

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 March 31, 2022.

or

☐ **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

LXP INDUSTRIAL TRUST

(Exact name of registrant as specified in its charter)

Maryland

*(State or other jurisdiction of
incorporation of organization)*

13-3717318

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

One Penn Plaza, Suite 4015, New York, NY 10119-4015

(Address of principal executive offices) (zip code)

(212) 692-7200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Shares of beneficial interest, par value \$0.0001 per share, classified as Common Stock	LXP	New York Stock Exchange
6.50% Series C Cumulative Convertible Preferred Stock, par value \$0.0001 per share	LXPPRC	New York Stock Exchange

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 (§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 ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 286,649,181 common shares of beneficial interest, par value \$0.0001 per share, as of May 3, 2022.

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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.

PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2022	December 31, 2021
Assets:		
Real estate, at cost	\$ 3,629,494	\$ 3,583,978
Real estate - intangible assets	339,216	341,403
Land held for development	104,347	104,160
Investments in real estate under construction	231,258	161,165
Real estate, gross	4,304,315	4,190,706
Less: accumulated depreciation and amortization	683,013	655,740
Real estate, net	3,621,302	3,534,966
Assets held for sale	106,653	82,586
Right-of-use assets, net	26,985	27,966
Cash and cash equivalents	49,063	190,926
Restricted cash	105	101
Investments in non-consolidated entities	73,575	74,559
Deferred expenses, net	21,839	18,861
Rent receivable – current	3,993	3,526
Rent receivable – deferred	66,807	63,283
Other assets	17,224	8,784
Total assets	<u>\$ 3,987,546</u>	<u>\$ 4,005,558</u>
Liabilities and Equity:		
Liabilities:		
Mortgages and notes payable, net	\$ 80,385	\$ 83,092
Term loan payable, net	298,572	298,446
Senior notes payable, net	988,272	987,931
Trust preferred securities, net	127,620	127,595
Dividends payable	36,784	37,425
Liabilities held for sale	3,879	3,468
Operating lease liabilities	28,036	29,094
Accounts payable and other liabilities	65,534	77,607
Accrued interest payable	10,249	8,481
Deferred revenue - including below-market leases, net	13,982	14,474
Prepaid rent	13,751	14,717
Total liabilities	<u>1,667,064</u>	<u>1,682,330</u>
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
Common shares, par value \$0.0001 per share; authorized 400,000,000 shares, 287,871,649 and 283,752,726 shares issued and outstanding in 2022 and 2021, respectively	29	28
Additional paid-in-capital	3,261,770	3,252,506
Accumulated distributions in excess of net income	(1,074,998)	(1,049,434)
Accumulated other comprehensive income (loss)	6,008	(6,258)
Total shareholders' equity	2,286,825	2,290,858
Noncontrolling interests	33,657	32,370
Total equity	<u>2,320,482</u>	<u>2,323,228</u>
Total liabilities and equity	<u>\$ 3,987,546</u>	<u>\$ 4,005,558</u>

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

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended March 31,	
	2022	2021
Gross revenues:		
Rental revenue	\$ 78,536	\$ 91,645
Other revenue	1,742	912
Total gross revenues	80,278	92,557
Expense applicable to revenues:		
Depreciation and amortization	(44,506)	(42,176)
Property operating	(14,616)	(10,934)
General and administrative	(10,737)	(8,420)
Non-operating income	32	477
Interest and amortization expense	(10,682)	(11,486)
Gains on sales of properties	255	21,919
Income before provision for income taxes and equity in earnings (losses) of non-consolidated entities	24	41,937
Provision for income taxes	(417)	(372)
Equity in earnings (losses) of non-consolidated entities	11,301	(90)
Net income	10,908	41,475
Less net income attributable to noncontrolling interests	(286)	(433)
Net income attributable to LXP Industrial Trust shareholders	10,622	41,042
Dividends attributable to preferred shares – Series C	(1,572)	(1,572)
Allocation to participating securities	(61)	(69)
Net income attributable to common shareholders	\$ 8,989	\$ 39,401
Net income attributable to common shareholders - per common share basic	\$ 0.03	\$ 0.14
Weighted-average common shares outstanding – basic	283,640,465	275,416,327
Net income attributable to common shareholders - per common share diluted	\$ 0.03	\$ 0.14
Weighted-average common shares outstanding – diluted	289,067,778	279,053,697

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

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

	Three Months Ended March 31,	
	2022	2021
Net income	\$ 10,908	\$ 41,475
Other comprehensive income:		
Change in unrealized income on interest rate swaps, net	12,266	5,346
Other comprehensive income	12,266	5,346
Comprehensive income	23,174	46,821
Comprehensive income attributable to noncontrolling interests	(286)	(433)
Comprehensive income attributable to LXP Industrial Trust shareholders	<u>\$ 22,888</u>	<u>\$ 46,388</u>

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

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands)

Three Months Ended March 31, 2022

Three Months Ended March 31, 2022		LXP Industrial Trust Shareholders								
	Total	Number of Preferred Shares	Preferred Shares	Number of Common Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests	
Balance December 31, 2021	\$ 2,323,228	1,935,400	\$ 94,016	283,752,726	\$ 28	\$ 3,252,506	\$ (1,049,434)	\$ (6,258)	\$ 32,370	
Issuance of partnership interest in real estate	4,109	—	—	—	—	—	—	—	4,109	
Redemption of noncontrolling OP units for common shares	—	—	—	6,708	—	36	—	—	(36)	
Purchase of noncontrolling interest in consolidated joint venture	(27,958)	—	—	—	—	(25,058)	—	—	(2,900)	
Issuance of common shares and deferred compensation amortization, net	40,572	—	—	4,523,173	1	40,571	—	—	—	
Repurchase of common shares to settle tax obligations	(6,285)	—	—	(410,958)	—	(6,285)	—	—	—	
Dividends/distributions (\$0.12 per common share)	(36,358)	—	—	—	—	—	(36,186)	—	(172)	
Net income	10,908	—	—	—	—	—	10,622	—	286	
Other comprehensive income	12,266	—	—	—	—	—	—	12,266	—	
Balance March 31, 2022	\$ 2,320,482	1,935,400	\$ 94,016	287,871,649	\$ 29	\$ 3,261,770	\$ (1,074,998)	\$ 6,008	\$ 33,657	

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands)

Three Months Ended March 31, 2021

	LXP Industrial Trust Shareholders								
	Total	Number of Preferred Shares	Preferred Shares	Number of Common Shares	Common Shares	Additional Paid-in-Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interests
Balance December 31, 2020	\$ 1,991,137	1,935,400	\$ 94,016	277,152,450	\$ 28	\$ 3,196,315	\$ (1,301,726)	\$ (17,963)	\$ 20,467
Issuance of partnership interest in real estate	2,712	—	—	—	—	—	—	—	2,712
Redemption of noncontrolling OP units for common shares	—	—	—	60,116	—	311	—	—	(311)
Issuance of common shares and deferred compensation amortization, net	1,517	—	—	911,202	—	1,517	—	—	—
Repurchase of common shares to settle tax obligations	(5,120)	—	—	(499,638)	—	(5,120)	—	—	—
Forfeiture of employee common shares	2	—	—	(9,274)	—	—	2	—	—
Dividends/distributions (\$0.1075 per common share)	(31,743)	—	—	—	—	—	(31,369)	—	(374)
Net income	41,475	—	—	—	—	—	41,042	—	433
Other comprehensive income	5,346	—	—	—	—	—	—	5,346	—
Balance March 31, 2021	<u>\$ 2,005,326</u>	<u>1,935,400</u>	<u>\$ 94,016</u>	<u>277,614,856</u>	<u>\$ 28</u>	<u>\$ 3,193,023</u>	<u>\$ (1,292,051)</u>	<u>\$ (12,617)</u>	<u>\$ 22,927</u>

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Three Months Ended March 31,	
	2022	2021
Net cash provided by operating activities:	\$ 42,090	\$ 57,400
Cash flows from investing activities:		
Acquisition of real estate, including intangible assets	(72,148)	(50,778)
Investment in real estate under construction	(75,368)	(29,988)
Capital expenditures	(5,991)	(1,303)
Net proceeds from sale of properties	255	56,509
Principal payments received on loans receivable	7	—
Investments in non-consolidated entities	(121)	(553)
Distributions from non-consolidated entities in excess of accumulated earnings	1,537	2,743
Deferred leasing costs	(536)	(2,232)
Change in real estate deposits, net	(167)	686
Net cash used in investing activities	(152,532)	(24,916)
Cash flows from financing activities:		
Dividends to common and preferred shareholders	(36,827)	(33,453)
Principal amortization payments	(2,779)	(4,760)
Cash contributions from noncontrolling interests	4,109	2,223
Cash distributions to noncontrolling interests	(172)	(374)
Purchase of noncontrolling interest	(27,958)	—
Repurchases to settle tax obligations	(6,285)	(5,120)
Issuance of common shares, net	38,495	(246)
Net cash used in financing activities	(31,417)	(41,730)
Change in cash, cash equivalents and restricted cash	(141,859)	(9,246)
Cash, cash equivalents and restricted cash, at beginning of period	191,027	179,421
Cash, cash equivalents and restricted cash, at end of period	\$ 49,168	\$ 170,175
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents at beginning of period	\$ 190,926	\$ 178,795
Restricted cash at beginning of period	101	626
Cash, cash equivalents and restricted cash at beginning of period	\$ 191,027	\$ 179,421
Cash and cash equivalents at end of period	\$ 49,063	\$ 142,074
Restricted cash at end of period	105	28,101
Cash, cash equivalents and restricted cash at end of period	\$ 49,168	\$ 170,175

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

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(1) The Company and Financial Statement Presentation

LXP Industrial Trust (together with its consolidated subsidiaries, except when the context only applies to the parent entity, the “Company”) is a Maryland real estate investment trust (“REIT”) that owns a portfolio of equity investments focused on single-tenant industrial properties.

As of March 31, 2022, the Company had ownership interests in approximately 123 consolidated real estate properties, located in 23 states. The properties in which the Company has an interest are primarily net leased to tenants in various industries.

