

FIRST INDUSTRIAL REALTY TRUST INC

Form 10-Q

November 10, 2008

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

**Form 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2008**
- 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 1-13102**

**First Industrial Realty Trust, Inc.**  
*(Exact Name of Registrant as Specified in its Charter)*

**Maryland**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**36-3935116**  
*(I.R.S. Employer  
Identification No.)*

**311 S. Wacker Drive, Suite 4000, Chicago, Illinois 60606**  
*(Address of Principal Executive Offices)*

**(312) 344-4300**  
*(Registrant's Telephone Number, Including Area Code)*

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

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

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

Number of shares of Common Stock, \$.01 par value, outstanding as of October 31, 2008: 44,297,256.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**Form 10-Q**

**For the Period Ended September 30, 2008**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
	<b>(Unaudited)</b>	
	<b>(In thousands except share and per share data)</b>	
<b>ASSETS</b>		
Assets:		
Investment in Real Estate:		
Land	\$ 763,087	\$ 655,523
Buildings and Improvements	2,466,486	2,599,784
Construction in Progress	78,140	70,961
Less: Accumulated Depreciation	(493,330)	(509,981)
Net Investment in Real Estate	2,814,383	2,816,287
Real Estate Held for Sale, Net of Accumulated Depreciation and Amortization of \$14,549 and \$3,038 at September 30, 2008 and December 31, 2007, respectively	70,220	37,875
Cash and Cash Equivalents	6,858	5,757
Restricted Cash	25,979	24,903
Tenant Accounts Receivable, Net	9,207	9,665
Investments in Joint Ventures	60,673	57,543
Deferred Rent Receivable, Net	30,101	32,665
Deferred Financing Costs, Net	12,911	15,373
Deferred Leasing Intangibles, Net	84,446	87,019
Prepaid Expenses and Other Assets, Net	199,608	170,946
Total Assets	\$ 3,314,386	\$ 3,258,033

**LIABILITIES AND STOCKHOLDERS EQUITY**

Liabilities:		
Mortgage Loans Payable, Net	\$ 78,466	\$ 73,550
Senior Unsecured Debt, Net	1,515,842	1,550,991
Unsecured Line of Credit	396,254	322,129
Accounts Payable, Accrued Expenses and Other Liabilities	158,859	146,308
Deferred Leasing Intangibles, Net	20,632	22,041

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Rents Received in Advance and Security Deposits	24,663	31,425
Leasing Intangibles Held for Sale, Net of Accumulated Amortization of \$515 and \$0 at September 30, 2008 and December 31, 2007, respectively	584	
Dividends Payable	36,425	37,311
<b>Total Liabilities</b>	<b>2,231,725</b>	<b>2,183,755</b>
<b>Commitments and Contingencies</b>		
Minority Interest	146,189	150,359
Stockholders' Equity:		
Preferred Stock (\$0.01 par value, 10,000,000 shares authorized, 500, 250, 600, and 200 shares of Series F, G, J, and K Cumulative Preferred Stock, respectively, issued and outstanding at September 30, 2008 and December 31, 2007, having a liquidation preference of \$100,000 per share (\$50,000), \$100,000 per share (\$25,000), \$250,000 per share (\$150,000), and \$250,000 per share (\$50,000), respectively)		
Common Stock (\$0.01 par value, 100,000,000 shares authorized, 48,648,085 and 47,996,263 shares issued and 44,323,971 and 43,672,149 shares outstanding at September 30, 2008 and December 31, 2007, respectively)	487	480
Additional Paid-in-Capital	1,368,324	1,354,674
Distributions in Excess of Accumulated Earnings	(283,505)	(281,587)
Accumulated Other Comprehensive Loss	(8,816)	(9,630)
Treasury Shares at Cost (4,324,114 shares at September 30, 2008 and December 31, 2007)	(140,018)	(140,018)
<b>Total Stockholders' Equity</b>	<b>936,472</b>	<b>923,919</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,314,386</b>	<b>\$ 3,258,033</b>

