LEXINGTON REALTY TRUST
Form 10-Q
November 07, 2013

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

FORM 10-Q

(Mark One)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2013.
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
(Address of principal executive offices)	(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 x No o

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 (§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 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 (Do not check if a smaller reporting company) o Smaller reporting company o

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 228,353,163 common shares of beneficial interest, par value $0.0001 per share, as of November 4, 2013.

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WHERE YOU CAN FIND MORE INFORMATION:

We file and furnish annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any materials that we file or furnish with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We file and furnish information electronically with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file or furnish electronically with the SEC. The address of the SEC's Internet site is http://www.sec.gov. We also maintain a web site at http://www.lxp.com through which you can obtain copies of documents that we file or furnish with the SEC. The contents of that web site are not incorporated by reference in or otherwise a part of this Quarterly Report on Form 10-Q or any other document that we file or furnish with the SEC.

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PART I. - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2013 (unaudited)	December 31, 2012
Assets:		
Real estate, at cost	$3,597,145	$3,564,466
Real estate - intangible assets	693,890	685,914
Investments in real estate under construction	57,561	65,122
	4,348,596	4,315,502
Less: accumulated depreciation and amortization	1,240,298	1,150,417
	3,108,298	3,165,085
Cash and cash equivalents	86,182	34,024
Restricted cash	25,182	26,741
Investment in and advances to non-consolidated entities	15,232	27,129
Deferred expenses, net	61,652	57,549
Loans receivable, net	93,228	72,540
Rent receivable – current	7,778	7,355
Rent receivable – deferred	4,388	—
Other assets	50,923	27,780
Total assets	$3,452,863	$3,418,203
Liabilities and Equity:		
Liabilities:		
Mortgages and notes payable	$1,029,838	$1,415,961
Credit facility borrowings	67,000	—
Term loans payable	319,000	255,000
Senior notes payable	247,646	—
Convertible notes payable	27,367	78,127
Trust preferred securities	129,120	129,120
Dividends payable	34,531	31,351
Accounts payable and other liabilities	42,102	70,367
Accrued interest payable	11,642	11,980
Deferred revenue - including below market leases, net	70,767	79,908
Prepaid rent	19,111	13,224
Total liabilities	1,998,124	2,085,038
Commitments and contingencies		
Equity:		
Preferred shares, par value $0.0001 per share; authorized 100,000,000 shares:		
Series C Cumulative Convertible Preferred, liquidation preference $96,770; 1,935,400 shares issued and outstanding	94,016	94,016
Series D Cumulative Redeemable Preferred, liquidation preference $155,000; 6,200,000 shares issued and outstanding in 2012	—	149,774
	22	18

Common shares, par value $0.0001 per share; authorized 400,000,000 shares, 216,391,768 and 178,616,664 shares issued and outstanding in 2013 and 2012, respectively		
Additional paid-in-capital	2,587,748	2,212,949
Accumulated distributions in excess of net income	(1,254,048)	(1,143,803)
Accumulated other comprehensive income (loss)	2,299	(6,224)
Total shareholders’ equity	1,430,037	1,306,730
Noncontrolling interests	24,702	26,435
Total equity	1,454,739	1,333,165
Total liabilities and equity	$3,452,863	$3,418,203

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

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gross revenues:				
Rental	$90,173	$77,455	$268,215	$220,011
Advisory and incentive fees	98	297	426	1,385
Tenant reimbursements	7,675	7,206	23,425	21,486
Total gross revenues	97,946	84,958	292,066	242,882
Expense applicable to revenues:				
Depreciation and amortization	(44,523)	(39,012)	(133,747)	(112,980)
Property operating	(15,888)	(14,595)	(47,082)	(41,769)
General and administrative	(6,358)	(5,810)	(20,116)	(17,368)
Non-operating income	2,152	1,356	5,487	5,601
Interest and amortization expense	(22,879)	(24,140)	(69,585)	(71,401)
Debt satisfaction gains (charges), net	(2,968)	12	(25,397)	(1,639)
Gain on acquisition	—	167,864	—	167,864
Litigation reserve	—	25	—	(2,775)
Impairment charges	—	(4,262)	(2,413)	(4,262)
Income (loss) before provision for income taxes, equity in earnings (losses) of non-consolidated entities and discontinued operations	7,482	166,396	(787)	164,153
Provision for income taxes	(2,447)	(294)	(3,005)	(799)
Equity in earnings (losses) of non-consolidated entities	(737)	3,799	(397)	21,469
Income (loss) from continuing operations	4,298	169,901	(4,189)	184,823
Discontinued operations:				
Income (loss) from discontinued operations	311	355	2,646	(2,159)
Provision for income taxes	(779)	(54)	(1,946)	(66)
Debt satisfaction gains (charges), net	(2)	(1,189)	8,955	539
Gains on sales of properties	2,129	6,276	14,935	8,946
Impairment charges	(802)	—	(9,537)	(5,690)
Total discontinued operations	857	5,388	15,053	1,570
Net income	5,155	175,289	10,864	186,393
Less net income attributable to noncontrolling interests	(460)	(748)	(2,057)	(3,730)
Net income attributable to Lexington Realty Trust shareholders	4,695	174,541	8,807	182,663
Dividends attributable to preferred shares – Series B	—	—	—	(2,298)
Dividends attributable to preferred shares – Series C	(1,573)	(1,573)	(4,718)	(4,718)
Dividends attributable to preferred shares – Series D	—	(2,926)	(3,543)	(8,777)
Allocation to participating securities	(144)	(1,092)	(482)	(1,179)
Deemed dividend – Series B	—	—	—	(2,346)
Redemption discount – Series C	—	—	—	229
Deemed dividend – Series D	—	—	(5,230)	—
Net income (loss) attributable to common shareholders	$2,978	$168,950	$(5,166)	$163,574
Income (loss) per common share – basic:				
Income (loss) from continuing operations	$0.01	$1.05	$(0.10)	$1.06