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 from which it was previously precluded 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 indirectly through (1) property owner subsidiaries, which are single purpose entities, (2) a wholly-owned TRS, Lexington Realty Advisors, Inc. (“LRA”), and (3) 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 interest 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. Each property owner subsidiary is a separate legal entity that maintains separate books and records. The assets and credit of each property owner subsidiary with a property subject to a mortgage loan are not available to creditors to satisfy the debt and other obligations of any other person, including any other property owner subsidiary or any other affiliate. Consolidated entities that are not property owner subsidiaries do not directly own any of the assets of a property owner subsidiary (or the general partner, member or managing member of such property owner subsidiary), but merely hold partnership, membership or beneficial interests therein, which interests are subordinate to the claims of such property owner subsidiary's (or its general partner's, member's or managing member's) creditors.

The financial statements contained in this Quarterly Report on Form 10-Q (this “Quarterly Report”) for the three months ended March 31, 2022 and 2021 have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“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 presentation of the results of the periods presented. Interim results 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 Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 24, 2022 (“Annual Report”).

Basis of Presentation and Consolidation. The Company's unaudited condensed consolidated financial statements are prepared on the accrual basis of accounting in accordance with GAAP. The financial statements reflect the accounts of the Company and its consolidated subsidiaries. The Company consolidates the wholly-owned subsidiaries, partnerships and joint ventures which it controls (i) through voting rights or similar rights or (ii) 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 a primary beneficiary are accounted for under appropriate GAAP.

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

As of March 31, 2022, the Company had interests in seven joint ventures with developers, consisting of five ongoing development projects and two land joint ventures with ownership interests ranging from 80% to 95.5%. Each joint venture owns land parcels with the intention of developing industrial properties. The Company determined that the joint ventures are variable interest entities in accordance with the applicable accounting guidance. The Company concluded that it is the primary beneficiary in each of the joint ventures and as such, the joint ventures' operations are consolidated in the Company's financial statements.

In addition, the Company is the primary beneficiary of certain other VIEs as it has a controlling financial interest in these entities. Lepercq Corporate Income Fund L.P. ("LCIF") is a consolidated VIE and the Company, as of March 31, 2022, had an approximate 99% ownership interest.

The assets of each VIE are only available to satisfy such VIE's respective liabilities. Below is a summary of selected financial data of the consolidated VIEs for which the Company is the primary beneficiary included in the unaudited condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Real estate, net	\$ 871,972	\$ 810,087
Total assets	\$ 932,996	\$ 952,611
Total liabilities	\$ 44,737	\$ 47,011

In addition, the Company acquires, from time to time, properties using a reverse like-kind exchange structure pursuant to Section 1031 of the Internal Revenue Code (a "reverse 1031 exchange") and, as such, the properties are in the possession of an Exchange Accommodation Titleholder ("EAT") until the reverse 1031 exchange is completed. The EAT is classified as a VIE as it is a "thinly capitalized" entity. The Company consolidates the EAT because it is the primary beneficiary as it has the ability to control the activities that most significantly impact the EAT's economic performance and can collapse the 1031 exchange structure at any time. The assets of the EAT primarily consist of leased property (net real estate and intangibles).

Revenue Recognition. The Company recognizes lease revenue on a straight-line basis over the term of the lease unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property. Revenue is recognized on a contractual basis for leases with escalations tied to a consumer price index with no floor. The Company evaluates the collectability of its rental payments and recognizes revenue on a cash basis when the Company believes it is no longer probable that it will receive substantially all of the remaining lease payments. Renewal options in leases are excluded from the calculation of straight-line rent if the renewals are not reasonably certain. If the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. If the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term. The Company recognizes lease termination fees as rental revenue in the period received and writes off unamortized lease-related intangible and other lease-related account balances, provided there are no further Company obligations under the lease. Otherwise, such fees and balances are recognized on a straight-line basis over the remaining obligation period with the termination payments being recorded as a component of rent receivable-deferred on the unaudited condensed consolidated balance sheets.

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. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of current and deferred accounts receivable and, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the determination of VIEs

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

and which entities should be consolidated, the determination of impairment of long-lived assets and equity method investments, valuation of derivative financial instruments, valuation of awards granted under compensation plans, the determination of the incremental borrowing rate for leases where the Company is the lessee and the useful lives of long-lived assets. Actual results could differ materially from those estimates.

Restricted Cash. Restricted cash is comprised primarily of cash balances held by lenders.

Fair Value Measurements. The Company follows the guidance in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("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.

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 recent sale contracts (Level 2 inputs) or recent sale offers 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 out flows (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.

Cost Capitalization. The Company capitalizes interest and direct and indirect project costs associated with the initial construction of a property up to the time the property is substantially complete and ready for its intended use within investments in real estate under construction in the unaudited condensed consolidated balance sheets. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once construction has been completed on a vacant space, project costs are no longer capitalized.

Recently Issued Accounting Guidance. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts that reference the London Interbank Offered Rate, or LIBOR, or another reference rate expected to be discontinued because of reference rate reform. The guidance in ASU 2020-04 is optional, applies for a limited period of time to ease the potential burden in accounting for (or recognizing the effect of) reference rate reform on financial reporting, in response to concerns about structural risks of interbank offered rates, and, particularly, the risk of cessation of LIBOR and may be elected over time as reference rate reform activities occur. As of March 31, 2020, the Company has elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

(2) Earnings Per Share

A 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.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
BASIC		
Net income attributable to common shareholders	\$ 8,989	\$ 39,401
Weighted-average number of common shares outstanding - basic	283,640,465	275,416,327
Net income attributable to common shareholders - per common share basic	\$ 0.03	\$ 0.14
DILUTED		
Net income attributable to common shareholders - basic	\$ 8,989	\$ 39,401
Impact of assumed conversions	—	240
Net income attributable to common shareholders	\$ 8,989	\$ 39,641
Weighted-average common shares outstanding - basic	283,640,465	275,416,327
Effect of dilutive securities:		
Shares issuable under forward sales agreements	4,348,422	9,843
Unvested share-based payment awards	1,078,891	775,108
Operating partnership units	—	2,852,419
Weighted-average common shares outstanding - diluted	289,067,778	279,053,697
Net income attributable to common shareholders - per common share diluted	\$ 0.03	\$ 0.14

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.

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(3) Investments in Real Estate

The Company completed the following warehouse/distribution acquisition transactions during the three months ended March 31, 2022:

Market	Acquisition Date	Initial Cost Basis	Primary Lease Expiration at Acquisition Date	Land	Building and Improvements	Lease in-place Intangible
Cincinnati/Dayton, OH ⁽¹⁾	February 2022	\$ 23,382	N/A	\$ 2,010	\$ 21,372	\$ —
Cincinnati/Dayton, OH	February 2022	48,660	04/2032	4,197	40,944	3,519
		<u>\$ 72,042</u>		<u>\$ 6,207</u>	<u>\$ 62,316</u>	<u>\$ 3,519</u>

(1) Subsequent to acquisition, property was fully leased for approximately nine years.

In 2022, the Company purchased the remaining 13% of equity owned by a noncontrolling interest in the Fairburn, Georgia warehouse/distribution facility for \$27,958. As the Company previously consolidated its interest in the joint venture which owned the property, the acquisition of the noncontrolling ownership interest was recorded as an equity transaction with the difference between the purchase price and carrying balance of \$25,058 recorded as a reduction in additional paid-in-capital.

As of March 31, 2022, the details of the warehouse/distribution real estate under construction are as follows (in \$000's, except square feet):

Project (% owned)	# of Buildings	Market	Estimated Sq. Ft.	Estimated Project Cost	GAAP Investment Balance as of 3/31/2022	LXP Amount Funded as of 3/31/2022 ⁽³⁾	Estimated Building Completion Date	% Leased as of 3/31/2022
The Cubes at Etna East (95%) ⁽¹⁾	1	Columbus, OH	1,074,840	\$ 72,100	\$ 44,205	\$ 37,446	3Q 2022	— %
Ocala (80%) ⁽¹⁾	1	Central Florida	1,085,280	81,200	51,808	36,151	3Q 2022	— %
Cotton 303 (93%) ⁽¹⁾	2	Phoenix, AZ	880,678	84,200	40,176	35,306	4Q 2022	— %
Mt. Comfort (80%) ⁽¹⁾	1	Indianapolis, IN	1,053,360	66,400	32,388	24,462	4Q 2022	— %
Smith Farms (90%) ⁽¹⁾⁽²⁾	3	Greenville-Spartanburg, SC	2,194,820	162,500	62,681	46,968	4Q 2022 - 2Q 2023	36 %
				<u>\$ 466,400</u>	<u>\$ 231,258</u>	<u>\$ 180,333</u>		

(1) Estimated project cost includes estimated tenant improvements and leasing costs and excludes potential developer partner promote.

(2) Pre-leased 797,936 square foot facility subject to a 12-year lease commencing upon substantial completion of the facility.

(3) Excludes noncontrolling interests' share.

As of March 31, 2022, the Company's aggregate investment in the development arrangements was \$231,258, which included capitalized interest of \$1,146 for the three months ended March 31, 2022 and is presented as investments in real estate under construction in the accompanying unaudited condensed consolidated balance sheet. For the three months ended March 31, 2021, capitalized interest for development arrangements was \$502.

As of March 31, 2022, the details of the land held for development are as follows (in \$000's, except acres):

Project (% owned)	Market	Approx. Developable Acres	GAAP Investment Balance as of 3/31/2022	LXP Amount Funded as of 3/31/2022 ⁽¹⁾
Consolidated:				
Reems & Olive (95.5%)	Phoenix, AZ	420	\$ 101,047	\$ 96,544
Mt. Comfort Phase II (80%)	Indianapolis, IN	70	3,300	2,612
		<u>490</u>	<u>\$ 104,347</u>	<u>\$ 99,156</u>

(1) Excludes noncontrolling interests' share.

