

LEXINGTON CORPORATE PROPERTIES TRUST
Form 8-K
September 16, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

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

Date of Report (Date of earliest event reported): September 16, 2002

LEXINGTON CORPORATE PROPERTIES TRUST

(Exact Name of Registrant as specified in its charter)

Maryland ----- (State or other jurisdiction of incorporation)	1-12386 ----- (Commission File Number)	13-3717318 ----- (IRS Employer Identification No.)
------------------------------------------------------------------------	-------------------------------------------------	-------------------------------------------------------------

355 Lexington Avenue, New York, New York 10017

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code:
(212) 692-7260

Not Applicable
(Former name or former address, if changed since last report)

Subsequent to June 30, 2002, Lexington Corporate Properties Trust (the "Company") has (i) acquired either for itself or through non-consolidated entities, five properties (collectively, the "Property Acquisitions"), comprising approximately 2.2 million square feet of gross leasable area, (ii) entered into agreements to acquire and/or develop three properties comprising 929,000 square feet of gross leaseable area (collectively, the "Probable Property Acquisitions"), and (iii) sold one property, comprising 115,000 square feet of gross leasable area (the "Property Disposition"). The total acquisition price for the Property Acquisitions and the Probable Property Acquisitions, collectively, is approximately \$110.9 million. All of the tenants (or their parent guarantors) at the Property Acquisitions and the Probable Property Acquisitions, with the exception of Wells Fargo Home Mortgage, are publicly registered companies subject to the Securities Exchange Act of 1934, as amended and accordingly file financial information with the Securities and Exchange Commission.

The Company has included the Probable Property Acquisitions in preparing the Item 7 pro forma information being filed because they are deemed to be probable. Although the Company believes the Probable Property Acquisitions are probable future events, certain contingencies remain to be satisfied and there can be no

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assurance that all or any of them will be consummated.

PROPERTY ACQUISITIONS ARE AS FOLLOWS:

In August 2002, the Company's joint venture with The Comptroller of the State of New York as Trustee of the Common Retirement Fund acquired two industrial properties, in Laurens, South Carolina and Temperance, Michigan, for an aggregate cost of \$45.9 million. The properties are net leased to TNT Logistics North America, Inc. through August 2012 for annual net rent of \$5.4 million. The purchases were partially funded through \$30.2 million non-recourse mortgage notes which bear interest at a fixed annual interest rate of 6.0%, provide for annual debt service of \$2.3 million and mature September 2012 when balloon payments of \$23.4 million are due. The two mortgage notes are not cross collateralized. These properties were purchased from a seller who had used the properties in their distribution operations and therefore there are no historical operating statements for these properties.

In August 2002, Lexington Realty Advisors, Inc. ("LRA"), a non-consolidated entity in which the Company has a 99% economic interest, acquired an industrial property in Alberta, Canada for \$2.9 million. The property is net leased to TNT Canada, Inc. through August 2012 for annual net rent of \$0.3 million. LRA did not incur any property-specific debt in connection with this acquisition. This property was purchased from a seller who had used the property in their distribution operations and therefore there are no historical operating statements for this property.

In August 2002, the Company also purchased an office property in Valley Forge, Pennsylvania for \$19.5 million. The property is net leased to Quest Diagnostics, Inc. through April 2011 for annual net rent of \$2.2 million. The Company also assumed a \$13.4 million, 7.12% fixed-rate non-recourse mortgage note which matures February 2011 and requires \$1.2 million in annual debt service and a balloon payment of \$10.9 million at maturity.

In August 2002, the Company also purchased an office property in Knoxville, Tennessee for \$8.1 million. The property is net leased to AdvancePCS through May 2013 for annual net rent of \$0.8 million. The acquisition was partially funded through a \$5.3 million, non-recourse, 5.95% fixed-rate mortgage note which matures September 2013 and requires annual payments of interest only through May 2003, annual debt service payments of \$0.4 million thereafter and a balloon payment of \$4.5 million at maturity. This property was purchased directly from the developer upon completion, and therefore there are no historical operating statements for this property.