Income from discontinued operations	—	0.04	0.07	—
Net income (loss) attributable to common shareholders	$0.01	$1.09	$(0.03)	$1.06
Weighted-average common shares outstanding – basic	213,649,374	154,980,137	204,923,085	154,564,041
Income (loss) per common share – diluted:				
Income (loss) from continuing operations	$0.01	$0.93	$(0.10)	$0.98
Income (loss) from discontinued operations	—	0.03	0.07	—
Net income (loss) attributable to common shareholders	$0.01	$0.96	$(0.03)	$0.98
Weighted-average common shares outstanding – diluted	214,406,065	180,855,164	204,923,085	180,449,070
Amounts attributable to common shareholders:				
Income (loss) from continuing operations	$2,069	$163,481	$(19,769)	$163,552
Income from discontinued operations	909	5,469	14,603	22
Net income (loss) attributable to common shareholders	$2,978	$168,950	$(5,166)	$163,574

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)
(Unaudited and in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	$5,155	$175,289	$10,864	$186,393
Other comprehensive income (loss):				
Change in unrealized gain (loss) on interest rate swaps, net	(1,613)	(2,772)	8,523	(8,331)
Other comprehensive income (loss)	(1,613)	(2,772)	8,523	(8,331)
Comprehensive income	3,542	172,517	19,387	178,062
Comprehensive income attributable to noncontrolling interests	(460)	(748)	(2,057)	(3,730)
Comprehensive income attributable to Lexington Realty Trust shareholders	$3,082	$171,769	$17,330	$174,332

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 CHANGES IN EQUITY
(Unaudited and in thousands)

Nine Months ended September 30, 2013		Lexington Realty Trust Shareholders					
	Total	Preferred Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance December 31, 2012	$1,333,165	$243,790	$18	$ 2,212,949	$(1,143,803)	$ (6,224)	$ 26,435
Redemption of noncontrolling OP units for common shares	—	—	—	887	—	—	(887)
Repurchase of preferred shares	(155,004)	(149,774)	—	—	(5,230)	—	—
Issuance of common shares upon conversion of convertible notes	60,686	—	1	60,685	—	—	—
Issuance of common shares and deferred compensation amortization, net	313,230	—	3	313,227	—	—	—
Acquisition of consolidated joint venture partner's equity interest	(8,918)	—	—	—	(8,918)	—	—
Dividends/distributions	(107,807)	—	—	—	(104,904)	—	(2,903)
Net income	10,864	—	—	—	8,807	—	2,057
Other comprehensive income	8,523	—	—	—	—	8,523	—
Balance September 30, 2013	$1,454,739	$94,016	$22	$ 2,587,748	$(1,254,048)	$ 2,299	$ 24,702

Nine Months ended September 30, 2012		Lexington Realty Trust Shareholders					
	Total	Preferred Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
Balance December 31, 2011	$1,170,203	$311,673	$15	$ 2,010,850	$(1,212,630)	$ 1,938	$ 58,357
Redemption of noncontrolling OP units	—	—	—	1,099	—	—	(1,099)

for common shares							
Repurchase of preferred shares	(70,000)	(67,883)	—	—	(2,117)	—	—
Issuance of common shares and deferred compensation amortization, net	8,910	—	1	8,909	—	—	—
Contributions from noncontrolling interests	1,262	—	—	—	—	—	1,262
Deconsolidation of consolidated joint venture	(782)	—	—	—	—	—	(782)
Dividends/distributions	(112,500)	—	—	—	(78,082)	—	(34,418)
Net income	186,393	—	—	—	182,663	—	3,730
Other comprehensive loss	(8,331)	—	—	—	—	(8,331)	—
Balance September 30, 2012	$1,175,155	$243,790	$16	$ 2,020,858	$(1,110,166)	$ (6,393)	$ 27,050

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 CASH FLOWS
(Unaudited and in thousands)