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(4) Dispositions and Impairment

During the three months ended March 31, 2022 and 2021, the Company disposed of its interests in various properties for an aggregate gross disposition price of \$289 and \$58,092, respectively, and recognized aggregate gains on sales of properties of \$255 and \$21,919, respectively.

The Company had 10 and eight properties classified as held for sale at March 31, 2022 and December 31, 2021, respectively. Assets and liabilities of the held for sale properties as of March 31, 2022 and December 31, 2021 consisted of the following:

	March 31, 2022	December 31, 2021
Assets:		
Real estate, at cost	\$ 204,029	\$ 170,117
Real estate, intangible assets	15,161	9,454
Accumulated depreciation and amortization	(116,242)	(99,659)
Deferred expenses, net	1,822	1,759
Other	1,883	915
	<u>\$ 106,653</u>	<u>\$ 82,586</u>
Liabilities:		
Accounts payable and liabilities	\$ 1,779	\$ 1,908
Deferred revenue	443	483
Prepaid rent	1,657	1,077
	<u>\$ 3,879</u>	<u>\$ 3,468</u>

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 financial instability, change in the estimated holding period of the asset, the potential sale or transfer of the property in the near future and changes in economic conditions. An asset is determined to be impaired if the asset's carrying value is in excess of its estimated fair value and the Company estimates that its cost will not be recovered. During the three months ended March 31, 2022 and 2021, there were no impairment charges recorded.

(5) Fair Value Measurements

The following tables present the Company's assets and liabilities measured at fair value on a recurring and non-recurring basis as of March 31, 2022 and December 31, 2021, aggregated by the level in the fair value hierarchy within which those measurements fall:

Description	Balance	Fair Value Measurements Using		
	March 31, 2022	(Level 1)	(Level 2)	(Level 3)
Interest rate swap assets	\$ 6,008	\$ —	\$ 6,008	\$ —

Description	Balance	Fair Value Measurements Using		
	December 31, 2021	(Level 1)	(Level 2)	(Level 3)
Interest rate swap liabilities	\$ (6,258)	\$ —	\$ (6,258)	\$ —
Impaired real estate assets ⁽¹⁾	\$ 12,735	\$ —	\$ —	\$ 12,735

(1) Represents non-recurring fair value measurement. The Company measured a \$12,735 fair value of real estate assets based on a discounted cash flow analysis using a discount rate ranging from 8.0% to 10.0% and a residual capitalization rate ranging from 7.5% to 8.0%. As significant inputs to the models are unobservable, the Company determined that the value determined for these properties falls within Level 3 of the fair value reporting hierarchy.

The majority of the inputs used to value the Company's interest rate swaps fell within Level 2 of the fair value hierarchy, such as observable market interest rate curves; however, the credit valuation associated with the interest rate

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swaps utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. As of March 31, 2022 and December 31, 2021, 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 were classified in Level 2 of the fair value hierarchy.

The table below sets forth the carrying amounts and estimated fair values of the Company's financial instruments, excluding held for sale assets, as of March 31, 2022 and December 31, 2021:

	As of March 31, 2022		As of December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Debt	\$ 1,494,849	\$ 1,416,302	\$ 1,497,064	\$ 1,491,868

The fair value of the Company's debt is primarily estimated utilizing Level 3 inputs by using a discounted cash flow analysis, based upon estimates of market interest rates, except for the Company's senior notes payable. The Company determines the fair value of its senior notes payable using market prices. The inputs used in determining the fair value of these notes are categorized as Level 1 due to the fact that the Company uses quoted market rates to value these instruments. However, the inputs used in determining the fair value could be categorized as Level 2 if trading volumes are low.

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.

(6) Investments in Non-Consolidated Entities

Below is a schedule of the Company's investments in non-consolidated entities:

Investment		Percentage Ownership at	Investment Balance as of	
		March 31, 2022	March 31, 2022	December 31, 2021
NNN MFG Cold JV L.P. ("MFG Cold JV")	(1)	20%	\$ 30,601	\$ 30,752
NNN Office JV L.P. ("NNN JV")	(2)	20%	24,051	24,112
Etna Park 70 LLC	(3)	90%	12,927	12,874
Etna Park East LLC	(4)	90%	2,112	2,797
BSH Lessee L.P.	(5)	25%	3,884	4,024
			<u>\$ 73,575</u>	<u>\$ 74,559</u>

- (1) MFG Cold JV is a joint venture formed in 2021 and owns special purpose industrial properties formerly owned by the Company.
- (2) NNN JV is a joint venture formed in 2018 and owns office properties formerly owned by the Company.
- (3) Joint venture formed in 2017 with a developer entity to acquire a parcel of land. The Company determined that it is not the primary beneficiary.
- (4) Joint venture formed in 2019 with a developer entity to acquire a parcel of land. The Company determined that it is not the primary beneficiary.
- (5) A joint venture investment, which owns a single-tenant, net-leased asset.

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During the three months ended March 31, 2022, NNN JV sold two assets and the Company recognized a gain on the transaction of \$11,315 within equity in earnings (losses) of non-consolidated entities in its unaudited condensed consolidated statement of operations. In conjunction with these property sales, NNN JV received net proceeds of \$57,879 after the satisfaction of an aggregate of \$108,960 of its non-recourse mortgage indebtedness. NNN JV distributed \$11,513 of net proceeds to the Company as a result of the property sales.

The following is a summary of the results of operations of NNN JV for the three months ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	2021
Total gross revenues	\$ 14,391	\$ 15,186
Depreciation expense	(7,958)	(9,685)
Property operating	(2,412)	(2,345)
General and administrative	(558)	(566)
Gain on sale	56,576	—
Interest expense	(2,532)	(2,981)
Income from continuing operations	57,507	(391)
Provision for income taxes	(250)	(26)
Net income	<u>\$ 57,257</u>	<u>\$ (417)</u>

(7) Debt

The Company had the following mortgages and notes payable outstanding as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Mortgages and notes payable	\$ 81,650	\$ 84,429
Unamortized debt issuance costs	(1,265)	(1,337)
Mortgages and notes payable, net	<u>\$ 80,385</u>	<u>\$ 83,092</u>

Interest rates, including imputed rates on mortgages and notes payable, ranged from 3.5% to 4.3%, at March 31, 2022 and December 31, 2021 and all mortgages and notes payables mature between 2023 and 2031 as of March 31, 2022. The weighted-average interest rate was approximately 4.0% at March 31, 2022 and December 31, 2021.

The Company had the following Senior Notes outstanding as of March 31, 2022 and December 31, 2021:

Issue Date	March 31, 2022	December 31, 2021	Interest Rate	Maturity Date	Issue Price
August 2021	\$ 400,000	\$ 400,000	2.375 %	October 2031	99.758 %
August 2020	400,000	400,000	2.70 %	September 2030	99.233 %
May 2014	198,932	198,932	4.40 %	June 2024	99.883 %
	998,932	998,932			
Unamortized debt discount	(3,547)	(3,655)			
Unamortized debt issuance cost	(7,113)	(7,346)			
Senior notes payable, net	<u>\$ 988,272</u>	<u>\$ 987,931</u>			

Each series of the senior notes is unsecured and requires payment of interest semi-annually in arrears. 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 make-whole premium.

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The Company has an unsecured credit agreement with KeyBank National Association, as agent. The maturity dates and interest rates as of March 31, 2022, are as follows:

	Maturity Date	Current Interest Rate
\$600,000 Revolving Credit Facility ⁽¹⁾	February 2023	LIBOR + 0.90%
\$300,000 Term Loan ⁽²⁾	January 2025	LIBOR + 1.00%

(1) Maturity date of the revolving credit facility can be extended to February 2024 at the Company's option. The interest rate ranges from LIBOR plus 0.775% to 1.45%. At March 31, 2022, the Company had no borrowings outstanding and availability of \$600,000, subject to covenant compliance.

(2) The LIBOR portion of the interest rate was swapped to obtain a current fixed rate of 2.732% per annum. The aggregate unamortized debt issuance costs for the term loan was \$1,428 and \$1,554 as of March 31, 2022 and December 31, 2021, respectively.

The Company was compliant with all applicable financial covenants contained in its corporate-level debt agreements at March 31, 2022.

During 2007, the Company issued \$200,000 original principal amount of Trust Preferred Securities. The Trust Preferred Securities, which are classified as debt, are due in 2037, are open for redemption at the Company's option and bear interest at a variable rate of three-month LIBOR plus 170 basis points through maturity. The interest rate at March 31, 2022 was 1.999%. As of March 31, 2022 and December 31, 2021, there was \$129,120 original principal amount of Trust Preferred Securities outstanding and \$1,500 and \$1,525, respectively, of unamortized debt issuance costs.

Capitalized interest recorded during the three months ended March 31, 2022 and 2021 was \$1,166 and \$691, respectively.

(8) Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives. The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the type, amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk. The Company's objectives in using interest rate derivatives are to add stability to interest expense, to manage its exposure to interest rate movements and therefore manage its cash outflows as it relates to the underlying debt instruments. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy relating to certain of its variable rate debt instruments. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The Company did not incur any ineffectiveness during the three months ended March 31, 2022 and 2021.

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During July 2019, the Company entered into four interest rate swap agreements with its counterparties. The swaps were designated as cash flow hedges of the risk of variability attributable to changes in the LIBOR swap rates on its \$300,000 LIBOR-indexed variable-rate unsecured term loan. Accordingly, changes in fair value of the swaps are recorded in other comprehensive income (loss) and reclassified to earnings as interest becomes receivable or payable. The swaps expire coterminous with the extended maturity of the term loan in January 2025. During the next 12 months, the Company estimates that an additional \$155 will be reclassified as a decrease to interest expense if the swaps remain outstanding.

Interest Rate Derivative	Number of Instruments	Notional
Interest Rate Swaps	4	\$300,000

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the unaudited condensed consolidated balance sheets:

	As of March 31, 2022		As of December 31, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest Rate Swaps	Other Assets	<u>\$ 6,008</u>	Other Liabilities	<u>\$ (6,258)</u>

The table below presents the effect of the Company's derivative financial instruments on the unaudited condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021.

