100	%
201 W. Main St.	Cumming	GA	Bank of America, N.A. (Bank of America Corporation)	14,208	12/31/2019	100	%
1066 Main St.	Forest Park	GA	Bank of America, N.A. (Bank of America Corporation)	14,859	12/31/2019	100	%
825 Southway Dr.	Jonesboro	GA	Bank of America, N.A. (Bank of America Corporation)	4,894	12/31/2019	100	%
1698 Mountain Industrial Blvd.	Stone Mountain	GA	Bank of America, N.A. (Bank of America Corporation)	5,704	12/31/2019	100	%
10340 U.S. 19	Port Richey	FL	Vacant	53,820	N/A	0	%
1150 W. Carl Sandburg Dr.	Galesburg	IL	Kmart Corporation	94,970	12/31/2018	100	%
5104 North Franklin Rd.	Lawrence	IN	Marsh Supermarkets, Inc. / Marsh Supermarkets, LLC	28,721	10/31/2018	100	%
733 East Main St.	Jefferson	NC	Food Lion, LLC / Delhaize America, Inc.	34,555	2/28/2023	100	%
291 Talbert Blvd.	Lexington	NC	Food Lion, LLC / Delhaize America, Inc.	23,000	2/28/2018	100	%
835 Julian Ave.	Thomasville	NC	Mighty Dollar, LLC	23,767	9/30/2018	100	%
130 Midland Ave.	Port Chester	NY	A&P Real Property, LLC (Pathmark Stores, Inc.)	59,000	10/31/2018	100	%
21082 Pioneer Plaza Dr.	Watertown	NY	Kmart Corporation	120,727	12/31/2018	100	%
4831 Whipple Avenue N.W.	Canton	OH	Best Buy Co., Inc.	46,350	2/26/2018	100	%
1084 East Second St.	Franklin	OH	Vacant	29,119	N/A	0	%
5350 Leavitt Rd.	Lorain	OH	Kmart Corporation	193,193	12/31/2018	100	%
B.E.C. 45th St/Lee Blvd.	Lawton	OK	Associated Wholesale Grocers, Inc. / Safeway, Inc.	30,757	3/31/2019	100	%
11411 N. Kelly Ave.	Oklahoma City	OK	American Golf Corporation	13,924	12/31/2017	100	%
6910 S. Memorial Hwy.	Tulsa	OK		43,123	5/31/2016	100	%

			Toys "R" Us, Inc. / Toys “R” Us-Delaware, Inc.				
1600 E. 23rd St.	Chattanooga	TN	BI- LO, LLC	42,130	6/30/2017	100	%
1053 Mineral Springs Rd.	Paris	TN	The Kroger Co.	31,170	7/1/2018	100	%
3211 W. Beverly St.	Staunton	VA	Food Lion, LLC / Delhaize America, Inc.	23,000	2/28/2018	100	%
97 Seneca Trail	Fairlea	WV	Kmart Corporation	90,933	12/31/2018	100	%
			Retail/Specialty Total	1,251,348		93.4	%
			Consolidated Portfolio Grand Total	39,871,887		96.4	%

The 2014 net effective annual cash rent for the retail/specialty portfolio as of December 31, 2014 was $4.56 per square foot and the weighted-average remaining lease term was 3.8 years.
The 2014 net effective annual cash rent for the consolidated portfolio as of December 31, 2014 was $7.96 per square foot, excluding land investments, and the weighted-average remaining lease term was 12.1 years.

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LEXINGTON
NON-CONSOLIDATED PORTFOLIO PROPERTY
CHART
As of December 31, 2014