	Nine months ended September 30,	
	2013	2012
Net cash provided by operating activities:	$155,084	$120,453
Cash flows from investing activities:		
Acquisition of real estate, including intangible assets	(81,535)	(23,000)
Investment in real estate under construction	(79,381)	(77,931)
Capital expenditures	(38,067)	(34,693)
Net proceeds from sale of properties	69,387	139,876
Acquisition of remaining interest in NLS, net of cash acquired of $8,107	—	(1,331)
Principal payments received on loans receivable	1,666	3,206
Investment in loans receivable	(21,121)	(8,001)
Purchase of noncontrolling interest	(8,918)	—
Investments in non-consolidated entities	(5,000)	(1,963)
Distributions from non-consolidated entities in excess of accumulated earnings	15,460	351
Sale of interest in non-consolidated entity	—	7,000
Increase in deferred leasing costs	(9,957)	(8,754)
Change in escrow deposits and restricted cash	(8,571)	3,892
Real estate deposits	(16,078)	(49)
Net cash used in investing activities	(182,115)	(1,397)
Cash flows from financing activities:		
Dividends to common and preferred shareholders	(101,724)	(75,399)
Repurchase of exchangeable notes	—	(62,150)
Conversion of convertible notes	(3,270)	—
Principal amortization payments	(28,953)	(25,540)
Principal payments on debt, excluding normal amortization	(347,122)	(214,358)
Change in credit facility borrowings, net	67,000	93,000
Proceeds from senior notes	247,565	—
Proceeds from term loans	64,000	215,000
Increase in deferred financing costs	(7,386)	(4,683)
Proceeds of mortgages and notes payable	40,000	61,500
Cash distributions to noncontrolling interests	(2,903)	(34,418)
Contributions from noncontrolling interests	—	889
Repurchase of preferred shares	(155,004)	(70,000)
Issuance of common shares, net	306,986	5,816
Net cash provided by (used in) financing activities	79,189	(110,343)
Change in cash and cash equivalents	52,158	8,713
Cash and cash equivalents, at beginning of period	34,024	63,711
Cash and cash equivalents, at end of period	$86,182	$72,424

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

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(1) The Company and Financial Statement Presentation

Lexington Realty Trust (the “Company”) is a Maryland real estate investment trust (“REIT”) that owns a diversified portfolio of equity and debt investments in single-tenant commercial 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. The Company also provides investment advisory and asset management services to investors in the single-tenant area.

As of September 30, 2013, the Company had ownership interests in approximately 215 consolidated real estate properties, located in 41 states. The properties in which the Company has an interest are leased to tenants in various industries, including finance/insurance, technology, service, automotive and energy.

The Company believes it has qualified as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, the Company will not be subject to federal income tax, provided that distributions to its shareholders equal at least the amount of its REIT taxable income as defined under the Code. The Company is permitted to participate in certain activities in order to maintain its qualification as a REIT, so long as these activities are conducted in entities which elect to be treated as taxable REIT subsidiaries (“TRS”) under the Code. As such, the TRS are subject to federal income taxes on the income from these activities.

The Company conducts its operations either directly or indirectly through (1) property owner subsidiaries and lender subsidiaries, which are single purpose entities, (2) operating partnerships in which the Company is the sole unit holder of the general partner and the sole unit holder of the limited partner that holds a majority of the limited partner interests (“OP units”), (3) a wholly-owned TRS, or (4) investments in joint ventures. Property owner subsidiaries are landlords under leases for properties in which the Company has an interest and/or borrowers under loan agreements secured by properties in which the Company has an investment and lender subsidiaries are lenders under loan agreements where the Company made an investment in a loan asset, but in all cases are separate and distinct legal entities.

Basis of Presentation and Consolidation. The Company's unaudited condensed consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“GAAP”). The financial statements reflect the accounts of the Company and its consolidated subsidiaries. The Company consolidates its wholly-owned subsidiaries and its partnerships and joint ventures which it controls (1) through voting rights or similar rights or (2) by means other than voting rights if the Company is the primary beneficiary of a variable interest entity ("VIE"). Entities which the Company does not control and entities which are VIEs in which the Company is not the primary beneficiary are accounted for under appropriate GAAP.

The financial statements contained in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 (this “Quarterly Report”) have been prepared by the Company in accordance with GAAP for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. However, in the opinion of management, the interim financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of the periods presented. The results of operations for the three and nine months ended September 30, 2013 and 2012, are not necessarily indicative of the results that may be

expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2012 filed with the SEC on February 25, 2013 (“Annual Report”).

Use of Estimates. Management has made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these unaudited condensed consolidated financial statements in conformity with GAAP. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, the allocation of property purchase price to tangible and intangible

LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

assets acquired and liabilities assumed, the determination of VIEs and which entities should be consolidated, the determination of impairment of long-lived assets, loans receivable and equity method investments, the valuation of derivative financial instruments and the useful lives of long-lived assets. Actual results could differ materially from those estimates.
Fair Value Measurements. The Company follows the guidance in the Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, as amended (“Topic 820”), to determine the fair value of financial and non-financial instruments. Topic 820 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. Topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 - observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 - unobservable inputs, which are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk. The Company has formally elected to apply the portfolio exception within Topic 820 with respect to measuring counterparty risk for all of its derivative transactions subject to master netting arrangements.