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivatives March 31,		Amount of Loss Reclassified from Accumulated OCI into Income (1) March 31,	
	2022	2021	2022	2021
Interest Rate Swaps	<u>\$ 11,078</u>	<u>\$ 4,143</u>	<u>\$ 1,188</u>	<u>\$ 1,203</u>

(1) Amounts reclassified from accumulated other comprehensive income (loss) to interest expense within the unaudited condensed consolidated statement of operations.

Total interest expense presented in the unaudited condensed consolidated statements of operations, which includes the effects of cash flow hedges, was \$10,682 and \$11,486 for the three months ended March 31, 2022 and 2021, respectively.

The Company's agreements with swap derivatives counterparties contain provisions whereby if the Company defaults on the underlying indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default of the swap derivative obligation. As of March 31, 2022, the Company had not posted any collateral related to the agreements.

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(9) Lease Accounting

Lessor

The Company's lease portfolio as a lessor primarily includes general purpose, single-tenant net-leased real estate assets. Most of the Company's leases require tenants to pay fixed annual rental payments that escalate on an annual basis and variable payments for other operating expenses, such as real estate taxes, insurance, common area maintenance ("CAM"), and utilities, that are based on the actual expenses incurred.

Certain leases allow for the tenant to renew the lease term upon expiration or earlier. Periods covered by a renewal option are included within the lease term only when renewals are deemed to be reasonably certain. Certain leases allow for the tenant to terminate the lease before the expiration of lease term and certain leases provide the tenant with the right to purchase the leased property at fair market value or a stipulated price upon expiration of the lease term or before.

Accounting guidance under Topic 842 requires the Company to make certain assumptions and judgments in applying the guidance, including determining whether an arrangement includes a lease and determining the lease term when the contract has renewal, purchase or early termination provisions.

The Company analyzes its accounts receivable, customer creditworthiness and current economic trends when evaluating the adequacy of the collectability of the lessee's total accounts receivable balance on a lease by lease basis. In addition, tenants in bankruptcy are analyzed and considerations are made in connection with the expected pre-petition and post-petition claims. If a lessee's accounts receivable balance is considered uncollectible, the Company will write-off the receivable balances associated with the lease to rental revenue and cease to recognize lease income, including straight-line rent, unless cash is received. If the Company subsequently determines that it is probable it will collect substantially all of the lessee's remaining lease payments under the lease term; the Company will reinstate the straight-line balance adjusting for the amount related to the period when the lease was accounted for on a cash basis. During the three months ended March 31, 2022 and 2021, the Company did not write off any deferred rent receivable as a reduction of rental revenue.

Certain tenants have been experiencing financial difficulties as a result of the current economic conditions. During the three months ended March 31, 2022 and 2021, the Company wrote off an aggregate of \$84 and \$183, respectively, accounts receivable relating to certain tenants suffering from the current economic conditions.

The Company elected that the lease and non-lease components in its leases are a single lease component, which is, therefore, being recognized as rental revenue in its unaudited condensed consolidated statements of operations. The primary non-lease service is included within rental revenue is CAM services provided as part of the Company's real estate leases. Topic 842 requires that the Company capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. As of March 31, 2022 and 2021, the Company did not incur any costs that were not incremental to the execution of leases.

The Company manages the risk associated with the residual value of its leased properties by including contract clauses that make tenants responsible for surrendering the space in good condition upon lease termination, holding a diversified portfolio, and other activities. The Company does not have residual value guarantees on specific properties.

The following table presents the Company's classification of rental revenue for its operating leases for the three months ended March 31, 2022 and 2021:

Classification	Three Months Ended	
	March 31, 2022	March 31, 2021
Fixed	\$ 66,982	\$ 71,942
Variable ⁽¹⁾⁽²⁾	11,554	19,703
Total	<u>\$ 78,536</u>	<u>\$ 91,645</u>

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- (1) Primarily comprised of tenant reimbursements.
- (2) Variable income contains termination income of \$10,941 for the three months ended March 31, 2021. No termination fee revenue was recognized during the three months ended March 31, 2022. The 2021 termination fee income primarily related to a tenant that terminated its lease at the Company's Durham, New Hampshire industrial property.

Future fixed rental receipts for leases, assuming no new or re-negotiated leases as of March 31, 2022 were as follows:

Three months ending March 31, 2022	Total
2022 - remainder	\$ 194,736
2023	263,513
2024	233,837
2025	212,628
2026	194,096
2027	158,937
Thereafter	581,264
Total	<u>\$ 1,839,011</u>

The above minimum lease payments do not include reimbursements to be received from tenants for certain operating expenses and real estate taxes and do not include early termination payments provided for in certain leases, unless such payments are reasonably certain to be received.

Lessee

The Company, as lessee, has ground leases, corporate leases for office space, and office equipment leases. All leases were classified as operating leases as of March 31, 2022. The leases have remaining lease terms of up to 39 years. Renewal periods are included in the lease term only when renewal is deemed to be reasonably certain. The lease term also includes periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise the termination option. The Company measures its lease payments by including fixed rental payments and variable rental payments that tie to an index or a rate, such as CPI. The Company recognizes lease expense for its operating leases on a straight-line basis over the lease term and variable lease expense not included in the lease payment measurement as incurred.

The accounting guidance under Topic 842 requires the Company to make certain assumptions and judgments in applying the guidance, including determining whether an arrangement includes a lease, determining the term of a lease when the contract has renewal or termination provisions and determining the discount rate.

The Company determines whether an arrangement is or includes a lease at contract inception by evaluating whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Company has the right to obtain substantially all of the economic benefits from and can direct the use of, the identified asset for a period of time, the Company accounts for the contract as a lease.

The Company uses the information available at the lease commencement date to determine the discount rate for any new leases. The Company used a portfolio approach to determine its incremental borrowing rate. Lease contracts were grouped based on similar lease terms and economic environments in a manner in which the Company reasonably expects that the outcome from applying a portfolio approach does not differ materially from an individual lease approach. The Company estimated a collateralized discount rate for each portfolio of leases.

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Supplemental information related to operating leases is as follows:

	Three Months Ended	
	March 31, 2022	March 31, 2021
Weighted-average remaining lease term		
Operating leases (years)	9.5	11.5
Weighted-average discount rate		
Operating leases	4.0 %	4.1 %

The components of lease expense for the three months ended March 31, 2022 and 2021 were as follows:

Income Statement Classification	Fixed	Variable	Total
2022:			
Property operating	\$ 886	\$ —	\$ 886
General and administrative	377	35	412
Total	\$ 1,263	\$ 35	\$ 1,298
2021:			
Property operating	\$ 912	\$ —	\$ 912
General and administrative	336	33	369
Total	\$ 1,248	\$ 33	\$ 1,281

The Company recognized sublease income of \$830 and \$856 for the three months ended March 31, 2022 and 2021, respectively.

The following table shows the Company's maturity analysis of its operating lease liabilities as of March 31, 2022:

	Operating Leases
2022 - remainder	\$ 3,706
2023	5,290
2024	5,199
2025	5,204
2026	4,174
2027	3,673
Thereafter	7,501
Total lease payments	\$ 34,747
Less: Imputed interest	(6,711)
Present value of operating lease liabilities	\$ 28,036

(10) Concentration of Risk

The Company seeks to reduce its operating and leasing risks through the geographic diversification of its properties, tenant industry diversification, avoidance of dependency on a single asset and the creditworthiness of its tenants. For the three months ended March 31, 2022 and 2021, no single tenant represented greater than 10% of rental revenues.

Cash and cash equivalent balances at certain institutions may exceed insurable amounts. The Company believes it mitigates this risk by investing in or through major financial institutions.

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(11) Equity

Shareholders' Equity:

During the three months ended March 31, 2022 and 2021, the Company granted common shares to certain employees as follows:

	Three Months Ended March 31,	
	2022	2021
<u>Performance Shares:</u> ⁽¹⁾		
Shares granted:		
Index - 1Q	282,720	297,636
Peer - 1Q	282,715	297,632
<u>Grant date fair value per share:</u> ⁽²⁾		
Index - 1Q	\$ 9.40	\$ 7.13
Peer - 1Q	\$ 8.78	\$ 6.23
<u>Non-Vested Common Shares:</u> ⁽³⁾		
Shares issued	295,230	304,060
Grant date fair value	\$ 4,304	\$ 3,080

(1) The shares vest based on the Company's total shareholder return growth after a three-year measurement period relative to an index and a group of peer companies. Dividends are not paid on these grants until earned. Once the performance criteria are met and the actual number of shares earned is determined, such shares vest immediately. During the three months ended March 31, 2022, all of the 552,121 performance shares issued in 2019 vested.

(2) The fair value of awards granted was determined at the grant date using a Monte Carlo simulation model.

(3) The shares vest ratably over a three-year service period.

At-The-Market Offering Program. The Company maintains an At-The-Market offering program ("ATM program") under which the Company can issue common shares, including through forward sales contracts.

During the three months ended March 31, 2022, the Company issued 3,649,023 common shares previously sold on a forward basis in the first quarter of 2021 on the maturity date of the contracts and received \$38,492 of net proceeds.

During 2021, the Company amended the terms of its ATM offering program, under which the Company may, from time to time, sell up to \$350,000 of common shares over the term of the program. As of March 31, 2022, common shares with an aggregate value of \$294,985 remain available for issuance under the ATM program.

Underwritten equity offerings. During 2021, the Company entered into forward sales contracts for the sale of 16,000,000 common shares at a public offering price of \$12.11 per common share in an underwritten equity offering that have not yet settled. The forward sales contracts mature in May 2022, subject to the Company's rights to elect cash or net share settlement. As of March 31, 2022, the forward sales contracts had an aggregate settlement price of \$185,309, which is subject to adjustment in accordance with the forward sales contracts.

Stock Based Compensation. During the three months ended March 31, 2022 and 2021, the Company issued 13,304 and 11,850, respectively, of fully vested common shares to non-management members of the Company's Board of Trustees with a fair value of \$232 and \$125, respectively.