Property Location	City	State	Primary Tenant (Guarantor)	Property Type	Net Rentable Square Feet	Current Lease Term Expiration	Percent Leased	
Route 64 W. & Junction 333	Russellville	AR	Entergy Arkansas Inc. / Entergy Services, Inc.	Office	191,950	5/9/2016	100	%
607 & 611 Lumsden Professional Ct.	Brandon	FL	BluePearl Holdings, LLC	Office	8,500	10/31/2033	100	%
4525 Ulmerton Rd.	Clearwater	FL	BluePearl Holdings, LLC	Office	3,000	10/31/2033	100	%
100 Gander Way	Palm Beach Gardens	FL	Gander Mountain Company	Retail	120,000	3/31/2028	100	%
455 Abernathy Rd.	Atlanta	GA	BluePearl Holdings, LLC	Office	32,000	10/31/2033	100	%
820 Frontage Rd.	Northfield	IL	BluePearl Holdings, LLC	Office	14,000	10/31/2033	100	%
201-215 N. Charles St.	Baltimore	MD	201 NC Leasehold LLC	Land	N/A	8/31/2112	100	%
29080 Inkster Rd.	Southfield	MI	BluePearl Holdings, LLC	Office	38,000	10/31/2033	100	%
4126 Parkcard Rd.	Ann Arbor	MI	BluePearl Holdings, LLC	Office	3,500	10/31/2033	100	%
3201 Quail Springs Pkwy.	Oklahoma City	OK	AT&T Corp. / AT&T Services, Inc. / New Cingular Wireless Services, Inc.	Office	128,500	11/30/2015	100	%
18839 McKay Blvd.	Humble	TX	Triumph Rehabilitation Hospital of Northeast Houston, LLC (RehabCare Group, Inc.)	Specialty	55,646	1/31/2029	100	%
			Total		595,096		100	%

The 2014 net effective annual rent for the non-consolidated portfolio as of December 31, 2014 was $18.24 per square foot, excluding land investments, and the weighted-average remaining lease term was 14.9 years.

The following chart sets forth certain information regarding lease expirations for the next ten years in our consolidated portfolio:

Year	Number of Lease Expirations	Square Feet	Annual Rent ($000)	Percentage of Annual Rent	
2015	48	1,318,735	$ 11,921	3.2	%
2016	30	3,316,093	20,050	5.3	%
2017	19	4,206,287	19,822	5.2	%
2018	33	3,705,521	27,483	7.3	%
2019	30	3,356,289	32,900	8.7	%
2020	19	3,613,544	27,710	7.3	%
2021	13	2,792,707	27,215	7.2	%
2022	9	1,018,268	12,556	3.3	%
2023	8	1,030,582	17,022	4.5	%
2024	10	1,810,005	12,881	3.4	%

The following chart sets forth the 2014 annual GAAP base rent ($000) based on the credit rating of our consolidated tenants at December 31, 2014[1]:

	GAAP Base Rent	Percentage

Investment Grade	$143,997	36.6	%
Non-investment Grade	48,706	12.4	%
Unrated	200,384	51.0	%
	$393,087	100.0	%

(1) Credit ratings are based upon either tenant, guarantor or parent/sponsor. Generally, all multi-tenant assets are included in unrated. See Item 1A “Risk Factors”, above.

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Item 3. Legal Proceedings

From time to time we are directly and indirectly involved in legal proceedings arising in the ordinary course of our business. We believe, based on currently available information, and after consultation with legal counsel, that although the outcomes of those normal course proceedings are uncertain, the results of such proceedings, in the aggregate, will not have a material adverse effect on our business, financial condition and results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II.

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases of Equity Securities

Market Information. Our common shares are listed for trading on the NYSE under the symbol “LXP”. The following table sets forth the high and low sales prices as reported by the NYSE (composite) for our common shares for each of the periods indicated below:

For the Quarters Ended:	High	Low
December 31, 2014	$11.42	$9.74
September 30, 2014	11.37	9.78
June 30, 2014	11.69	10.39
March 31, 2014	11.81	9.94
December 31, 2013	11.98	10.05
September 30, 2013	12.98	11.09
June 30, 2013	13.82	11.08
March 31, 2013	12.19	10.47

The per common share closing price on the NYSE (composite) was $10.98 on February 23, 2015.

Holders. As of February 23, 2015, we had approximately 3,364 common shareholders of record.

Dividends. Since our predecessor's formation in 1993, we have made quarterly distributions without interruption.

The common share dividends paid in each quarter for the last five years are as follows:

Quarters Ended	2014	2013	2012	2011	2010
March 31,	$0.165	$0.15	$0.125	$0.115	$0.10
June 30,	$0.165	$0.15	$0.125	$0.115	$0.10
September 30,	$0.170	$0.15	$0.125	$0.115	$0.10
December 31,	$0.170	$0.15	$0.150	$0.115	$0.10

While we intend to continue paying regular quarterly dividends to holders of our common shares, the authorization of future dividend declarations will be at the discretion of our Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as our Board of Trustees deems relevant. The actual cash flow available to pay dividends will be affected by a number of factors, including, among others, the risks discussed under “Risk Factors” in Part I, Item 1A and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Annual Report.