Acquisition, Development and Construction Arrangements. The Company evaluates loans receivable where the Company participates in residual profits through loan provisions or other contracts to ascertain whether the Company has the same risks and rewards as an owner or a joint venture partner. Where the Company concludes that such arrangements are more appropriately treated as an investment in real estate, the Company reflects such loan receivable as an equity investment in real estate under construction in the unaudited condensed consolidated balance sheets. In these cases, no interest income is recorded on the loan receivable and the Company records capitalized interest during the construction period. In arrangements where the Company engages a developer to construct a property or provides funds to a tenant to develop a property, the Company will capitalize the funds provided to the developer/tenant and internal costs of interest and real estate taxes, if applicable, during the construction period.

Reclassifications. Certain amounts included in the 2012 unaudited condensed consolidated financial statements have been reclassified, primarily relating to discontinued operations, to conform to the 2013 presentation.

Recently Issued Accounting Guidance. In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02: Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, to improve the transparency of reporting the reclassifications of significant amounts out of accumulated other comprehensive income. This guidance requires entities to present the effects on the line items of net income of significant reclasses from accumulated other comprehensive income, either where net income is presented or in the notes, as well as cross-reference to other disclosures currently required under GAAP for other reclassification items (that are not required under GAAP) to be reclassified directly to net income in their entirety in the same reporting period. The new disclosure requirements are effective for annual reporting periods beginning after December 15, 2012. The new disclosures are required for both interim and annual reporting. The implementation of this guidance did not have an impact on the Company's financial position, results of operations or cash flows.

(2) Earnings Per Share

A significant portion of the Company's non-vested share-based payment awards are considered participating securities and as such, the Company is required to use the two-class method for the computation of basic and diluted earnings per share. Under the two-class computation method, net losses are not allocated to participating securities unless the holder of the security has a contractual obligation to share in the losses. The non-vested share-based payment awards are not allocated losses as the awards do not have a contractual obligation to share in losses of the Company.

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LEXINGTON REALTY TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013 and 2012
(Unaudited and dollars in thousands, except share/unit and per share/unit data)

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2013 and 2012:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
BASIC				
Income (loss) from continuing operations attributable to common shareholders	$ 2,069	$ 163,481	$ (19,769)	$ 163,552
Income from discontinued operations attributable to common shareholders	909	5,469	14,603	22
Net income (loss) attributable to common shareholders	$ 2,978	$ 168,950	$ (5,166)	$ 163,574
Weighted-average number of common shares outstanding	213,649,374	154,980,137	204,923,085	154,564,041
Income (loss) per common share:				
Income (loss) from continuing operations	$ 0.01	$ 1.05	$ (0.10)	$ 1.06
Income from discontinued operations	—	0.04	0.07	—
Net income (loss) attributable to common shareholders	$ 0.01	$ 1.09	$ (0.03)	$ 1.06
DILUTED				
Income (loss) from continuing operations attributable to common shareholders - basic	$ 2,069	$ 163,481	$ (19,769)	$ 163,552
Impact of assumed conversions:				
Share options	—	—	—	—
Operating Partnership Units	—	538	—	1,266
6.00% Convertible Guaranteed Notes	—	2,327	—	6,980
Series C Preferred Shares	—	1,573	—	4,489
Income (loss) from continuing operations attributable to common shareholders	2,069	167,919	(19,769)	176,287
Income from discontinued operations attributable to common shareholders - basic	909	5,469	14,603	22
Impact of assumed conversions:				
Operating Partnership Units	—	(63)	—	(353)
Income (loss) from discontinued operations attributable to common shareholders	909	5,406	14,603	(331)
Net income (loss) attributable to common shareholders	$ 2,978	$ 173,325	$ (5,166)	$ 175,956
Weighted-average common shares outstanding - basic	213,649,374	154,980,137	204,923,085	154,564,041
Effect of dilutive securities:				
Share options	756,691	344,721	—	279,699
Operating Partnership Units	—	4,400,389	—	4,479,451

6.00% Convertible Guaranteed Notes	—	16,419,347	—	16,412,836
Series C Preferred Shares	—	4,710,570	—	4,713,043
Weighted-average common shares outstanding	214,406,065	180,855,164	204,923,085	180,449,070
Income (loss) per common share:				
Income (loss) from continuing operations	$0.01	$0.93	$(0.10)	$0.98
Income (loss) from discontinued operations	—	0.03	0.07	—
Net income (loss) attributable to common shareholders	$0.01	$0.96	$(0.03)	$0.98

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For per common share amounts, all incremental shares are considered anti-dilutive for periods that have a loss from continuing operations attributable to common shareholders. In addition, other common share equivalents may be anti-dilutive in certain periods.

(3) Investments in Real Estate and Real Estate Under Construction

The Company, through property owner subsidiaries, completed the following acquisition and build-to-suit transactions during the nine months ended September 30, 2013:

Property Type	Location	Acquisition/Completion Date	Initial Cost Basis	Lease Expiration	Land and Land Estate	Building and Improvements	Lease in-place Value Intangible
Industrial	Long Island City, NY	February 2013	$42,124	03/2028	$—	$42,124	$—
Industrial	Houston, TX	March 2013	$81,400	03/2038	$15,055	$57,949	$8,396
Office	Denver, CO[(1)]	April 2013	$34,547	04/2028	$2,207	$26,724	$5,616
Retail	Tuscaloosa, AL[(2)]	May 2013	$8,397	05/2028	$2,793	$5,604	$—
			$166,468		$20,055	$132,401	$14,012

(1) The Company incurred additional initial costs of $3,825 which are included in “Other assets” in the accompanying unaudited condensed consolidated balance sheet.
(2) The Company incurred leasing costs of $323. The property was sold in September 2013.