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

Share Repurchase Program. In July 2015, the Company's Board of Trustees authorized the repurchase of up to 10,000,000 common shares and increased this authorization by 10,000,000 in 2018. This share repurchase program has no expiration date. There were no common shares repurchased during the three months ended March 31, 2022 and 2021. As of March 31, 2022, 8,976,315 common shares remain available for repurchase under this authorization. The Company records a liability for repurchases that have not yet been settled as of the period end.

Series C Preferred Stock. The Company had 1,935,400 shares of Series C Cumulative Convertible Preferred Stock ("Series C Preferred") outstanding at March 31, 2022. The shares have a dividend of \$3.25 per share per annum, have a liquidation preference of \$96,770, and the Company, if certain common share prices are achieved, can force conversion into common shares of the Company. As of March 31, 2022, each share was convertible into 2.4339 common shares. This conversion ratio may increase over time if the Company's common share dividend exceeds certain quarterly thresholds.

If certain fundamental changes occur, holders may require the Company, in certain circumstances, to repurchase all or part of their shares of Series C Preferred. In addition, upon the occurrence of certain fundamental changes, the Company will, under certain circumstances, increase the conversion rate by a number of additional common shares or, in lieu thereof, may in certain circumstances elect to adjust the conversion rate upon the shares of Series C Preferred becoming convertible into shares of the public acquiring or surviving company.

The Company may, at the Company's option, cause shares of Series C Preferred to be automatically converted into that number of common shares that are issuable at the then prevailing conversion rate. The Company may exercise its conversion right only if, at certain times, the closing price of the Company's common shares equals or exceeds 125% of the then prevailing conversion price of the Series C Preferred.

Holders of shares of Series C Preferred generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters and under certain other circumstances. Upon conversion, the Company may choose to deliver the conversion value to investors in cash, common shares, or a combination of cash and common shares.

A summary of the changes in accumulated other comprehensive income (loss) related to the Company's cash flow hedges is as follows:

	Three Months Ended March 31,	
	2022	2021
Balance at beginning of period	\$ (6,258)	\$ (17,963)
Other comprehensive income before reclassifications	11,078	4,143
Amounts of loss reclassified from accumulated other comprehensive income to interest expense	1,188	1,203
Balance at end of period	<u>\$ 6,008</u>	<u>\$ (12,617)</u>

Noncontrolling Interests. In conjunction with several of the Company's acquisitions in prior years, sellers were issued LCIF ("OP units") as a form of consideration. All OP units, other than OP units owned by the Company, are redeemable for common shares at certain times, at the option of the holders, and are generally not otherwise mandatorily redeemable by the Company. The OP units are classified as a component of permanent equity as the Company has determined that the OP units are not redeemable securities as defined by GAAP. Each OP unit is currently redeemable at the holder's option for approximately 1.13 common shares, subject to future adjustments.

As of March 31, 2022, there were approximately 769,000 OP units outstanding other than OP units owned by the Company. All OP units receive distributions in accordance with the LCIF partnership agreement. To the extent that the Company's dividend per common share is less than the stated distribution per OP unit per the LCIF partnership agreement, the distributions per OP unit are reduced by the percentage reduction in the Company's dividend per common share. No OP units have a liquidation preference.

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

The following discloses the effects of changes in the Company's ownership interests in its noncontrolling interests:

	Net Income Attributable to Shareholders and Transfers from Noncontrolling Interests Three Months Ended March 31,	
	2022	2021
Net income attributable to LXP Industrial Trust shareholders	\$ 10,622	\$ 41,042
Transfers from noncontrolling interests:		
Increase in additional paid-in-capital for redemption of noncontrolling OP units	36	311
Change from net income attributable to shareholders and transfers from noncontrolling interests	<u>\$ 10,658</u>	<u>\$ 41,353</u>

(12) Related Party Transactions

There were no related party transactions other than those disclosed elsewhere in this Quarterly Report and the audited consolidated financial statements in the Annual Report.

(13) Commitments and Contingencies

In addition to the commitments and contingencies disclosed elsewhere, the Company has the following commitments and contingencies.

The Company is obligated under certain tenant leases, including its proportionate share for leases for non-consolidated entities, to fund the expansion of the underlying leased properties. The Company, under certain circumstances, may guarantee to tenants the completion of base building improvements and the payment of tenant improvement allowances and lease commissions on behalf of its subsidiaries.

As of March 31, 2022, the Company had five ongoing consolidated development projects and expects to incur approximately \$229,840 and \$13,929 in the remainder of 2022 and 2023, respectively, excluding noncontrolling interests' share, to substantially complete the construction of the projects. As of March 31, 2022, the Company had two consolidated and two non-consolidated joint ventures that own land parcels held for development. The Company is unable to estimate the timing of any required funding for the potential development projects on these parcels.

The Company and LCIF are parties to a funding agreement under which the Company may be required to fund distributions made on account of LCIF's OP units. Pursuant to the funding agreement, the parties agreed that, if LCIF does not have sufficient cash available to make a quarterly distribution to its limited partners in an amount in accordance with the partnership agreement, LXP will fund the shortfall. Payments under the agreement will be made in the form of loans to LCIF and will bear interest at prevailing rates as determined by the Company in its discretion but, no less than the applicable federal rate. LCIF's right to receive these loans will expire if no OP units remain outstanding and all such loans are repaid. No amounts have been advanced under this agreement.

From time to time, the Company is directly or indirectly involved in legal proceedings arising in the ordinary course of business. Management believes, 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 the Company's business, financial condition and results of operations.

(14) Supplemental Disclosure of Statement of Cash Flow Information

In addition to disclosures discussed elsewhere, during the three months ended March 31, 2022 and 2021, the Company paid \$9,261 and \$10,480, respectively, for interest and \$36 and \$295, respectively, for income taxes.

LXP INDUSTRIAL TRUST AND CONSOLIDATED SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

(Unaudited and dollars in thousands, except share/unit and per share/unit data)

During the three months ended March 31, 2022 and 2021, the Company had \$34,636 and \$9,935 respectively, of accrued non-cash assets in investments in real estate under construction.

During the three months ended March 31, 2021, the acquisition of the RR Ocala 44, LLC joint venture included a \$489 non-cash increase to investments in real estate under construction and the noncontrolling interest because a member of the joint venture made a non-cash contribution of the land in exchange for its ownership interest in the joint venture.

(15) Subsequent Events

Subsequent to March 31, 2022, the Company:

- acquired a warehouse/distribution facility in the Phoenix, Arizona market for a cost of approximately \$59,000;
- borrowed \$80,000 on the revolving credit facility, net;
- commenced development of two warehouse/distribution facilities in the Central Florida market;
- disposed of three properties for aggregate gross proceeds of approximately \$55,000; and
- repurchased 1,238,427 common shares at an average price of \$13.41 per common share under the share repurchase program.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

When we use the terms the "Company," the "Trust," "LXP," "we," "our," and "us," we refer collectively to LXP Industrial Trust and its consolidated subsidiaries. All of the Company's interests are held, and all of the property operating activities are conducted through special purposes entities, which we refer to as property owner subsidiaries or lender subsidiaries and are separate and distinct legal entities, but in some instances are consolidated for financial statement purposes and/or disregarded for income tax purposes. References herein to "this Quarterly Report" are to this Quarterly Report on Form 10-Q for the three months ended March 31, 2022. The results of operations contained herein for the three months ended March 31, 2022 and 2021 are not necessarily indicative of the results that may be expected for a full year.

When we use the term "REIT," we mean real estate investment trust. All references to 2022 and 2021, refer to the periods ending March 31, 2022 and 2021, respectively and our fiscal year ended December 31, 2021.

When we use the term "GAAP," we mean United States generally accepted accounting principles in effect from time to time.

When we use the term "common shares," we mean our shares of beneficial interest par value \$0.0001, classified as common stock. When we use the term "Series C Preferred Shares," we mean our beneficial interest classified as 6.50% Series C Cumulative Convertible Preferred Stock.

When we use the term "base rent," we mean GAAP rental revenue and ancillary income, excluding billed tenant reimbursements and lease termination income.

The following is a discussion and analysis of the unaudited condensed consolidated financial condition and results of operations of LXP Industrial Trust for the three months ended March 31, 2022 and 2021, and significant factors that could affect its prospective financial condition and results of operations. This discussion should be read together with the accompanying unaudited condensed consolidated financial statements of the Company included herein and notes thereto and with the consolidated financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission, or SEC, on February 24, 2022, which we refer to as the Annual Report. Historical results may not be indicative of future performance.

Forward-Looking Statements. This Quarterly Report, together with other statements and information publicly disseminated by us, contains 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 should not 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 in "Management's Discussion and Analysis of Financial Condition and Results of Operations," and under the headings "Risk Factors" in this Quarterly Report and under "Risk Factors" in Part I, Item A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Annual Report and other periodic reports filed by the Company with the SEC. Except as required by law, we undertake no obligation to publicly release 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.

Overview

As of March 31, 2022, we had equity ownership interests in approximately 123 consolidated real estate properties, located in 23 states and containing an aggregate of approximately 55.6 million square feet of space, approximately 98.9% of which was leased.

Since December 31, 2015 through March 31, 2022, we transitioned our portfolio from approximately 16% warehouse/distribution assets to approximately 98% warehouse/distribution assets. As of March 31, 2022, our portfolio consisted of 111 warehouse/distribution facilities and 12 other properties.

On February 8, 2022, we announced that our Board of Trustees initiated a review of our strategic alternatives. On April 8, 2022, we announced that our Board of Trustees suspended the review of strategic alternatives.

First Quarter 2022 Transaction Summary.

The following summarizes our significant transactions during the three months ended March 31, 2022.

Leasing Activity:

During the first quarter of 2022, we entered into new leases and lease extensions encompassing 2.3 million square feet. The average fixed rent on these extended leases was \$5.68 per square foot compared to the average fixed rent on these leases before extension of \$5.04 per square foot. The weighted-average cost of tenant improvements and lease commissions was \$0.25 per square foot for extended leases and \$8.83 per square foot for new leases.