We do not believe that the financial covenants contained in our debt instruments will have any adverse impact on our ability to pay dividends in the normal course of business to our common and preferred shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

Direct Share Purchase Plan. We maintain a direct share purchase plan, which has two components, (i) a dividend reinvestment component and (ii) a direct share purchase component. Under the dividend reinvestment component, common shareholders and holders of OP units may elect to automatically reinvest their dividends and distributions to purchase our common shares free of commissions and other charges. We currently offer a 5.0% discount on the common shares reinvested under the dividend reinvestment component. Under the direct share purchase component, our current investors and new investors can make optional cash purchases of our common shares. The administrator of the plan, Computershare Trust Company, N.A., purchases common shares for the accounts of the participants under the plan, at our discretion, either directly from us, on the open market or through a combination of those two options. In 2014, 2013 and 2012, we issued approximately 2.6 million, 1.5 million and 1.0 million common shares, respectively, under the plan, raising net proceeds of $25.8 million, $16.5 million and $8.5 million, respectively.

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ATM Program. In January 2013, we implemented an ATM program, under which we may, from time to time, sell up to $100.0 million in common shares over the term of the program. During 2013, we issued 3,409,927 common shares under this ATM program at a weighted-average issue price of $10.82 per common share, generating gross proceeds of approximately $36.9 million. We used the proceeds from the ATM program for general working capital, which included investments and to repay indebtedness. During 2014, we did not issue any common shares under the ATM program. As of December 31, 2014, we had approximately $63.1 million in common shares available for issuance under the ATM program.

Equity Compensation Plan Information. The following table sets forth certain information, as of December 31, 2014, with respect to our 2011 Equity-Based Award Plan under which our equity securities are authorized for issuance as compensation.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,350,410	$7.05	4,012,252
Equity compensation plans not approved by security holders	—	—	—
Total	1,350,410	$7.05	4,012,252

Recent Sales of Unregistered Securities.

As previously disclosed, we issued an aggregate 1.9 million common shares upon conversion of $12.8 million original principal amount of our 6.00% Convertible Notes at the then stated conversion rates during 2014.

Share Repurchase Program.

The following table summarizes common shares/OP units that were authorized to be repurchased during the fourth quarter of 2014 pursuant to publicly announced repurchase plans:

Period	Total number of shares/units purchased	Average price paid per share/unit ($)	Total number of shares/units purchased as part of publicly announced plans or programs (1)	Maximum number of shares/units that may yet be purchased under the plans or programs (1)
October 1-31, 2014	—	$—	—	1,056,731
November 1-30, 2014	—	—	—	1,056,731
December 1-31, 2014	—	—	—	1,056,731
Fourth Quarter 2014	—	$—	—	1,056,731

(1) Share repurchase plan most recently announced on December 17, 2007, which plan has no expiration date.

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Item 6. Selected Financial Data

The following sets forth our selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2014. The selected consolidated financial data should be read in conjunction with Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations” below, and the Consolidated Financial Statements and the related notes set forth in Item 8 “Financial Statements and Supplementary Data”, below. ($000's, except per share data)

	2014	2013	2012	2011	2010
Total gross revenues	$424,372	$361,910	$297,008	$260,034	$252,302
Expenses applicable to revenues	(218,510)	(212,658)	(183,672)	(172,770)	(166,854)
Interest and amortization expense	(97,303)	(85,892)	(84,250)	(90,591)	(100,385)
Income (loss) from continuing operations	47,842	(21,021)	184,173	7,942	(57)
Total discontinued operations	49,621	24,884	465	(97,720)	(37,353)
Net income (loss)	97,463	3,863	184,638	(89,778)	(37,410)
Net income (loss) attributable to Lexington Realty Trust shareholders	93,104	1,630	180,316	(79,584)	(32,960)
Net income (loss) attributable to common shareholders	86,324	(14,089)	156,811	(103,721)	(58,096)
Income (loss) from continuing operations per common share - basic	0.17	(0.18)	0.99	(0.13)	(0.22)
Income (loss) from discontinued operations - basic	0.21	0.11	—	(0.55)	(0.22)
Net income (loss) per common share - basic	0.38	(0.07)	0.99	(0.68)	(0.44)
Income (loss) from continuing operations per common share - diluted	0.17	(0.18)	0.94	(0.13)	(0.22)
Income (loss) from discontinued operations per common share - diluted	0.21	0.11	(0.01)	(0.55)	(0.22)
Net income (loss) per common share - diluted	0.38	(0.07)	0.93	(0.68)	(0.44)
Cash dividends declared per common share	0.675	0.615	0.55	0.47	0.415
Net cash provided by operating activities	214,672	206,304	163,810	180,137	164,751
Net cash used in investing activities	(43,068)	(597,583)	(134,103)	(24,813)	(24,783)
Net cash provided by (used in) financing activities	(57,788)	434,516	(59,394)	(144,257)	(141,189)
Ratio of earnings to combined fixed charges and preferred dividends	1.37	N/A	N/A	N/A	N/A
Real estate assets, net, including real estate - intangible assets	3,287,250	3,425,420	3,165,085	2,746,976	2,977,100
Total assets	3,777,894	3,772,281	3,418,203	3,026,820	3,283,768
Mortgages, notes payable, credit facility and term loans, including discontinued operations	2,095,453	2,055,807	1,878,208	1,662,375	1,778,077
Shareholders' equity	1,485,766	1,515,738	1,306,730	1,111,846	1,228,928
Total equity	1,508,920	1,539,483	1,333,165	1,170,203	1,304,901
Preferred share liquidation preference	96,770	96,770	251,770	322,032	338,760