The Company recognized aggregate acquisition expenses of $284 and $786 for the nine months ended September 30, 2013 and 2012, respectively, which are included as operating expenses within the Company's unaudited condensed consolidated statements of operations.
The Company is engaged in various forms of build-to-suit development activities. The Company, through lender subsidiaries and property owner subsidiaries, may enter into the following acquisition, development and construction arrangements: (1) lend funds to construct build-to-suit projects subject to a single-tenant lease and agree to purchase the properties upon completion of construction and commencement of a single-tenant lease, (2) hire developers to construct built-to-suit projects on owned properties leased to single tenants, (3) fund the construction of build-to-suit projects on owned properties pursuant to the terms in single-tenant lease agreements or (4) enter into purchase and sale agreements with developers to acquire single-tenant build-to-suit properties upon completion.

As of September 30, 2013, the Company had the following development arrangements outstanding:

Location	Property Type	Square Feet	Expected Maximum Commitment/Contribution ($ millions)		Lease Term (Years)	Estimated Completion Date	Capitalization Rate [(1)]	
Rantoul, IL	Industrial	813,000	$	42.6	20	4Q 13	8.0	%
Bingen, WA	Industrial	124,000	$	18.9	12	2Q 14	10.7	%
Las Vegas, NV	Industrial	180,000	$	29.6	20	3Q 14	7.3	%
Albany, GA	Retail	46,000	$	7.5	15	4Q 13	9.0	%
Richmond, VA	Office	279,000	$	98.6	15	3Q 15	8.0	%
		1,442,000	$	197.2				

(1) Estimated initial capitalization rate based upon expected maximum commitment/contribution amounts.

The Company has variable interests in certain developer entities constructing the facilities but is not the primary beneficiary of the entities as the Company does not have a controlling financial interest. As of September 30, 2013 and December 31, 2012, the Company's aggregate investment in development arrangements was $57,561 and $65,122, respectively, and are presented as investments in real estate under construction in the accompanying unaudited condensed consolidated balance sheets. The Company capitalized interest of $1,597 and $1,693 during the nine months ended September 30, 2013 and 2012, respectively, relating to build-to-suit activities.

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In addition, the Company has committed to acquire, upon its completion, an office property in Omaha, Nebraska for $39,125, which is subject to a net lease that will have a 20-year term upon completion. Construction is expected to be completed in the fourth quarter of 2013. The Company can give no assurances that any of these acquisitions under contract or build-to-suit transactions will be consummated.

On September 1, 2012, the Company, together with an operating partnership subsidiary, acquired the remaining common equity interest in Net Lease Strategic Assets Fund L.P. ("NLS") from Inland American (Net Lease) Sub, LLC that the Company did not already own for a net cash payment of $1,331 and the assumption of all outstanding liabilities. Immediately prior to the acquisition, the Company owned 15% of NLS's common equity and 100% of NLS's preferred equity. At the date of acquisition, NLS owned 41 properties totaling 5.8 million square feet in 23 states, plus a 40% tenant-in-common interest in an office property. The Company's investment in NLS had previously been accounted for under the equity method and was consolidated following the acquisition. The Company recognized a $167,864 gain on acquisition in 2012 relating to the acquisition of the remaining common equity interest in NLS.

The Company recognized gross revenues in continuing operations of $31,755 and a net loss of $(3,339) from NLS properties during the nine months ended September 30, 2013. The Company recognized $12,902 of equity in earnings relating to NLS during the nine months ended September 30, 2012.

The following unaudited condensed consolidated pro forma information is presented as if the Company acquired the remaining equity in NLS on January 1, 2012. The information presented below is not necessarily indicative of what the actual results of operations would have been had the transaction been completed on January 1, 2012, nor does it purport to represent the Company's future operations:

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Gross revenues	$92,035	$271,258
Net income (loss) attributable to Lexington Realty Trust shareholders	$916	$(5,552)
Net loss attributable to common shareholders	$(3,737)	$(23,906)
Net loss per common share - basic and diluted	$(0.02)	$(0.15)

(4) Discontinued Operations and Real Estate Impairment

During the nine months ended September 30, 2013, the Company disposed of its interests in certain properties to unrelated third parties for an aggregate gross disposition price of $70,989. In addition, the Company conveyed certain properties, along with the respective escrow deposits, in satisfaction of an aggregate $49,509 of non-recourse secured mortgage loans. The Company recognized aggregate net gains on debt satisfaction of $8,955 and an aggregate gain on sales of properties of $14,935 relating to these 2013 dispositions. During the nine months ended September 30, 2012, the Company disposed of its interests in certain properties (excluding Pemlex LLC - see note 7) to unrelated third parties for an aggregate gross disposition price of $129,715 and recognized an aggregate gain on sales of properties of $8,946 and net debt satisfaction charges of $1,189. In addition, the Company conveyed a property in satisfaction of the $7,119 non-recourse secured mortgage loan and recognized a net gain on debt satisfaction of $1,728. As of September 30, 2013, the Company had no properties classified as held for sale.