Investments:

During the three months ended March 31, 2022, we acquired the following warehouse/distribution assets:

Market	Square Feet	Initial Capitalized Cost (millions)	Date Acquired	Approximate Lease Term (years)	% Leased at Acquisition
Cincinnati/Dayton, OH ⁽¹⁾	232,500	\$ 23.4	February 2022	N/A	— %
Cincinnati/Dayton, OH	544,320	48.6	February 2022	10	100 %
	<u>776,820</u>	<u>\$ 72.0</u>			

(1) Subsequent to acquisition, property was fully leased for approximately nine years.

Capital Recycling:

- Disposed of our interest in one consolidated land parcel for a disposition price of \$0.3 million.
- NNN Office JV L.P. disposed of two properties for an aggregate gross disposition price of \$168.5 million and satisfied an aggregate of \$109.0 million of non-recourse variable-rate debt. We own 20% of the joint venture and we received aggregate proceeds of \$11.5 million.

Equity:

- Settled 3.6 million common shares previously sold on a forward basis for net proceeds of \$38.5 million.

Development Activity:

As of March 31, 2022, we had five consolidated development projects in process with an aggregate estimated total cost of \$466.4 million. We anticipate our remaining funding obligation to substantially complete the construction of these five projects, exclusive of our joint venture partners' share, to be approximately \$243.8 million. However, the risks associated with development, including supply chain issues, could adversely impact our estimates.

Critical Accounting Estimates

In preparing the consolidated financial statements we have made estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Accounting estimates are deemed critical if they involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Below is a summary of the critical accounting estimates used in the preparation of our unaudited condensed consolidated financial statements. A summary of our significant accounting policies which are important to the portrayal of our financial condition and results of operations is set forth in (1) Note 2 to our audited consolidated financial statements, which are included in "Financial Statements and Supplementary Data" in Part II, Item 8 of the Annual Report and (2) Note 2 to our unaudited condensed consolidated financial statements contained in this Quarterly Report.

Acquisition of Real Estate. Primarily all of our acquisitions of real estate assets and liabilities are accounted for as asset acquisitions. As such, the purchase prices of acquired tangible and intangible assets and liabilities are recorded and allocated at fair value on a relative basis. The recorded allocations of tangible assets are based on the “as-if-vacant” value using estimated cash flow projections of the properties acquired which incorporates discount, capitalization and interest rates as well as available comparable market information. Allocations of intangible assets includes management’s estimates of current market rents and leasing costs.

We use considerable judgement in our estimates of cash flow projections, discount, capitalization and interest rates, fair market lease rates, carrying costs during hypothetical expected lease-up periods and costs to execute similar leases. While our methodology for purchase price allocation did not change during the three months ended March 31, 2022, the real estate market is fluid and our assumptions are based on information currently available in the market at the time of acquisition. Significant increases or decreases in these key estimates, particularly with regards to cash flow projections and discount and capitalization rates, would result in a significantly lower or higher fair value measurement of the real estate assets being acquired.

Revenue Recognition. We enter into agreements with tenants that convey the right to control the use of identified space at our properties in exchange for rental revenue. These agreements meet the criteria for recognition as leases under Accounting Standards Codification (“ASC”) 842, *Leases*. We recognize lease revenue on a straight-line basis over the term of the lease unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property. We commence revenue recognition when possession or control of the space is turned over to the tenant.

We evaluate the collectability of our rental payments and recognize revenue on a cash basis when we believe it is no longer probable that we will receive substantially all of the remaining lease payments. Management exercises judgment in assessing collectability of tenant receivables and considers payment history, current credit status, publicly available information about the financial condition of the tenant and other factors. Our assessment of the collectability of tenant receivables can have a significant impact on the rental revenue recognized in our unaudited condensed consolidated statements of operations.

Impairment of Real Estate. We record impairments of our real estate assets classified as held for use when triggering events dictate that an asset may be impaired. An impairment is recorded when the carrying amount of the asset exceeds the sum of its undiscounted future operating and residual cash flows. The impairment recorded is the difference between estimated fair value of the asset and the carrying amount. We record impairments of our real estate assets classified as held for sale at the lower of the carrying amount or estimated fair value using the estimated or contracted sales price less costs to sell. Any real estate assets recorded at fair value on a non-recurring basis as a result of our impairment analysis are valued using unobservable local and national industry market data such as comparable sales, appraisals, brokers’ opinions of value and/or terms of definitive sales contracts. Additionally, the analysis includes considerable judgement in our estimates of hold periods, projected cash flows and discount and capitalization rates. Significant increases or decreases in any of these inputs, particularly with regards to cash flow projections and discount and capitalization rates, would result in a significantly lower or higher fair value measurement of the real estate assets being assessed.

We will record an impairment charge related to our investments, including investments in non-consolidated entities, if we determine the fair value of the investments are less than their carrying value and such impairment is other-than-temporary. We evaluate whether events or changes in circumstances indicate that the carrying amount of our investments may not be recoverable. Our evaluation of changes in economic or operating conditions and whether an impairment is other-than-temporary may include developing estimates of fair value, forecasted cash flows or operating income before depreciation and amortization. We estimate undiscounted cash flows and fair value using observable and unobservable data such as operating income, hold periods, estimated capitalization and discount rates, or relevant market multiples, leasing prospects and local market information and whether certain impairments are other-than-temporary.

Liquidity and Capital Resources

Cash Flows. We believe that cash flows from operations will continue to provide adequate capital to fund our operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with applicable REIT requirements in both the short-term and long-term. However, our cash flow from operations may be negatively affected in the near term if we grant tenant rent relief packages or experience tenant defaults as a result of the effects of the current economic conditions. In addition, we anticipate that cash on hand, borrowings under our unsecured revolving credit facility, capital recycling proceeds, issuances of equity, mortgage proceeds and other debt, as well as other available alternatives, will provide the necessary capital required by our business.

At March 31, 2022, our property owner subsidiaries do not have mortgage maturities with balloon payments due until 2031. In addition, certain of our subsidiaries are obligated to fund the construction of our development projects and we sometimes guaranty these obligations. We believe our property owner subsidiaries have sufficient sources of liquidity to meet these obligations through future cash flows from operations, the credit markets and, if determined appropriate by us, a capital contribution from us from either cash on hand (\$49.1 million at March 31, 2022), property sale proceeds, borrowing capacity under our unsecured revolving credit facility (\$600.0 million at March 31, 2022, subject to covenant compliance), which expires in 2023, but can be extended by us to 2024, unsettled forward common share sale contracts, and future cash flows from operations.

Cash flows from operations were \$42.1 million for the three months ended March 31, 2022 as compared to \$57.4 million for the three months ended March 31, 2021. The decrease was primarily related to property sales and a decrease in termination fee income, partially offset by the impact of cash flow generated from acquiring properties. The underlying drivers that impact our working capital, and therefore cash flows from operations, are the timing of collection of rents, including reimbursements from tenants, payment of interest on mortgage debt and payment of operating and general and administrative costs. We believe the net-lease structure of the leases encumbering a majority of the properties in which we have an interest mitigates the risks of the timing of cash flows from operations since the payment and timing of operating costs related to the properties are generally borne directly by the tenant. The collection and timing of tenant rents are closely monitored by management as part of our cash management program.

Net cash used in investing activities totaled \$152.5 million and \$24.9 million during the three months ended March 31, 2022 and 2021, respectively. Cash used in investing activities related primarily to acquisitions of real estate, investments in real estate under construction, capital expenditures, lease costs, investments in non-consolidated entities and changes in real estate deposits, net. Cash provided by investing activities primarily related to net proceeds received from the disposition of real estate and distributions from non-consolidated entities.

Net cash used in financing activities totaled \$31.4 million and \$41.7 million during the three months ended March 31, 2022 and 2021, respectively. Cash provided by financing activities primarily related to the issuances of common shares and cash contributions from noncontrolling interests. Cash used in financing activities primarily related to the purchase of a noncontrolling interest and dividend and debt service payments.

Common Share Issuances:

At-The-Market Offering Program. We maintain an At-The-Market offering program ("ATM program") under which the Company can issue common shares, including through forward sales contracts.

During the three months ended March 31, 2022, we settled 3.6 million common shares previously sold in 2021 on a forward basis on the maturity date of the contracts and received \$38.5 million of net proceeds. There were no forward share settlements during the three months ended March 31, 2021. All forward sales contracts under our ATM program have been settled as of March 31, 2022.

In February 2021, we amended the terms of our ATM offering program, under which we may, from time to time, sell up to \$350.0 million common shares over the term of the program. As of March 31, 2022, common shares with an aggregate value of \$295.0 million remain available for issuance under the ATM program.

Underwritten Equity Offerings. In May 2021, we entered into forward sales contracts for the sale of 16,000,000 common shares at a public offering price of \$12.11 per common share in an underwritten equity offering that have not yet settled. The forward sales contracts mature in May 2022, subject to our right to elect cash or net share settlement. As of March 31, 2022, the forward sales contracts had an aggregate settlement price of \$185.3 million, which is subject to adjustment in accordance with the forward sales contracts.

The volatility in the capital markets primarily resulting from the effects of the current economic conditions may negatively affect our ability to access the capital markets through our ATM program and other offerings.

Dividends. Dividends paid to our common and preferred shareholders were \$36.8 million and \$33.5 million in the three months ended March 31, 2022 and 2021, respectively.

We declared a quarterly dividend of \$0.12 per common share during the three months ended March 31, 2022, which is an increase from the \$0.1075 per common share quarterly dividend declared during the three months ended March 31, 2021.

UPREIT Structure. As of March 31, 2022, 769,000 units of limited partner interests, or OP units, in our operating partnership, LCIF, were outstanding not including OP units held by us. Assuming all outstanding OP units not held by us were redeemed on such date, the estimated fair value of such OP units was \$13.6 million based on our closing price of \$15.70 per common share as of March 31, 2022 and a redemption factor of approximately 1.13 common shares per OP unit.