N/A - Ratio is below 1.0, deficit of $28,929, $20,065, $37,928 and $41,350 exists at December 31, 2013, 2012, 2011 and 2010, respectively.

All years have been adjusted to reflect the impact of operating properties sold during the years ended December 31, 2014, 2013, 2012, 2011 and 2010, which are reflected in discontinued operations in the Consolidated Statements of Operations.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this discussion, we have included statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements may relate to our future plans and objectives, among other things. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed above in “Risk Factors” in Part I, Item 1A of this Annual Report and “Cautionary Statements Concerning Forward-Looking Statements” in Part I, of this Annual Report.

Overview

General. We are a Maryland REIT that owns a diversified portfolio of equity and debt investments in single-tenant properties and land. A majority of these properties and all land interests are subject to net or similar leases, where the tenant bears all or substantially all of the costs, including cost increases, for real estate taxes, utilities, insurance and ordinary repairs.

As of December 31, 2014, we had equity ownership interests in approximately 215 consolidated real estate properties, located in 40 states and encompassing approximately 39.9 million square feet, approximately 96.4% of which was leased.

Our revenues and cash flows are generated predominantly from property rent receipts. As a result, growth in revenues and cash flows is directly correlated to our ability to (1) acquire income producing real estate assets and (2) re-lease properties that are vacant, or may become vacant, at favorable rental rates.

In an effort to diversify our risk, we invest across the United States in properties leased to tenants in various industries, including service, technology, finance/insurance, transportation/logistics and automotive. However, industry declines, to the extent we have concentration, and general economic declines could negatively impact our results of operations and cash flows.

Portfolio Management. For leases in place at December 31, 2014, we generated approximately 41.2% of our 2014 rental revenue from leases ten years or longer, compared to approximately 30.1% of our 2013 rental revenue for leases in place at December 31, 2013. Our objective is to generate at least half of our rental revenue from leases ten years or longer, which we expect to achieve primarily through capital recycling of assets with shorter-term leases and acquiring new investments with leases longer than ten years.

At December 31, 2014, our rental revenue from single-tenant leases scheduled to expire through 2019 has been reduced to approximately 29.1% compared to approximately 38.5% at December 31, 2013. We believe we no longer have concentrated risk of lease rollover in any one year and we believe our cash flows are stable. In addition, we extended our weighted-average lease term on a cash basis to approximately 12.1 years at December 31, 2014 compared to approximately 11.2 years at December 31, 2013. This was primarily due to our acquisition volume in 2014 and 2013, including the addition of long-term land leases to our portfolio. However, certain of the long-term leases have tenant purchase options.

In recent years, demand for space in the suburban office market has not been as strong as demand for space in the industrial market. We believe this is due to a continuing trend of downsizing of corporate office employment. In addition, industrial assets generally require less capital to maintain and re-lease than office assets. As of December 31, 2014, the ratio of rental revenue from office assets to the rental revenue from industrial assets, each with lease terms shorter than ten years, was approximately 2.7:1. Our objective is to manage this ratio down to approximately 2:1 over the next several years, which we expect to accomplish partly through sales of office assets and growing our portfolio. We expect that our office portfolio will be concentrated in fewer, but larger, markets. Our capital recycling strategy may have a near-term dilutive impact on earnings due to sales of revenue producing properties, but we believe in the long-term this strategy will benefit shareholder value.

Business Strategy. Our current business strategy is focused on enhancing our cash flow growth and stability, growing our portfolio with attractive long-term leased investments and maintaining a strong and flexible balance sheet to allow us to act on opportunities as they arise. See “Business” in Part I, Item 1 of this Annual Report for a detailed description of our current business strategy.