2

PROBABLE PROPERTY ACQUISITIONS:

In June 2002, the Company entered into an agreement to purchase a newly-constructed office facility in Fort Mill, South Carolina for \$17.9 million. The property will be net leased to Wells Fargo Home Mortgage through January 2013 for average annual net rent of \$2.1 million. In connection with the acquisition of this property, the Company has arranged non-recourse first mortgage financing in the amount of \$11.7 million. This loan will have a fixed interest rate of 6.00%, mature ten years from the date of closing and require annual payments of \$0.8 million and a balloon payment of \$9.8 million at maturity. The Company expects the closing of this acquisition to occur in December 2002. This property will be purchased directly from the developer upon completion, and therefore there are no historical operating statements for this property.

In July 2002, the Company entered into an agreement to purchase a newly

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constructed warehouse/distribution facility in Groveport, Ohio for \$11.8 million. The property is net leased to Anda Pharmaceuticals, Inc. through April 2012 for average annual net rent of \$1.2 million. In connection with the acquisition of this property, the Company has arranged non-recourse mortgage financing in the amount of \$7.8 million. This loan will have a fixed interest rate of 6.03%, mature in September 2012 and require annual payments of \$0.6 million and a balloon payment of \$6.8 million at maturity. The Company expects the closing of this acquisition to occur in September 2002. This property will be purchased directly from the developer who completed the property in April 2002.

In August 2002, the Company entered into an agreement to purchase and develop an outdoor storage facility and an industrial building in Minneapolis, Minnesota. The property will be net leased to Owens Corning for twelve years beginning upon completion of construction for average annual net rent of \$0.6 million. The Company will purchase the land and fund construction costs for an anticipated total investment of approximately \$4.8 million based on a fixed price development agreement and construction contract. The Company expects the closing of this acquisition to occur in September 2002 and construction to be completed in November 2002.

PROPERTY DISPOSITION:

In August 2002, a purchaser bought the Company's property, in Brownsville, Texas, by assuming the outstanding mortgage of \$0.6 million. This resulted in an insignificant gain to the Company.

Item 7. Financial Statements, Pro Forma Information and Exhibits.

[a][b] Financial Statements and Pro Forma Financial Information

The pro forma financial information filed herewith is as follows:

Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2002.

Pro Forma Condensed Consolidated Statements of Income for the Year Ended December 31, 2001 and the Six Months Ended June 30, 2002.

Notes to Pro Forma Condensed Consolidated Financial Statements.

[c] Exhibits

None

Lexington Corporate Properties Trust

Pro Forma Condensed Consolidated Balance Sheet and Statements of Income

The accompanying Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2002 gives effect to the Property Acquisitions, the Probable Property Acquisitions and the Property Disposition as if these transactions had been consummated as of June 30, 2002.

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The accompanying Pro Forma Condensed Consolidated Statements of Income for the year ended December 31, 2001 and the six months ended June 30, 2002 assume that the Property Acquisitions, the Probable Property Acquisitions, the Property Disposition and all other 2001 and 2002 property acquisitions and dispositions had been consummated as of January 1, 2001. In 2001 the Company, including its non-consolidated entities, purchased 28 properties, 23 of which were acquired on November 28, 2001 as part of the Net 1 L.P. and Net 2 L.P. merger. In addition to assuming mortgage debt and paying cash, the Company issued approximately 2.1 million common shares to effect this merger. The pro forma information is based on the historical financial statements of the Company after giving effect to all such transactions.

The Pro Forma Condensed Consolidated Balance Sheet and the Statements of Income have been prepared by the management of the Company. These pro forma statements may not be indicative of the results that would have actually occurred if the Property Acquisitions, the Probable Property Acquisitions, the Property Disposition and all other 2001 and 2002 property acquisitions and dispositions had been in effect on the dates indicated. Also, they may not be indicative of the results that may be achieved in the future. The Pro Forma Condensed Consolidated Balance Sheet and Statements of Income should be read in conjunction with the Company's audited financial statements as of December 31, 2001 and for the year then ended (which are contained in the Company's Form 10-K for the year ended December 31, 2001), and the unaudited condensed consolidated financial statements as of June 30, 2002 and for the six months then ended (which are contained in the Company's Form 10-Q for the period ended June 30, 2002) and the accompanying notes thereto.