The accompanying notes are an integral part of the financial statements.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
	<b>(Unaudited)</b>			
	<b>(In thousands except per share data)</b>			
Revenues:				
Rental Income	\$ 65,720	\$ 59,944	\$ 194,745	\$ 175,754
Tenant Recoveries and Other Income	25,680	25,212	78,826	78,093
Contractor Revenues	45,202	5,381	101,600	21,229
<b>Total Revenues</b>	<b>136,602</b>	<b>90,537</b>	<b>375,171</b>	<b>275,076</b>
Expenses:				
Property Expenses	30,587	27,584	94,469	81,203
General and Administrative	18,066	21,307	64,191	66,478
Depreciation and Other Amortization	39,150	35,019	119,647	100,464
Contractor Expenses	41,895	5,188	96,628	20,278
<b>Total Expenses</b>	<b>129,698</b>	<b>89,098</b>	<b>374,935</b>	<b>268,423</b>
Other Income/Expense:				
Interest Income	1,054	930	2,816	1,415
Interest Expense	(26,644)	(30,196)	(83,116)	(89,764)
Amortization of Deferred Financing Costs	(717)	(828)	(2,162)	(2,472)
Gain (Loss) From Early Retirement of Debt	1,260	(139)	2,749	(393)
<b>Total Other Income/Expense</b>	<b>(25,047)</b>	<b>(30,233)</b>	<b>(79,713)</b>	<b>(91,214)</b>
Loss from Continuing Operations Before Equity in Income of Joint Ventures, Income Tax Benefit and Income Allocated to Minority Interest	(18,143)	(28,794)	(79,477)	(84,561)
Equity in Income of Joint Ventures	725	6,376	7,295	23,633
Income Tax Benefit	2,064	2,521	7,240	4,451
Minority Interest Allocable to Continuing Operations	2,559	3,105	9,977	9,455
<b>Loss from Continuing Operations</b>	<b>(12,795)</b>	<b>(16,792)</b>	<b>(54,965)</b>	<b>(47,022)</b>
Income from Discontinued Operations (Including Gain on Sale of Real Estate of \$22,548 and \$59,637	24,739	68,369	181,260	205,650

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for the Three Months Ended September 30, 2008 and 2007, respectively, and \$166,393 and \$174,436 for the Nine Months Ended September 30, 2008 and 2007, respectively)

Provision for Income Taxes Allocable to Discontinued Operations (Including \$(26) and \$9,894 for the Three Months Ended September 30, 2008 and 2007, respectively, and \$2,748 and \$31,015 for the Nine Months Ended September 30, 2008 and 2007, respectively, allocable to Gain on Sale of Real Estate)	(65)	(10,155)	(3,343)	(33,081)
Minority Interest Allocable to Discontinued Operations	(3,062)	(7,317)	(22,293)	(21,726)
Income Before Gain on Sale of Real Estate	8,817	34,105	100,659	103,821
Gain on Sale of Real Estate		103	12,008	4,507
Provision for Income Taxes Allocable to Gain on Sale of Real Estate		(40)	(2,909)	(1,145)
Minority Interest Allocable to Gain on Sale of Sale Estate		(8)	(1,140)	(423)
Net Income	8,817	34,160	108,618	106,760
Less: Preferred Stock Dividends	(4,857)	(4,857)	(14,571)	(16,463)
Less: Redemption of Preferred Stock				(2,017)
Net Income Available to Common Stockholders	\$ 3,960	\$ 29,303	\$ 94,047	\$ 88,280
Basic and Diluted Earnings Per Share:				
Loss from Continuing Operations	\$ (0.41)	\$ (0.49)	\$ (1.43)	\$ (1.41)
Income From Discontinued Operations	\$ 0.50	\$ 1.15	\$ 3.61	\$ 3.40
Net Income Available to Common Stockholders	\$ 0.09	\$ 0.66	\$ 2.18	\$ 1.99
Weighted Average Shares Outstanding	43,151	44,240	43,088	44,373
Dividends/Distribution Declared per Common Share Outstanding	\$ 0.72	\$ 0.71	\$ 2.16	\$ 2.13

The accompanying notes are an integral part of the financial statements.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
	<b>(Unaudited)</b>			
	<b>(In thousands)</b>			
Net Income	\$ 8,817	\$ 34,160	\$ 108,618	\$ 106,760
Mark to Market of Interest Rate Protection Agreements, Net of Income Tax Benefit (Provision) of \$52 and \$0 for the three months ended September 30, 2008 and 2007, respectively, and \$(32) and \$0 for the nine months ended September 30, 2008 and 2007, respectively.	(1,878)	(329)	1,655	3,886
Amortization of Interest Rate Protection Agreements	(206)	(189)	(584)	(728)
Write-off of Unamortized Settlement Amounts of Interest Rate Protection Agreements	376		831	
Settlement of Interest Rate Protection Agreements				(4,261)
Foreign Currency Translation Adjustment, Net of Income Tax Benefit (Provision) of \$507 and \$(1,217) for the three months ended September 30, 2008 and 2007, respectively, and \$922 and \$(1,217) for the nine months ended September 30, 2008 and 2007, respectively.	(570)	2,261	(958)	2,261
Other Comprehensive Loss (Income) Allocable to Minority Interest	280	(220)	(130)	(195)
Other Comprehensive Income	\$ 6,819	\$ 35,683	\$ 109,432	\$ 107,723