We believe a positive impact continues to result from our business strategy. In 2014, we generated gross disposition proceeds of approximately $325.4 million as a result of our capital recycling efforts. These proceeds were primarily used to fund property investments subject to long-term leases and to reduce secured debt. In 2014, we completed real estate acquisitions/build-to-suit transactions for an aggregate capitalized cost of approximately $212.3 million and reduced our weighted-average interest rate on outstanding consolidated indebtedness by approximately 200 basis points primarily by refinancing higher interest rate debt. Our secured debt decreased to approximately $0.9 billion at December 31, 2014 compared to $1.2 billion at December 31, 2013, which was 19.0% and 23.9% of total gross assets, respectively. We met our objective to lower our secured debt to 20% or less of total gross assets. We also now have fewer near-term debt maturities compared to recent years. We expect to continue to further reduce our secured debt as it matures and acquire new investments primarily without secured debt; however, we may procure credit tenant lease financing and other forms of long-term secured financing in certain situations. We believe our financing strategy will also allow us to further lower our financing costs and improve our cash flow, financial flexibility and certain credit metrics.

We expect our business strategy will enable us to continue to improve our liquidity and strengthen our overall balance sheet. We believe liquidity and a strong balance sheet will allow us to take advantage of attractive investment opportunities as they arise.

Investment Trends. Making investments in income producing single-tenant net-leased real estate assets is one of our primary focuses. The challenge we face is finding investments that will provide an attractive return without compromising our real estate underwriting criteria. We believe we have access to acquisition opportunities due to our relationships with developers, brokers, corporate users and sellers. However, competition for income producing single-tenant net-leased real estate assets is strong. When we acquire real estate assets, we look for commercial real estate assets or land interests subject to a long-term net-lease which have one or more of the following characteristics (1) a credit-worthy tenant, (2) adaptability to a variety of users, including multi-tenant use, (3) an attractive geographic location, and (4) the potential for capital appreciation.

We believe our 2015 investment pipeline is sizable compared to our 2014 investment pipeline and we expect our investment pipeline to grow considerably during 2015. Our acquisition volume consists primarily of purchases from third parties, sale-leaseback transactions, including leased land transactions, and build-to-suit transactions whereby we (1) provide capital to developers who are engaged in build-to-suit transactions and/or commit to purchase the property from developers upon completion or (2) acquire a property subject to a single-tenant net-lease and engage a developer to complete construction of a build-to-suit property as required by the lease. We believe these arrangements offer developers and/or tenants access to capital while simultaneously providing us with attractive risk-adjusted projected yields.

During 2014, we saw continued cap rate compression in the acquisition market as a whole, although we believe that yields for investment opportunities are attractive when compared to our financing costs. We believe that build-to-suit transactions continue to have stabilized yields above those in the purchase market. Build-to-suit transactions, as compared with immediate deliverable acquisitions, result in a delay in the receipt of cash flow and the recognition of funds from operations during the construction period, but provide us with modern buildings subject to long-term leases.

We generally mitigate our cost exposure by requiring purchase agreements, development agreements and/or loan agreements to specify a maximum price and/or loan commitment amount prior to our investment. Cost overruns are generally the responsibility of the developer or, in some cases, the prospective tenant. To further mitigate risk, we believe we perform stringent underwriting procedures such as, among other items, (1) requiring payment and performance bonds and/or completion guarantees from developers and/or contractors; (2) engaging third-party construction consultants and/or engineers to monitor construction progress and quality; (3) only hiring developers

with a proven history of performance; (4) requiring developers to provide financial statements and in some cases personal guarantees from principals; (5) obtaining and reviewing detailed plans and construction budgets; (6) requiring a long-term tenant lease to be executed prior to funding; and (7) securing liens on the property to the extent of construction funding.
We believe that the long-term leases with escalating rents we have been adding to our portfolio are strengthening our future cash flows by extending our weighted-average lease term, balancing our lease expiration schedule, reducing the average age of our portfolio and supporting our dividend growth objectives.