4

Lexington Corporate Properties Trust
 Pro Forma Condensed Consolidated Balance Sheet
 June 30, 2002
 (Unaudited and in thousands, except share and per share data)

	Historical -----	Pro Forma Adjustments -----		Pro Fo -----
ASSETS:				
Real estate, net	\$ 693,960	\$ 61,534	(a)	\$ 755,
Investment in non-consolidated entities	49,162	8,133	(b)	57,
Cash and cash equivalents	14,888	(12,388)	(c)	2,
Restricted cash	1,903	--		1,
Rent receivable - current	3,518	--		3,
Rent receivable - deferred	18,833	--		18,
Other assets, net	24,517	--		24,
	-----	-----		-----
	\$ 806,781	\$ 57,279		\$ 864,
	=====	=====		=====
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Mortgage notes payable	\$ 440,091	\$ 37,583	(d)	\$ 477,
Credit facility	--	19,645	(e)	19,
Origination fees payable, including accrued interest	6,569	--		6,
Accounts payable and other liabilities	6,313	51	(f)	6,
	-----	-----		-----
	452,973	57,279		510,

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Minority interests	57,009	--	57,
	-----	-----	-----
	509,982	57,279	567,
	-----	-----	-----
Common shares, par value \$0.0001 per share; liquidation preference \$3,886; 287,888 shares issued and outstanding	3,809	--	3,
	-----	-----	-----
Shareholders' equity	292,990	--	292,
	-----	-----	-----
	\$ 806,781	\$ 57,279	\$ 864,
	=====	=====	=====

The accompanying notes are an integral part of these pro forma financial statements.

5

Lexington Corporate Properties Trust
Notes to Pro Forma Condensed Consolidated Balance Sheet

(Unaudited)

Pro Forma Adjustments

- (a) Reflects the aggregate purchase price of the Property Acquisitions and the Probable Property Acquisitions (\$62,100) less the net basis of the Property Disposition (\$566).
- (b) Reflects the increase investment in non-consolidated entities for the Property Acquisitions.
- (c) Assumed cash used to fund acquisitions and investments in non-consolidated entities.
- (d) Reflects the aggregate property specific mortgage debt associated with the Property Acquisitions and the Probable Property Acquisitions (\$38,200) less the mortgage encumbering the Property Disposition (\$617).
- (e) Estimated line of credit borrowings necessary to fund the Property Acquisitions and the Probable Property Acquisitions.
- (f) Miscellaneous costs incurred in property acquisition and sales.

6

Lexington Corporate Properties Trust
Pro Forma Condensed Consolidated Statement of Income
For the Year Ended December 31, 2001
(Unaudited and in thousands, except per share data)

Pro Forma

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	Historical -----	Adjustments -----	Pro Fo -----
REVENUES:			
Rental	\$ 78,402	\$ 19,966 (a)	\$
Equity in earnings of non-consolidated entities	3,328	1,516 (b)	
Interest and other	1,132	--	
	-----	-----	-----
	82,862	21,482	1
	-----	-----	-----
EXPENSES:			
Interest expense	29,732	9,116 (c)	
Depreciation and amortization of real estate	18,312	4,158 (d)	
Amortization of deferred expenses	1,640	9 (e)	
General and administrative expenses	4,952	--	
Property operating expenses	1,636	--	
	-----	-----	-----
	56,272	13,283	
	-----	-----	-----
Income before minority interests and extraordinary item	26,590	8,199	
Minority interests	5,384	872 (f)	
	-----	-----	-----
Income before extraordinary item	21,206	7,327	
Extraordinary item	3,144	--	
	-----	-----	-----
Net income	\$ 18,062	\$ 7,327	\$
	=====	=====	=====
Income per common share - basic:			
Income before extraordinary item	\$ 0.95		\$
Extraordinary item	(0.16)		
	-----		-----
Net income	\$ 0.79		\$
	=====		=====
Weighted average common shares outstanding	19,522,323		21,4
	=====		=====
Income per common share - diluted:			
Income before extraordinary item	\$ 0.93		\$
Extraordinary item	(0.16)		
	-----		-----
Net income	\$ 0.77		\$
	=====		=====
Weighted average common shares outstanding	19,862,880		28,1
	=====		=====

The accompanying notes are an integral part of these pro forma financial statements.