The following presents the operating results for the properties sold for the applicable periods:

	Three months ended September 30,	Nine months ended September 30,

	2013	2012	2013	2012
Total gross revenues	$287	$3,695	$3,518	$14,168
Pre-tax income, including gains on sales	$1,636	$5,442	$16,999	$1,636

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The Company assesses on a regular basis whether there are any indicators that the carrying value of its real estate assets may be impaired. Potential indicators may include an increase in vacancy at a property, tenant reduction in utilization of a property, tenant financial instability and the potential sale of the property in the near future. An asset is determined to be impaired if the asset's carrying value is in excess of its estimated fair value. During the nine months ended September 30, 2013 and 2012, the Company recognized $9,537 and $5,690, respectively, of impairment charges in discontinued operations, relating to real estate assets that were disposed of below their carrying value.

In addition, the Company recognized impairment charges of $2,413 and $4,262 in continuing operations during the nine months ended September 30, 2013 and 2012, respectively. The Company explored the possible disposition of a non-core retail property in 2013 and an underperforming office property in 2012 and determined that the expected undiscounted cash flows based upon a revised estimated holding period of the properties were below the current carrying values. Accordingly, the Company reduced the carrying values of these properties to their estimated fair values.

(5) Loans Receivable

As of September 30, 2013 and December 31, 2012, the Company's loans receivable, including accrued interest and net of origination fees and loan loss reserves were comprised primarily of first and second mortgage loans and mezzanine loans on real estate.

The following is a summary of our loans receivable as of September 30, 2013 and December 31, 2012:

	Loan carrying-value[1]			
Loan	9/30/2013	12/31/2012	Interest Rate	Maturity Date
Norwalk, CT[2]	$23,625	$3,479	7.50 %	11/2014
Homestead, FL[3]	9,851	8,036	7.50 %	08/2014
Schaumburg, IL[4]	21,579	21,885	20.00 %	01/2012
Westmont, IL	26,636	26,902	6.45 %	10/2015
Southfield, MI	6,804	7,364	4.55 %	02/2015
Austin, TX	2,296	2,038	16.00 %	10/2018
Other	2,437	2,836	8.00 %	2021-2022
	$93,228	$72,540		

(1) Loan carrying value includes accrued interest and is net of origination costs and fee eliminations, if any.
(2) The Company is committed to lend up to $32,600.
(3) The Company is committed to lend up to $10,660.
(4) Loan is in default. The Company obtained a foreclosure judgment but had not foreclosed as of September 30, 2013 (see note 15). The Company did not record interest income of $2,939 and $2,647 during the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively. The Company believes the office property collateral has an estimated fair value in excess of the Company's investment.

The Company has two types of financing receivables: loans receivable and a capitalized financing lease. The Company determined that its financing receivables operate within one portfolio segment as they are within the same industry and use the same impairment methodology. The Company's loans receivable are secured by commercial real estate assets and the capitalized financing lease is for a commercial office property located in Greenville, South Carolina. In addition, the Company assesses all financing receivables for impairment, when warranted, based on an individual analysis of each receivable.

The Company's financing receivables operate within one class of financing receivables as these assets are collateralized by commercial real estate and similar metrics are used to monitor the risk and performance of these assets. The Company's management uses credit quality indicators to monitor financing receivables such as quality of collateral, the underlying tenant's credit rating and collection experience. As of September 30, 2013, the financing receivables were performing as anticipated and there were no significant delinquent amounts outstanding, other than the Schaumburg, Illinois loan as disclosed above.

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(6) Fair Value Measurements

The following tables present the Company's assets and liabilities from continuing operations measured at fair value on a recurring and non-recurring basis as of September 30, 2013 and December 31, 2012, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Balance	Fair Value Measurements Using		
Description	September 30, 2013	(Level 1)	(Level 2)	(Level 3)
Interest rate swap asset	$2,299	$—	$2,299	$—
Impaired real estate assets*	$4,277	$—	$—	$4,277
Investment in and advances to non-consolidated entities*	$683	$—	$—	$683

	Balance	Fair Value Measurements Using		
Description	December 31, 2012	(Level 1)	(Level 2)	(Level 3)
Interest rate swap liability	$(6,556)	$—	$(6,556)	$—
Impaired real estate assets*	$3,327	$—	$—	$3,327

*Represents a non-recurring fair value measurement.

The table below sets forth the carrying amounts and estimated fair values of the Company's financial instruments as of September 30, 2013 and December 31, 2012.

	As of September 30, 2013		As of December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Loans Receivable	$93,228	$82,601	$72,540	$61,734
Liabilities				
Debt	$1,819,971	$1,796,706	$1,878,208	$1,835,157

The majority of the inputs used to value the Company's interest rate swaps fall within Level 2 of the fair value hierarchy, such as observable market interest rate curves; however, the credit valuation associated with the interest rate swaps utilizes Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. As of September 30, 2013 and December 31, 2012, the Company determined that the credit valuation adjustment relative to the overall fair value of the interest rate swaps was not significant. As a result, the interest rate swaps have been classified in Level 2 of the fair value hierarchy.