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The following is a summary of our property acquisitions and build-to-suit transactions for the year ended December 31, 2014:

Property Acquisitions

Location	Property Type	Square Feet (000's)	Capitalized Cost (millions)	Approximate Lease Term (Years)	Date Acquired
Parachute, CO	Office	49	$13.9	19	1Q 2014
Rock Hill, SC	Office	104	$24.7	20	1Q 2014
Lewisburg, TN	Industrial	310	$13.3	12	2Q 2014
New York, NY	Land	—	$30.4	99	4Q 2014
Vineland, NJ	Rehab Hospital	39	$19.1	28	4Q 2014
Anniston, AL	Industrial	267	$20.9	15	4Q 2014
		769	$122.3		

Completed Build-to-Suit Transactions

Location	Property Type	Square Feet (000's)	Capitalized Cost(millions)	Lease Term (Years)	Date Acquired	Capitalized Cost Per Square Foot
Rantoul, IL	Industrial	813	$41.3	20	1Q 2014	$50.76
North Las Vegas, NV	Industrial	180	$28.3	20	2Q 2014	$156.74
Bingen, WA	Industrial	125	$20.4	10	2Q 2014	$163.73
		1,118	$90.0			

Ongoing Build-to-Suit Transactions

The following is a summary of our ongoing build-to-suit transactions as of December 31, 2014:

Location	Property Type	Square Feet (000's)	Expected Maximum Commitment/Estimated Completion Cost (millions)	Estimated Completion Date	GAAP Investment Balance as of 12/31/14 (millions)
Oak Creek, WI	Industrial	164	$ 22.6	2Q 2015	$11.9
Thomson, GA	Industrial	208	$ 10.2	2Q 2015	$3.4
Richmond, VA	Office	330	$ 110.1	3Q 2015	$62.2
Lake Jackson, TX	Office/R&D	664	$ 166.2	4Q 2016	$28.2
		1,366	$ 309.1		$105.7

In addition, we have committed to acquire upon their completion the following properties:

Location	Property Type	Estimated Acquisition Cost (millions)	Estimated Acquisition Date	Lease Term (Years)
Auburn Hills, MI	Office	$40.0	1Q 15	14
Richland, WA	Industrial	$155.0	4Q 15	20
		$195.0		

In addition, as of December 31, 2014, a joint venture in which we currently have a 25% interest has an ongoing build-to-suit transaction as follows:

Location	Property Type	Square Feet (000's)	Expected Maximum Commitment/Estimated Completion Cost (millions)	Estimated Completion Date	GAAP Investment Balance as of 12/31/14 (millions)

Houston, TX	Private School	274	$ 86.5	3Q 2016	$11.8

We may also provide up to $56.7 million in construction financing to the joint venture.

We can provide no assurance with respect to the completion, acquisition, cost or timing of these ongoing build-to-suit and forward purchase transactions.

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The following is a summary of our property acquisitions and completed build-to-suit transactions for the year ended December 31, 2013:

Property Acquisitions

Location	Property Type	Square Feet (000's)	Capitalized Cost (millions)	Lease Term (Years)	Date Acquired
Houston, TX(1)	Industrial	132	$81.4	25	1Q 2013
New York, NY(2)	Land	—	$302.0	99	4Q 2013
Danville, VA	Land	—	$4.7	15	4Q 2013
Various(3)	Office	40	$13.1	20	4Q 2013
Omaha, NE	Office	128	$39.1	20	4Q 2013
		300	$440.3		

(1) Asset consists of a deep-water intermodal industrial terminal and existing structures on approximately 90 acres.
(2) Includes three properties.
(3) Includes four properties.

Completed Build-to-Suit Transactions

Location	Property Type	Square Feet (000's)	Capitalized Cost(millions)	Lease Term (Years)	Date Acquired	Capitalized Cost Per Square Foot
Long Island City, NY	Industrial	140	$42.1	15	1Q 2013	$300.18
Denver, CO(1)	Office	167	$38.4	15	2Q 2013	$229.89
Tuscaloosa, AL(2)	Retail	42	$8.7	15	2Q 2013	$206.10
Albany, GA(3)	Retail	45	$7.4	15	4Q 2013	$164.48
		394	$96.6			

(1) Includes $3.8 million of tenant related costs.
(2) Includes leasing costs of $0.3 million. Property was sold in September 2013.
(3) Includes leasing costs of $0.3 million.

Loan Investments. We invest in loan assets secured by single-tenant real estate assets, which (1) we feel comfortable owning for our investment should the borrower default for reasons other than an underlying tenant default or (2) are necessary for an efficient disposition of our equity interest in the property. The following is a summary of our outstanding loan investments at December 31, 2014 and 2013:

Loan	Loan carrying value(1) (millions) 12/31/2014	12/31/2013	Interest Rate	Maturity Date
Norwalk, CT				