The accompanying notes are an integral part of the financial statements.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
	<b>(Unaudited)</b>	
	<b>(In thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 108,618	\$ 106,760
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Allocation of Income to Minority Interest	13,456	12,694
Depreciation	86,378	91,507
Amortization of Deferred Financing Costs	2,162	2,472
Other Amortization	47,621	40,631
Provision for Bad Debt	2,752	2,801
Equity in Income of Joint Ventures	(7,295)	(23,633)
Distributions from Joint Ventures	9,934	25,078
Gain on Sale of Real Estate	(178,401)	(178,943)
(Gain) Loss on Early Retirement of Debt	(2,749)	393
Decrease in Developments for Sale Costs	1,860	4,106
Increase in Tenant Accounts Receivable and Prepaid Expenses and Other Assets, Net	(32,731)	(9,510)
Increase in Deferred Rent Receivable	(4,689)	(7,975)
Increase in Accounts Payable and Accrued Expenses and Rents Received in Advance and Security Deposits	12,578	13,181
Decrease (Increase) in Restricted Cash	90	(334)
<b>Net Cash Provided by Operating Activities</b>	<b>59,584</b>	<b>79,228</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of and Additions to Investment in Real Estate	(494,912)	(545,904)
Net Proceeds from Sales of Investments in Real Estate	479,938	587,778
Contributions to and Investments in Joint Ventures	(14,703)	(23,804)
Distributions from Joint Ventures	7,934	15,673
Funding of Notes Receivable	(10,325)	(8,385)
Repayment of Mortgage Loans Receivable	62,271	23,935
(Increase) Decrease in Restricted Cash	(1,166)	12,337
<b>Net Cash Provided by Investing Activities</b>	<b>29,037</b>	<b>61,630</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		

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Offering Costs	(185)	(46)
Proceeds from the Issuance of Common Stock	174	613
Redemption of Preferred Stock		(50,014)
Repurchase of Restricted Stock	(3,787)	(3,922)
Dividends/Distributions	(108,922)	(110,334)
Preferred Stock Dividends	(15,803)	(16,310)
Purchase of Treasury Shares		(29,406)
Repayments on Mortgage Loans Payable	(2,387)	(34,904)
Debt Issuance Costs	(76)	(3,758)
Net Proceeds from Senior Unsecured Debt		149,595
Repayments of Senior Unsecured Debt	(32,526)	(150,000)
Other Costs of Senior Unsecured Debt		(4,261)
Proceeds from Unsecured Line of Credit	476,920	677,000
Repayments on Unsecured Line of Credit	(402,000)	(582,000)
Cash Book Overdraft.	934	3,142
 Net Cash Used in Financing Activities	 (87,658)	 (154,605)
 Net Effect of Exchange Rate Changes on Cash and Cash Equivalents	 138	
Net Increase (Decrease) in Cash and Cash Equivalents	963	(13,747)
Cash and Cash Equivalents, Beginning of Period	5,757	16,135
 Cash and Cash Equivalents, End of Period	 \$ 6,858	 \$ 2,388

The accompanying notes are an integral part of the financial statements.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands except share and per share data)  
(Unaudited)**

**1. Organization and Formation of Company**

First Industrial Realty Trust, Inc. (the Company) was organized in the state of Maryland on August 10, 1993. The Company is a real estate investment trust (REIT) as defined in the Internal Revenue Code of 1986 (the Code). Unless the context otherwise requires, the terms the Company, we, us, and our refer to First Industrial Realty Trust, Inc., First Industrial, L.P. and their other controlled subsidiaries. We refer to our operating partnership, First Industrial, L.P., as the Operating Partnership, and our taxable REIT subsidiary, First Industrial Investment, Inc., as the TRS.

