

LEXINGTON REALTY TRUST
Form 10-Q
November 05, 2010

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010.

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
(State or other jurisdiction of incorporation or
organization)

13-3717318
(I.R.S. Employer Identification No.)

One Penn Plaza – Suite 4015
New York, NY
(Address of principal executive offices)

10119
(Zip code)

(212) 692-7200
(Registrant's telephone number, including area code)

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

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

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

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
o No T

Indicate the number of shares outstanding of each of the registrant's classes of common shares, as of the latest practicable date: 134,650,918 common shares, par value \$0.0001 per share on November 2, 2010.

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

September 30, 2010 and December 31, 2009

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

	2010	2009
Assets:		
Real estate, at cost	\$3,417,177	\$3,552,806
Less: accumulated depreciation and amortization	605,741	537,406
	2,811,436	3,015,400
Intangible assets, net	212,853	267,161
Cash and cash equivalents	59,277	53,865
Restricted cash	33,166	21,519
Investment in and advances to non-consolidated entities	70,353	55,985
Deferred expenses, net	38,978	38,245
Loans receivable, net	93,409	60,567
Rent receivable – current	7,831	11,463
Rent receivable – deferred	3,802	12,529
Other assets	54,024	43,111
Total assets	\$3,385,129	\$3,579,845
Liabilities and Equity:		
Liabilities:		
Mortgages and notes payable	\$1,619,027	\$1,857,909
Exchangeable notes payable	61,272	85,709
Convertible notes payable	102,726	--
Trust preferred securities	129,120	129,120
Contract right payable	14,397	15,252
Dividends payable	19,651	18,412
Accounts payable and other liabilities	44,840	43,629
Accrued interest payable	8,804	11,068
Deferred revenue - below market leases, net	98,880	107,535
Prepaid rent	15,918	13,975
	2,114,635	2,282,609
Commitments and contingencies		
Equity:		
Preferred shares, par value \$0.0001 per share; authorized 100,000,000 shares, Series B Cumulative Redeemable Preferred, liquidation preference \$79,000; 3,160,000 shares issued and outstanding	76,315	76,315
Series C Cumulative Convertible Preferred, liquidation preference \$104,760; 2,095,200 shares issued and outstanding	101,778	101,778
Series D Cumulative Redeemable Preferred, liquidation preference \$155,000; 6,200,000 shares issued and outstanding	149,774	149,774
Common shares, par value \$0.0001 per share; authorized 400,000,000 shares, 134,330,111 and 121,943,258 shares issued and outstanding in 2010 and 2009, respectively	13	12

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Additional paid-in-capital	1,846,958	1,750,979
Accumulated distributions in excess of net income	(974,236)	(870,862)
Accumulated other comprehensive income (loss)	(934)	673
Total shareholders' equity	1,199,668	1,208,669
Noncontrolling interests	70,826	88,567
Total equity	1,270,494	1,297,236
Total liabilities and equity	\$3,385,129	\$3,579,845

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

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three and nine months ended September 30, 2010 and 2009

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gross revenues:				
Rental	\$79,484	\$81,574	\$233,986	\$245,280
Advisory and incentive fees	254	388	869	1,434
Tenant reimbursements	8,077	9,989	25,676	29,317
Total gross revenues	87,815	91,951	260,531	276,031
Expense applicable to revenues:				
Depreciation and amortization	(41,165)	(42,198)	(124,497)	(127,033)
Property operating	(17,418)	(19,458)	(54,331)	(57,336)
General and administrative	(4,886)	(5,051)	(15,810)	(17,822)
Non-operating income	2,934	1,304	7,982	6,877
Interest and amortization expense	(30,958)	(31,875)	(94,453)	(97,038)
Debt satisfaction gains (charges), net	(11)	3,152	(773)	16,868
Change in value of forward equity commitment	4,940	7,031	5,400	2,596
Impairment charges and loan losses	--	(491)	(16,354)	(1,576)
Income (loss) before provision for income taxes, equity in earnings (losses) of non-consolidated entities and discontinued operations				
	1,251	4,365	(32,305)	1,567
Provision for income taxes	(451)	(658)	(1,697)	(1,649)
Equity in earnings (losses) of non-consolidated entities				
	5,459	(525)	16,066	(130,813)
Income (loss) from continuing operations	6,259	3,182	(17,936)	(130,895)
Discontinued operations:				
Income (loss) from discontinued operations	147	(2,083)	(932)	(3,479)
Provision for income taxes	--	(6)	(14)	(70)
Debt satisfaction gains, net	--	6,006	3,385	4,607
Gains on sales of properties	2,025	--	2,523	6,280
Impairment charges	(1,091)	(29,230)	(38,713)	(38,787)
Total discontinued operations	1,081	(25,313)	(33,751)	(31,449)
Net income (loss)	7,340	(22,131)	(51,687)	(162,344)
Less net (income) loss attributable to noncontrolling interests				
	(1,006)	2	7,153	(1,841)
Net income (loss) attributable to Lexington Realty Trust shareholders				
	6,334	(22,129)	(44,534)	(164,185)
Dividends attributable to preferred shares – Series B	(1,590)	(1,590)	(4,770)	(4,770)
Dividends attributable to preferred shares – Series C	(1,702)	(1,702)	(5,107)	(5,516)
Dividends attributable to preferred shares – Series D	(2,926)	(2,926)	(8,777)	(8,777)
Dividends attributable to non-vested common shares	(58)	(127)	(181)	(385)
Conversion dividend – Series C	--	--	--	(6,994)

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Net income (loss) attributable to common shareholders	\$58	\$(28,474) \$(63,369) \$(190,627)
Income (loss) per common share—basic and diluted:					
Loss from continuing operations	\$(0.01	) \$(0.03	) \$(0.28	) \$(1.51)
Income (loss) from discontinued operations	0.01	(0.22	) (0.21	) (0.30)
Net income (loss) attributable to common shareholders	\$0.00	\$(0.25	) \$(0.49	) \$(1.81)
Weighted average common shares outstanding—basic and diluted					
	133,713,505	112,217,415	129,487,281	105,490,039	
Amounts attributable to common shareholders:					
Loss from continuing operations	\$(1,290	) \$(3,243	) \$(36,244	) \$(158,833)
Income (loss) from discontinued operations	1,348	(25,231	) (27,125	) (31,794)
Net income (loss) attributable to common shareholders	\$58	\$(28,474	) \$(63,369	) \$(190,627)

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

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 Three and nine months ended September 30, 2010 and 2009
 (Unaudited and in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net income (loss)	\$7,340	\$(22,131)	\$(51,687)	\$(162,344)
Other comprehensive income (loss):				
Change in unrealized gain on foreign currency translation, net	--	55	(740)	(9)
Change in unrealized loss on interest rate swap, net	(145)	(208)	(867)	1,292
Change in unrealized loss from non-consolidated entities, net	--	--	--	26,174
Other comprehensive income (loss)	(145)	(153)	(1,607)	27,457