Financings. The following senior notes were outstanding as of March 31, 2022:

Issue Date	Face Amount (\$000)	Interest Rate	Maturity Date	Issue Price
August 2021	\$ 400,000	2.375 %	October 2031	99.758 %
August 2020	400,000	2.70 %	September 2030	99.233 %
May 2014	198,932	4.40 %	June 2024	99.883 %
	<u>\$ 998,932</u>			

Each series of senior notes is unsecured and requires payment of interest semi-annually in arrears. We may redeem the notes at our option at any time prior to maturity in whole or in part by paying the principal amount of the Senior Notes being redeemed plus a make-whole premium.

A summary of the maturity dates and interest rates of our unsecured credit agreement, as of March 31, 2022, are as follows:

	Maturity Date	Current Interest Rate
\$600.0 Million Revolving Credit Facility ⁽¹⁾	February 2023	LIBOR + 0.90%
\$300.0 Million Term Loan ⁽²⁾	January 2025	LIBOR + 1.00%

(1) Maturity date of the revolving credit facility can be extended to February 2024 at our option. The interest rate ranges from LIBOR plus 0.775% to 1.45%. At March 31, 2022, we had no borrowings outstanding and availability of \$600.0 million, subject to covenant compliance.

(2) The LIBOR portion of the interest rate was swapped to obtain a current fixed rate of 2.732% per annum.

As of March 31, 2022, we were compliant with all applicable financial covenants contained in our corporate-level debt agreements.

Contractual Obligations

As of March 31, 2022, we had five ongoing consolidated development projects and expect to incur approximately \$229.9 million and \$13.9 million of costs in the remainder of 2022 and 2023, respectively, excluding noncontrolling interests' share, to substantially complete the construction of such projects. As of March 31, 2022, we had two consolidated and two non-consolidated joint ventures that own land parcels held for development. We are unable to estimate the timing of any required funding for potential development projects on these parcels.

Results of Operations

Three months ended March 31, 2022 compared with three months ended March 31, 2021. The decrease in net income attributable to common shareholders of \$30.4 million was primarily due to the items discussed below.

The decrease in total gross revenues of \$12.3 million was primarily due to a decrease in termination income of \$10.9 million recognized during the three months ended March 31, 2021. In addition, property sales, including the recapitalization of our special purpose industrial portfolio now owned in a non-consolidated joint venture, contributed to the decrease which was partially offset by acquisition revenue.

The increase in depreciation and amortization expense of \$2.3 million was primarily due to acquisition activity.

The increase in property operating expense of \$3.7 million was primarily due to an increase in operating expense responsibilities at certain properties.

The increase in general and administrative expenses of \$2.3 million was primarily due to an increase of \$1.2 million in costs incurred related to the Board of Trustees strategic alternatives review and consulting costs related to activism. The remaining \$1.1 million increase is primarily payroll expense.

The decrease in interest and amortization expense of \$0.8 million related primarily to a decrease in the amount of our mortgage debt outstanding and a decrease in our overall borrowing rate.

The decrease in gains on sales of properties of \$21.7 million was related to the timing of property dispositions.

The increase in equity in earnings (losses) of non-consolidated entities of \$11.4 million was primarily due to recognizing our share of gains on sale of two properties from the NNN Office JV L.P. in 2022 with no property sales at our non-consolidated entities in 2021.

Same-Store Results

Same-store net operating income, or NOI, which is a non-GAAP measure, represents the NOI for consolidated properties that were owned and included in our portfolio for two comparable reporting periods. We define NOI as operating revenues (rental income (less GAAP rent adjustments and lease termination income, net), and other property income) less property operating expenses. As same-store NOI excludes the change in NOI from acquired and disposed of properties, it highlights operating trends such as occupancy levels, rental rates and operating costs on properties. Other REITs may use different methodologies for calculating same-store NOI, and accordingly same-store NOI may not be comparable to other REITs. Management believes that same-store NOI is a useful supplemental measure of our operating performance. However, same-store NOI should not be viewed as an alternative measure of our financial performance since it does not reflect the operations of our entire portfolio, nor does it reflect the impact of general and administrative expenses, acquisition-related expenses, interest expense, depreciation and amortization costs, other nonproperty income and losses, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, or trends in development and construction activities which are significant economic costs and activities that could materially impact our results from operations. We believe that net income is the most directly comparable GAAP measure to same-store NOI.

The following presents our consolidated same-store NOI, for the three months ended March 31, 2022 and 2021 (\$000's):

	Three Months Ended March 31,	
	2022	2021
Total cash base rent	\$ 54,756	\$ 52,736
Tenant reimbursements	9,417	8,818
Property operating expenses	(11,176)	(9,837)
Same-store NOI	<u>\$ 52,997</u>	<u>\$ 51,717</u>

Our reported same-store NOI increased from the first three months of 2021 to the first three months of 2022 by 2.5% primarily due to an increase in occupancy and cash base rents. As of March 31, 2022 and 2021, our historical same-store square footage leased was 99.4% and 98.4%, respectively.

Below is a reconciliation of net income to same-store NOI for periods presented (\$000's):

	Three Months Ended March 31,	
	2022	2021
Net income	\$ 10,908	\$ 41,475
Interest and amortization expense	10,682	11,486
Provision for income taxes	417	372
Depreciation and amortization	44,506	42,176
General and administrative	10,737	8,420
Transaction costs	89	11
Non-operating/advisory fee income	(1,483)	(1,230)
Gains on sales of properties	(255)	(21,919)
Equity in (earnings) losses of non-consolidated entities	(11,301)	90
Lease termination income, net	—	(10,941)
Straight-line adjustments	(3,502)	(2,020)
Lease incentives	134	219
Amortization of above/below market leases	(480)	(460)
NOI	60,452	67,679
Less NOI:		
Acquisitions and dispositions	(7,455)	(15,962)
Same-Store NOI	\$ 52,997	\$ 51,717

Funds From Operations

We believe that Funds from Operations, or FFO, which is a non-GAAP measure, is a widely recognized and appropriate measure of the performance of an equity REIT. We believe FFO is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate and related assets, which assumes that the value of real estate diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions. As a result, FFO provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, development activities, interest costs and other matters without the inclusion of depreciation and amortization, providing perspective that may not necessarily be apparent from net income.

The National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as “net income (calculated in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sales of certain real estate assets, gains and losses from change in control and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. The reconciling items include amounts to adjust earnings from consolidated partially-owned entities and equity in earnings of unconsolidated affiliates to FFO.” FFO does not represent cash generated from operating activities in accordance with GAAP and is not indicative of cash available to fund cash needs.

We present FFO available to common shareholders and unitholders - basic and also present FFO available to all equityholders and unitholders - diluted on a company-wide basis as if all securities that are convertible, at the holder's option, into our common shares, are converted at the beginning of the period. We also present Adjusted Company FFO available to all equityholders and unitholders - diluted which adjusts FFO available to all equityholders and unitholders - diluted for certain items which we believe are not indicative of the operating results of our real estate portfolio. We believe this is an appropriate presentation as it is frequently requested by security analysts, investors and other interested parties. Since others do not calculate these measures in a similar fashion, these measures may not be comparable to similarly titled measures as reported by others. These measures should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity.

The following presents a reconciliation of net income attributable to common shareholders to FFO available to common shareholders and unitholders and Adjusted Company FFO available to all equityholders and unitholders for the three months ended March 31, 2022 and 2021 (unaudited and dollars in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2022	2021
FUNDS FROM OPERATIONS:		
Basic and Diluted:		
Net income attributable to common shareholders	\$ 8,989	\$ 39,401
Adjustments:		
Depreciation and amortization	43,850	41,478
Noncontrolling interests - OP units	89	239
Amortization of leasing commissions	656	698
Joint venture and noncontrolling interest adjustment	3,150	2,115
Gains on sales of properties, including non-consolidated entities, net of tax	(11,526)	(21,919)
FFO available to common shareholders and unitholders - basic	45,208	62,012
Preferred dividends	1,572	1,572
Amount allocated to participating securities	61	69
FFO available to all equityholders and unitholders - diluted	46,841	63,653
Transaction costs	89	11
Strategic alternatives and activism costs	1,181	—
Adjusted Company FFO available to all equityholders and unitholders - diluted	\$ 48,111	\$ 63,664
Per Common Share and Unit Amounts		
Basic:		
FFO	\$ 0.16	\$ 0.22
Diluted:		
FFO	\$ 0.16	\$ 0.22
Adjusted Company FFO	\$ 0.16	\$ 0.22
Weighted-Average Common Shares:		
Basic:		
Weighted-average common shares outstanding - basic EPS	283,640,465	275,416,327
Operating partnership units ⁽¹⁾	871,037	2,852,419
Weighted-average common shares outstanding - basic FFO	284,511,502	278,268,746
Diluted:		
Weighted-average common shares outstanding - diluted EPS	289,067,778	279,053,697
Operating partnership units ⁽¹⁾	871,037	—
Unvested share-based payment awards	59,384	9,125
Preferred shares - Series C	4,710,570	4,710,570
Weighted-average common shares outstanding - diluted FFO	294,708,769	283,773,392

(1) Includes all OP units other than OP units held by us.

Off-Balance Sheet Arrangements

As of March 31, 2022, we had investments in various real estate entities with varying structures. The real estate investments owned by these entities are generally financed with non-recourse debt. Non-recourse debt is generally defined as debt whereby the lenders' sole recourse with respect to borrower defaults is limited to the value of the assets collateralized by the debt. The lender generally does not have recourse against any other assets owned by the borrower or any of the members or partners of the borrower, except for certain specified exceptions listed in the particular loan documents. These exceptions generally relate to "bad boy" acts, including fraud, prohibited transfers and breaches of material representations. We have guaranteed such obligations for certain of our non-consolidated entities with respect to \$666.7 million of such non-recourse debt. We believe the likelihood of making any payments under such guaranties is remote and we generally have an agreement from each partner to reimburse us for its proportionate share of any liability related to a guarantee trigger unless such trigger is caused solely by us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk relates primarily to our variable-rate indebtedness not subject to interest rate swaps and our fixed-rate debt. Our consolidated aggregate principal variable-rate indebtedness not subject to interest rate swaps was \$129.1 million at each of March 31, 2022 and 2021, which represented 8.6% and 9.6%, respectively, of our aggregate principal consolidated indebtedness. During the three months ended March 31, 2022 and 2021, our variable-rate indebtedness had a weighted-average interest rate of 1.9%. Had the weighted-average interest rate been 100 basis points higher, our interest expense for the three months ended March 31, 2022 and 2021 would have increased by \$0.3 million, each period. At each of March 31, 2022 and 2021, our aggregate principal consolidated fixed-rate debt was \$1.4 billion and \$1.2 billion, respectively, which represented 91.4% and 90.4%, respectively, of our aggregate principal indebtedness.