The Company estimates the fair value of its real estate assets, including non-consolidated real estate assets, by using income and market valuation techniques. The Company may estimate fair values using market information such as broker opinions of value, recent sales data for similar assets or discounted cash flow models, which primarily rely on Level 3 inputs. The cash flow models include estimated cash inflows and outflows over a specified holding period. These cash flows may include contractual rental revenues, projected future rental revenues and expenses and forecasted tenant improvements and lease commissions based upon market conditions determined through discussion with local real estate professionals, experience the Company has with its other owned properties in such markets and expectations for growth. Capitalization rates and discount rates utilized in these models are estimated by management based upon rates that management believes to be within a reasonable range of current market rates for the respective properties based upon an analysis of factors such as property and tenant quality, geographical location and local supply and demand observations. To the extent the Company under estimates forecasted cash outflows (tenant

improvements, lease commissions and operating costs) or over estimates forecasted cash inflows (rental revenue rates), the estimated fair value of its real estate assets could be overstated.

The Company estimates the fair values of its loans receivable by using an estimated discounted cash flow analysis and/or the estimated value of the underlying collateral using Level 3 inputs consisting of scheduled cash flows and discount rate estimates to approximate those that a willing buyer and seller might use. The fair value of the Company's debt is estimated by using a discounted cash flow analysis using Level 3 inputs, based upon estimates of market interest rates.

Fair values cannot be determined with precision, may not be substantiated by comparison to quoted prices in active markets and may not be realized upon sale. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect the fair value measurement amounts.
Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable. The Company estimates that the fair value of cash equivalents, restricted cash, accounts receivable and accounts payable approximates carrying value due to the relatively short maturity of the instruments.
(7) Investment in and Advances to Non-Consolidated Entities

In August 2013, the Company invested $5,000 in a joint venture, which acquired the fee interest and the related office building improvements of a property in Baltimore, Maryland. Beginning in October 2015, the Company has the right to require the redemption of its interest in the joint venture in exchange for a distribution to the Company of the fee interest, which is currently leased for a 99-year term to the joint venture.

In July 2013, the Company acquired its consolidated joint venture partners' interest in an industrial facility in Long Island City, New York for a payment of $8,918, which was recorded as a distribution to the partner in accordance with GAAP.

In September 2013, the Company recognized a $925 other-than-temporary impairment charge on a non-consolidated office property joint venture due to a change in the Company's estimate of net proceeds upon liquidation of the joint venture.

During 2012, the Company formed two joint ventures in which it has a minority interest. One joint venture acquired a 120,000 square foot retail property in Palm Beach Gardens, Florida for $29,750 which was net leased for an approximate 15-year term. The Company had a 36% interest in the venture and provided a $12,000 non-recourse mortgage loan to the venture which was repaid in full in February 2013. The Company received a distribution of $2,557 in March 2013, a portion of which represented a return of capital reducing the Company's ownership interest to 25%.

The second joint venture, in which the Company has a 15% interest, acquired a 100% economic interest in an inpatient rehabilitation hospital in Humble, Texas for $27,750, which was net leased for an approximate 17-year term. The acquisition was partially funded by a non-recourse mortgage with an original principal amount of $15,260, which bears interest at a fixed rate of 4.7% and matures in May 2017.

In July 2012, the Company sold its interest in Pemlex LLC for $13,218 in connection with a restructuring of Pemlex LLC. No gain or loss was recognized in the transaction as the investment was sold at its cost basis. In August 2013, the Company's management agreement with Pemlex LLC was terminated together with all guarantees and obligations to deliver a replacement letter of credit.

The Company's investments in Concord Debt Holding LLC and CDH CDO LLC were valued at zero and the Company recognized income on the cash basis. During the nine months ended September 30, 2012, the Company received aggregate distributions of $885, which were recorded as equity in earnings of non-consolidated entities. During the second quarter of 2012, the Company sold all of its interest in Concord Debt Holding LLC and CDH CDO

LLC for $7,000 in cash.

(8) Debt

The Company, through property owner subsidiaries, had outstanding non-recourse secured mortgages and notes payable of $1,029,838 and $1,415,961 as of September 30, 2013 and December 31, 2012, respectively. Interest rates, including imputed rates on mortgages and notes payable, ranged from 3.6% to 8.5% at September 30, 2013 and December 31, 2012 and the mortgages and notes payables mature between 2013 and 2027 as of September 30, 2013. The weighted-average interest rate at September 30, 2013 and December 31, 2012 was 5.4% and 5.6%, respectively.

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In June 2013, the Company issued $250,000 aggregate principal amount of 4.25% Senior Notes due 2023 ("Senior Notes") at an issuance price of 99.026% of the principal amount. The Senior Notes are unsecured, pay interest semi-annually in arrears and mature in June 2023. The Company may redeem the notes at its option at any time prior to maturity in whole or in part by paying the principal amount of the notes being redeemed plus a premium. The Company issued these Senior Notes at an initial discount of $2,435 which will be recognized as additional interest expense over the term of the Senior Notes. The Senior Notes are rated Baa2 and BBB- by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services ("S&P"), respectively.