We began operations on July 1, 1994. Our operations are conducted primarily through the Operating Partnership, of which we are the sole general partner with an approximate 87.6% and 87.3% ownership interest at September 30, 2008 and September 30, 2007, respectively, and through the TRS, of which the Operating Partnership is the sole stockholder. We also conduct operations through other partnerships, corporations, and limited liability companies, the operating data of which, together with that of the Operating Partnership and the TRS, is consolidated with that of the Company as presented herein. Minority interest at September 30, 2008 and September 30, 2007 of approximately 12.4% and 12.7%, respectively, represents the aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

We also own minority equity interests in, and provide various services to, seven joint ventures which invest in industrial properties (the 2003 Net Lease Joint Venture, the 2005 Development/Repositioning Joint Venture, the 2005 Core Joint Venture, the 2006 Net Lease Co-Investment Program, the 2006 Land/Development Joint Venture, the 2007 Canada Joint Venture, and the 2007 Europe Joint Venture; together the Joint Ventures). The Joint Ventures are accounted for under the equity method of accounting. The operating data of the Joint Ventures is not consolidated with that of the Company as presented herein.

As of September 30, 2008, we owned 803 industrial properties (inclusive of developments in process) located in 29 states in the United States and one province in Canada, containing an aggregate of approximately 71.4 million square feet of gross leaseable area (GLA).

**2. Summary of Significant Accounting Policies**

The accompanying unaudited interim financial statements have been prepared in accordance with the accounting policies described in the financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2007, as amended (2007 Form 10-K) and should be read in conjunction with such financial statements and related notes. The following notes to these interim financial statements highlight significant changes to the notes included in the December 31, 2007 audited financial statements included in our 2007 Form 10-K and present interim disclosures as required by the Securities and Exchange Commission.

In order to conform with generally accepted accounting principles, we, in preparation of our financial statements, are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of September 30, 2008 and December 31, 2007, and the reported amounts of revenues and expenses for each of the three and nine months ended September 30, 2008 and September 30, 2007.

Actual results could differ from those estimates.

In our opinion, the accompanying unaudited interim financial statements reflect all adjustments necessary for a fair statement of our financial position as of September 30, 2008 and December 31, 2007 and the results of our operations and comprehensive income for each of the three and nine months ended September 30, 2008 and September 30, 2007, and our cash flows for each of the nine months ended September 30, 2008 and September 30, 2007, and all adjustments are of a normal recurring nature.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Construction Revenues and Expenses***

For the three and nine months ended September 30, 2008 construction revenues and expenses include revenues and expenses associated with us acting in the capacity of general contractor and/or development manager for certain third party development projects. For such projects we recognize the gross costs and revenues on a percentage of completion basis. Additionally, for the nine months ended September 30, 2008, construction revenues and expenses include amounts relating to the sale of industrial units that we developed to sell.

***Deferred Leasing Intangibles***

Deferred Leasing Intangibles, exclusive of Deferred Leasing Intangibles held for sale, included in our total assets consist of the following:

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
In-Place Leases	\$ 86,219	\$ 86,398
Less: Accumulated Amortization	(27,616)	(24,860)
	\$ 58,603	\$ 61,538
Above Market Leases	\$ 5,654	\$ 6,440
Less: Accumulated Amortization	(2,614)	(2,519)
	\$ 3,040	\$ 3,921
Tenant Relationships	\$ 27,800	\$ 24,970
Less: Accumulated Amortization	(4,997)	(3,410)
	\$ 22,803	\$ 21,560
Total Deferred Leasing Intangibles, Net	\$ 84,446	\$ 87,019

Deferred Leasing Intangibles, exclusive of Deferred Leasing Intangibles held for sale, included in our total liabilities consist of the following:

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Below Market Leases	\$ 32,365	\$ 31,668

Less: Accumulated Amortization	(11,733)	(9,627)
	\$ 20,632	\$ 22,041

The fair value of in-place leases, above market leases, tenant relationships and below market leases recorded due to real estate properties acquired during the nine months ended September 30, 2008 and September 30, 2007 is as follows:

	<b>September 30, 2008</b>	<b>September 30, 2007</b>
In-Place Leases	\$ 19,346	\$ 22,528
Above Market Leases	\$ 61	\$ 912
Tenant Relationships	\$ 6,973	\$ 9,773
Below Market Leases	\$ (3,482)	\$ (7,731)

**Table of Contents****FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The weighted average life in months of in-place leases, above market leases, tenant relationships and below market leases recorded as a result of the real estate properties acquired for the nine months ended September 30, 2008 and September 30, 2007 is as follows:

	<b>September 30, 2008</b>	<b>September 30, 2007</b>
In-Place Leases	116	76
Above Market Leases	43	100
Tenant Relationships	92	114
Below Market Leases	34	135

Amortization expense related to in-place leases and tenant relationships was \$6,764 and \$6,375 for the three months ended September 30, 2008 and September 30, 2007, respectively, and \$23,652 and \$17,643 for the nine months ended September 30, 2008 and September 30, 2007, respectively. Rental revenues increased by \$1,135 and \$1,027 related to amortization of above/below market leases for the three months ended September 30, 2008 and September 30, 2007, respectively, and \$5,958 and \$3,060 for the nine months ended September 30, 2008 and September 30, 2007, respectively.

***Income Taxes***

We file tax returns in the U.S. and various states and foreign jurisdictions. At December 31, 2007 the TRS was under examination by the Internal Revenue Service for tax years 2004 and 2005. During 2008 we received notification from the Internal Revenue Service that they have completed their examinations of the TRS for the 2004 and 2005 tax years. There were no changes to taxable income of the TRS as a result of the examination.

***Recent Accounting Pronouncements***

In September 2006, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), which establishes a framework for reporting fair value and expands disclosures about fair value measurements. We adopted the required provisions of SFAS 157 that became effective in our first quarter of 2008 (See Note 11). In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for certain items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently evaluating the potential impact of SFAS 157 on our consolidated financial statements for items within the scope of FSP 157-2, which will become effective beginning with our first quarter of 2009.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. We are currently evaluating the potential impact of adoption of

SFAS 141R on our consolidated financial statements, which will become effective beginning with our first quarter 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* ( SFAS 160 ). SFAS 160 establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of any retained noncontrolling equity investment when a subsidiary is deconsolidated. This statement also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. We are currently evaluating the potential impact of adoption of SFAS 160 on our consolidated financial statements, which will become effective beginning with our first quarter 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* ( SFAS 161 ). SFAS 161 requires entities that utilize derivative

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS 133 *Accounting for Derivative Instruments and Hedging Activities*, have been applied, and the impact that hedges have on an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. We will comply with the expanded disclosure requirements, as applicable.

In May 2008, the FASB issued Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ( FSP APB 14-1 ), that requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. FSP APB 14-1 dictates the debt component to be recorded be based upon the estimated fair value of a similar nonconvertible debt. The resulting debt discount would be amortized over the period during which the debt is expected to be outstanding (i.e. through the first optional redemption date) as additional non-cash interest expense. FSP APB 14-1 will become effective beginning in our first quarter of 2009 and is required to be applied retrospectively to all presented periods, as applicable. The adoption of FSP APB 14-1 is expected to result in us recognizing additional non-cash interest expense of approximately \$1.5 million per annum.

**3. Investments in Joint Ventures and Property Management Services**

At September 30, 2008, the 2003 Net Lease Joint Venture owned 11 industrial properties comprising approximately 5.1 million square feet of GLA, the 2005 Development/Repositioning Joint Venture owned 40 industrial properties comprising approximately 6.3 million square feet of GLA and several land parcels, the 2005 Core Joint Venture owned 48 industrial properties comprising approximately 3.9 million square feet of GLA and several land parcels, the 2006 Net Lease Co-Investment Program owned 12 industrial properties comprising approximately 5.0 million square feet of GLA, the 2006 Land/Development Joint Venture owned several land parcels, and the 2007 Canada Joint Venture owned three industrial properties comprising approximately 0.2 million square feet of GLA and several land parcels. As of September 30, 2008, the 2007 Europe Joint Venture did not own any properties.

During July 2007, we entered into a management arrangement with an institutional investor to provide property management, leasing, acquisition, disposition and portfolio management services for industrial properties (the July 2007 Fund ). We do not own an equity interest in the July 2007 Fund, however we are entitled to receive incentive payments if certain economic thresholds related to the industrial properties are achieved.

At September 30, 2008 and December 31, 2007, we have a receivable from the Joint Ventures and the July 2007 Fund of \$5,827 and \$6,068, respectively, which mainly relates to development, leasing, property management and asset management fees due to us from the Joint Ventures and the July 2007 Fund and reimbursement for development expenditures made by the TRS, who is acting in the capacity of the general contractor for development projects for the 2005 Development/Repositioning Joint Venture. These receivable amounts are included in prepaid expenses and other assets, net.