For certain of our financial instruments, fair values are not readily available since there are no active trading markets as characterized by current exchanges between willing parties. Accordingly, we derive or estimate fair values using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated cash flows may be subjective and imprecise. Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values, especially given the volatility of the current economic environment. The following fair value was determined using the interest rates that we believe our outstanding fixed-rate indebtedness would warrant as of March 31, 2022. We believe the fair value is indicative of the interest rate environment as of March 31, 2022, but this amount does not take into consideration the effects of subsequent interest rate fluctuations. Accordingly, we estimate that the fair value of our fixed-rate indebtedness was \$1.3 billion as of March 31, 2022.

Our interest rate risk objectives are to limit the impact of interest rate fluctuations on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we manage our exposure to fluctuations in market interest rates through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. We may enter into derivative financial instruments such as interest rate swaps or caps to mitigate our interest rate risk on a related financial instrument or to effectively lock the interest rate on a portion of our variable-rate debt. As of March 31, 2022, we had four interest rate swap agreements (see note 8 to our unaudited condensed consolidated financial statements contained in this Quarterly Report).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report to determine if such controls and procedures were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, including each of our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures were effective as of March 31, 2022.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this Quarterly Report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

From time to time, we are directly and indirectly involved in legal proceedings arising in the ordinary course of our business, including claims by lenders under non-recourse carve-out guarantees. 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 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in the Annual Report.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no share repurchases during the quarter ended March 31, 2022 under our share repurchase authorization most recently announced on November 2, 2018, which has no expiration date. As of March 31, 2022, there were 8,976,315 shares that may yet be purchased under our share repurchase authorization.

ITEM 3. Defaults Upon Senior Securities - not applicable.

ITEM 4. Mine Safety Disclosures - not applicable.

ITEM 5. Other Information - not applicable.

ITEM 6. Exhibits.

Exhibit No.	Description
3.1	— Articles of Merger and Amended and Restated Declaration of Trust of the Company, dated December 31, 2006 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed January 8, 2007 (the "01/08/07 8-K"))(1)
3.2	— Articles Supplementary Relating to the Reclassification of 8.05% Series B Cumulative Redeemable Preferred Stock, par value \$0.0001 per share, and 7.55% Series D Cumulative Redeemable Preferred Stock, par value \$0.0001 per share (filed as Exhibit 3.4 to the Company's Current Report on Form 8-K filed November 21, 2013)(1)
3.3	— Articles of Amendment to the Amended and Restated Declaration of Trust, dated as of December 14, 2021 (filed as of Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 16, 2021)(1)
3.4	— Amended and Restated By-laws of the Company (filed as Exhibit 3.2 to the 01/08/07 8-K)(1)
3.5	— First Amendment to Amended and Restated By-laws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed November 20, 2009) (1)
3.6	— Second Amendment to Amended and Restated By-Laws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 3, 2017) (1)
3.7	— Third Amendment to Amended and Restated By-Laws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed April 9, 2020)(1)
3.8	— Sixth Amended and Restated Agreement of Limited Partnership of LCIF, dated as of December 30, 2013 (filed as Exhibit 3.25 to the Company's Annual Report on Form 10-K filed February 26, 2014)(1)
3.9	— First Amendment to Sixth Amended and Restated Agreement of Limited Partnership of LCIF, dated as of July 12, 2021 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed July 16, 2021)(1)
4.1	— Specimen of Common Shares Certificate of the Company (filed as Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2021)(1)
4.2	— Form of 6.50% Series C Cumulative Convertible Preferred Stock certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form 8A filed December 8, 2004)(1)
4.3	— Indenture, dated as of January 29, 2007, among the Company (as successor by merger), the other guarantors named therein and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 29, 2007 (the "01/29/07 8-K"))(1)
4.4	— Amended and Restated Trust Agreement, dated March 21, 2007, among the Company, The Bank of New York Trust Company, National Association, The Bank of New York (Delaware), the Administrative Trustees (as named therein) and the several holders of the Preferred Securities from time to time (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 27, 2007 (the "03/27/2007 8-K"))(1)
4.5	— Junior Subordinated Indenture, dated as of March 21, 2007, between Lexington Realty Trust and The Bank of New York Trust Company, National Association (filed as Exhibit 4.2 to the 03/27/07 8-K)(1)
4.6	— Fourth Supplemental Indenture, dated as of December 31, 2008, among the Company, the other guarantors named therein and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 2, 2009)(1)
4.7	— Fifth Supplemental Indenture, dated as of June 9, 2009, among the Company (as successor to the MLP), the other guarantors named therein and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 15, 2009)(1)
4.8	— Sixth Supplemental Indenture, dated as of January 26, 2010 among the Company, the guarantors named therein and U.S. Bank National Association, as trustee, including the Form of 6.00% Convertible Guaranteed Notes due 2030 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed January 26, 2010)(1)
4.9	— Seventh Supplemental Indenture, dated as of September 28, 2012, among the Company, certain subsidiaries of the Company signatories thereto, and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed October 3, 2012)(1)
4.10	— Eighth Supplemental Indenture, dated as of February 13, 2013, among the Company, certain subsidiaries of the Company signatories thereto, and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 13, 2013 (the "02/13/13 8-K"))(1)
4.11	— Ninth Supplemental Indenture, dated as of May 6, 2013, among the Company, certain subsidiaries of the Company signatories thereto, and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 8, 2013)(1)
4.12	— Tenth Supplemental Indenture, dated as of June 13, 2013, among the Company, certain subsidiaries of the Company signatories thereto, and U.S. Bank National Association, as trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed on June 13, 2013 (the "06/13/13 8-K"))(1)

4.13	—	Tenth Supplemental Indenture, dated as of September 30, 2013, among the Company, certain subsidiaries of the Company signatories thereto, and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 3, 2013 (the "10/03/2013 8-K"))(1)
4.14	—	Indenture, dated as of June 10, 2013, among the Company, the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the 06/13/2013 8-K))(1)
4.15	—	First Supplemental Indenture, dated as of September 30, 2013, among the Company, the subsidiary guarantors named therein, and U.S. Bank National Association, as trustee (filed as Exhibit 4.2 to the 10/03/2013 8-K))(1)
4.16	—	Indenture dated as of May 9, 2014, among the Company, LCIF and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 13, 2014))(1)
4.17	—	First Supplemental Indenture, dated as of May 20, 2014, among the Company, LCIF and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 20, 2014))(1)
4.18	—	Second Supplemental Indenture, dated as of August 28, 2020, among the Company and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 28, 2020))(1)
4.19	—	Third Supplemental Indenture, dated as of August 30, 2021, among the Company and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 30, 2021))(1)
31.1	—	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(2)
31.2	—	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(2)
32.1	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)
32.2	—	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(3)
101.INS	—	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (2, 5)
101.SCH	—	Inline XBRL Taxonomy Extension Schema (2, 5)
101.CAL	—	Inline XBRL Taxonomy Extension Calculation Linkbase (2, 5)
101.DEF	—	Inline XBRL Taxonomy Extension Definition Linkbase Document (2, 5)
101.LAB	—	Inline XBRL Taxonomy Extension Label Linkbase Document (2, 5)
101.PRE	—	Inline XBRL Taxonomy Extension Presentation Linkbase Document (2, 5)

- (1) Incorporated by reference.
- (2) Filed herewith.
- (3) Furnished herewith. This exhibit shall not be deemed "filed" for purposes of Section 11 or 12 of the Securities Act of 1933, as amended (the "Securities Act"), or Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of those sections, and shall not be part of any registration statement to which it may relate, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as set forth by specific reference in such filing or document.
- (4) Management contract or compensatory plan or arrangement.
- (5) The following materials from this Quarterly Report on Form 10-Q for the period ended March 31, 2022 are formatted in Inline XBRL (Extensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets of the Company; (ii) Unaudited Condensed Consolidated Statements of Operations of the Company; (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) of the Company; (iv) Unaudited Condensed Consolidated Statements of Changes in Equity of the Company; (v) Unaudited Condensed Consolidated Statements of Cash Flows of the Company; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements of the Company, detailed tagged.

SIGNATURES

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 thereunto duly authorized.

LXP Industrial Trust

Date: May 5, 2022

By: /s/ T. Wilson Eglin

T. Wilson Eglin

Chief Executive Officer and President
(principal executive officer)

Date: May 5, 2022

By: /s/ Beth Boulerice

Beth Boulerice

Chief Financial Officer, Executive Vice President
and Treasurer
(principal financial officer)

**CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, T. Wilson Eglin, certify that:

1. I have reviewed this report on Form 10-Q of LXP Industrial Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 5, 2022

/s/ T. Wilson Eglin

T. Wilson Eglin
Chief Executive Officer

**CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Beth Boulerice, certify that:

1. I have reviewed this report on Form 10-Q of LXP Industrial Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 5, 2022

/s/ Beth Boulerice

Beth Boulerice

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of LXP Industrial Trust (“the Company”) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof, I, T. Wilson Eglin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ T. Wilson Eglin

T. Wilson Eglin
Chief Executive Officer

May 5, 2022

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of LXP Industrial Trust (“the Company”) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof, I, Beth Boulerice, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Beth Boulerice

Beth Boulerice

Chief Financial Officer

May 5, 2022