On February 12, 2013, the Company refinanced its $300,000 secured revolving credit facility with a $300,000 unsecured revolving credit facility with KeyBank National Association ("KeyBank"), as agent. The unsecured revolving credit facility matures in February 2017 but can be extended until February 2018 at the Company's option. The unsecured revolving credit facility bore interest at LIBOR plus 1.50% to 2.05% based on the Company's leverage ratio, as defined therein. Since the Company has obtained an investment-grade unsecured debt rating from both Moody's and S&P, the interest rate under the unsecured revolving credit facility ranges from LIBOR plus 0.95% to 1.725% (1.15% as of September 30, 2013) depending on the Company's unsecured debt rating. In addition, the Company increased its availability under the unsecured revolving credit facility from $300,000 to $400,000. At September 30, 2013, the unsecured revolving credit facility had $67,000 outstanding, outstanding letters of credit of $7,644 and availability of $325,356, subject to covenant compliance.

In connection with the refinancing discussed above, the Company also procured a five-year $250,000 unsecured term loan facility from KeyBank, as agent. The unsecured term loan matures in February 2018, required regular payments of interest only at interest rates ranging from LIBOR plus 1.45% to 2.00% dependent on the Company's leverage ratio, as defined therein and can be prepaid without penalty. Since the Company has obtained an investment-grade unsecured debt rating from both Moody's and S&P, the interest rate under the unsecured term loan ranges from LIBOR plus 1.10% to 2.10% (1.35% as of September 30, 2013) depending on the Company's unsecured debt rating. As of September 30, 2013, the Company entered into an interest-rate swap agreement to fix LIBOR at 0.73% through February 2018 on the $64,000 of outstanding LIBOR-based borrowings.

During 2012, the Company procured a $255,000 secured term loan from Wells Fargo Bank, National Association ("Wells Fargo"), as agent. The term loan matures in January 2019. The term loan required regular payments of interest only at interest rates ranging from LIBOR plus 2.00% to 2.85% dependent on the Company's leverage ratio, as defined therein. Since the Company has obtained an investment-grade unsecured debt rating from both Moody's and S&P, the interest rate under the secured term loan ranges from LIBOR plus 1.50% to 2.25% (1.75% as of September 30, 2013) depending on the Company's unsecured debt rating. The Company may prepay any outstanding borrowings under the term loan facility at a premium through January 12, 2016 and at par thereafter. During 2012, the Company entered into interest-rate swap agreements to fix LIBOR at a weighted-average rate of 1.42% through January 2019 on the $255,000 of outstanding LIBOR-based borrowings. The term loan was initially secured by ownership interest pledges by certain subsidiaries that collectively owned a borrowing base of properties. In February 2013, the Company amended the term loan to release the collateral as security.

The unsecured revolving credit facility and the unsecured term loans are subject to financial covenants, which the Company was in compliance with at September 30, 2013.

The Company had $25,000 and $35,551 secured term loans with KeyBank, which were satisfied in January 2012 and the Company recognized debt satisfaction charges of $1,578 as a result of the satisfaction.

During 2010, the Company issued $115,000 aggregate principal amount of 6.00% Convertible Guaranteed Notes due 2030. The notes pay interest semi-annually in arrears and mature in January 2030. The holders of the notes may require the Company to repurchase their notes in January 2017, January 2020 and January 2025 for cash equal to 100% of the notes to be repurchased, plus any accrued and unpaid interest. The Company may not redeem any notes

prior to January 2017, except to preserve its REIT status. The notes have a current conversion rate of 146.2412 common shares per one thousand principal amount of the notes, representing a conversion price of approximately $6.84 per common share. The conversion rate is subject to adjustment under certain circumstances, including increases in the Company's dividend rate above a certain threshold and the issuance of stock dividends. The notes are convertible by the holders under certain circumstances for cash, common shares or a combination of cash and common shares at the Company's election. The notes are convertible prior to the close of business on the second business day immediately preceding the stated maturity

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date, at any time beginning in January 2029 and also upon the occurrence of specified events. During the nine months ended September 30, 2013, $54,905 aggregate principal amount of the notes were converted for 7,944,673 common shares and aggregate cash payments of $3,270, plus accrued and unpaid interest resulting in aggregate debt satisfaction charges of $13,536.

On September 30, 2013, the Company obtained the release of all guarantees, other than the Company's operating partnerships, under the indenture for the 6.00% Convertible Guaranteed Notes due 2030, the indenture for the Senior Notes, the term loan agreements and the unsecured revolving credit facility.

During 2007, the Company issued an aggregate $450,000 of its 5.45% Exchangeable Guaranteed Notes due 2027. The Company prepaid $387,850 of the notes prior to 2012 and the remaining $62,150 of notes were repurchased by the Company and satisfied in January 2012 pursuant to a holder repurchase option. This resulted in debt satisfaction charges of $44.

Below is a summary of additional disclosures related to the 6.00% Convertible Guaranteed Notes due 2030.

	6.00% Convertible Guaranteed Notes due 2030	
Balance Sheets:	September 30, 2013	December 3