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(Unaudited and in thousands, except per share data)

	Historical -----	Pro Forma Adjustments -----	
REVENUES:			
Rental	\$ 45,932	\$ 3,185	(a)
Equity in earnings of non-consolidated entities	2,363	439	(b)
Interest and other	1,004	--	
	49,299	3,624	
EXPENSES:			
Interest	16,336	1,748	(c)
Depreciation and amortization of real estate	10,375	567	(d)
General and administrative expenses	2,771	--	
Property operating	1,248	--	
Amortization of deferred expenses	946	(2)	(e)
	31,676	2,313	
Income before gain on sale of properties and minority interests	17,623	1,311	
Gain on sale of properties	1,134	(1,134)	(g)
Income before minority interests	18,757	177	
Minority interests	2,917	148	(f)
Net income	\$ 15,840	\$ 29	
Net income per common share - basic:	\$ 0.59		
Weighted average common shares outstanding	25,552,478		
Net income per common share - diluted:	\$ 0.58		
Weighted average common shares outstanding	31,120,910		

The accompanying notes are an integral part of these pro forma financial statements.

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Pro Forma Adjustments

	For the year ended December 31, 2001 -----	For the six months ended June 30, 2002 -----
(a) Reflects the following:		
Rental revenues recognized on the straight line method for acquisitions	\$ 22,619	\$ 3,765
Elimination of rental revenue recognized for properties sold	(2,653)	(580)
	----- \$ 19,966 =====	----- \$ 3,185 =====
(b) Increase in earnings from non-consolidated entities	\$ 1,516 =====	\$ 439 =====
(c) Reflects the following:		
Interest expense on property specific mortgage debt and interest expense on assumed line of credit borrowings to fund equity commitments	\$ 9,938	\$ 1,802
Elimination of interest expense on properties sold	(822)	(54)
	----- \$ 9,116 =====	----- \$ 1,748 =====
(d) Reflects the following:		
Depreciation expense on acquisitions based upon 80% of purchase price allocated to 40 year depreciable life assets	\$ 4,696	\$ 679
Elimination of depreciation expense on properties sold	(538)	(112)
	----- \$ 4,158 =====	----- \$ 567 =====
(e) Amortization of deferred financing fees, net	\$ 9 =====	\$ (2) =====
(f) Impact on minority interest relating to pro forma adjustments	\$ 872 =====	\$ 148 =====
(g) Elimination of gain on sale of properties	\$ -- =====	\$ (1,134) =====

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For the Year Ended December 31, 2001 and the Six Months Ended June 30, 2002
Earnings Per Share Calculations

The following is a reconciliation of numerators and denominators of the pro forma basic and diluted earnings per share computations for each of the periods presented (\$000's except per share data):

	12/31/01 -----	6/30/02 -----
BASIC		
Income before extraordinary item	\$ 28,533	\$ 15,869
Less dividends attributable to preferred shares	(2,709)	(693)
	-----	-----
Income attributed to common shareholders before extraordinary item	25,824	15,176
Extraordinary item	(3,144)	--
	-----	-----
Net income attributed to common shareholders	\$ 22,680	\$ 15,176
	=====	=====
 Weighted average number of common shares outstanding	 21,470,698	 25,552,478
	=====	=====
Income per common share - basic:		
Income before extraordinary item	\$ 1.20	\$ 0.59
Extraordinary item	(0.14)	--
	-----	-----
Net income	\$ 1.06	\$ 0.59
	=====	=====
DILUTED		
Income attributed to common shareholders before extraordinary item	\$ 25,824	\$ 15,176
Add incremental income attributed to assumed conversion of dilutive securities	7,088	2,953
	-----	-----
Income attributed to common shareholders before extraordinary item	32,912	18,129
Extraordinary item	(3,144)	--
	-----	-----
Net income attributed to common shareholders	\$ 29,768	\$ 18,129
	=====	=====
 Weighted average number of shares used in calculation of basic earnings per share	 21,470,698	 25,552,478
Add incremental shares representing:		
Shares issuable upon exercise of employee stock options	340,557	276,020
Shares issuable upon conversion of dilutive securities	6,364,689	5,292,412
	-----	-----
Weighted average number of shares used in calculation of diluted earnings per common share	28,175,944	31,120,910
	=====	=====

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Income per common share - diluted:

Income before extraordinary item	\$	1.17	\$	0.58
Extraordinary item		(0.11)		--
		-----		-----
Net income	\$	1.06	\$	0.58
		=====		=====

10

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Lexington Corporate Properties Trust

Registrant

September 16, 2002

By:/s/ Patrick Carroll

Patrick Carroll
Chief Financial Officer

11