During the three and nine months ended September 30, 2008 and September 30, 2007, we invested the following amounts in, as well as received distributions from, our Joint Ventures and recognized fees from acquisition,

disposition, leasing, development, incentive, property management and asset management services from our Joint Ventures and the July 2007 Fund in the following amounts:

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
Contributions	\$ 3,585	\$ 7,202	\$ 13,999	\$ 21,936
Distributions	\$ 6,636	\$ 15,988	\$ 17,868	\$ 40,751
Fees	\$ 5,969	\$ 7,318	\$ 15,257	\$ 20,569

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. Mortgage Loans Payable, Net, Senior Unsecured Debt, Net and Unsecured Line of Credit**

The following table discloses certain information regarding our mortgage loans payable, senior unsecured debt and unsecured line of credit:

	<b>Outstanding Balance at</b>		<b>Interest Rate at</b>	<b>Effective Interest Rate at</b>	<b>Maturity Date</b>
	<b>September 30, 2008</b>	<b>December 31, 2007</b>	<b>September 30, 2008</b>	<b>September 30, 2008</b>	
<b>Mortgage Loans Payable, Net</b>	\$ 78,466	\$ 73,550	5.50% - 9.25%	4.58% - 9.25%	07/09 - 09/24
<i>Unamortized Premiums</i>	(1,904)	(2,196)			
<b>Mortgage Loans Payable, Gross</b>	\$ 76,562	\$ 71,354			
<b>Senior Unsecured Debt, Net</b>					
2016 Notes	\$ 194,507	\$ 199,442	5.750%	5.91%	01/15/16
2017 Notes	99,912	99,905	7.500%	7.52%	12/01/17
2027 Notes	15,056	15,056	7.150%	7.11%	05/15/27
2028 Notes	199,845	199,838	7.600%	8.13%	07/15/28
2011 Notes	199,853	199,807	7.375%	7.39%	03/15/11
2012 Notes	199,511	199,408	6.875%	6.85%	04/15/12
2032 Notes	49,474	49,457	7.750%	7.87%	04/15/32
2009 Notes	124,969	124,937	5.250%	4.10%	06/15/09
2014 Notes	114,561	113,521	6.420%	6.54%	06/01/14
2011 Exchangeable Notes	200,000	200,000	4.625%	4.63%	09/15/11
2017 II Notes	118,154	149,620	5.950%	6.37%	05/15/17
<b>Subtotal</b>	\$ 1,515,842	\$ 1,550,991			
<i>Unamortized Discounts</i>	12,658	14,079			
<b>Senior Unsecured Debt, Gross</b>	\$ 1,528,500	\$ 1,565,070			
<b>Unsecured Line of Credit</b>	\$ 396,254	\$ 322,129	3.155%	3.155%	09/28/12

On June 6, 2008, we assumed a mortgage loan payable of \$4,097 bearing interest at a rate of 6.83%. In conjunction with the assumption of the mortgage loan, we recorded a premium in the amount of \$256 which will be amortized as an adjustment to interest expense through maturity on June 1, 2018. On July 24, 2008, we assumed two mortgage loans payable of \$2,502 and \$997 bearing interest at a rate of 6.97% and 7.07%, respectively, that each mature on July 1, 2018.

On January 10, 2006, we issued \$200,000 of senior unsecured debt which matures on January 15, 2016 and bears interest at a rate of 5.75% (the 2016 Notes ). The issue price of the 2016 Notes was 99.653%. In December 2005, we also entered into interest rate protection agreements which were used to fix the interest rate on the 2016 Notes prior to issuance. We settled the interest rate protection agreements on January 9, 2006 for a payment of approximately \$1,729, which is included in other comprehensive income.

On June 6, 2008, we repurchased and retired \$5,000 of the 2016 Notes at a redemption price of 89.75% of par. In connection with the partial retirement, we recognized \$430 as gain on early retirement of debt, which is the difference between the repurchase amount of \$4,488 and the principal amount retired of \$5,000, net of the pro rata write off of the unamortized debt issue discount, the unamortized loan fees and the unamortized settlement amount of the interest rate protection agreements related to the 2016 Notes of \$13, \$36 and \$33, respectively.

On May 7, 2007, we issued \$150,000 of senior unsecured debt which matures on May 15, 2017 and bears interest at a rate of 5.95% (the 2017 II Notes ). The issue price of the 2017 II Notes was 99.730%. In April 2006, we also entered into interest rate protection agreements to fix the interest rate on the 2017 II Notes prior to issuance. We settled the effective portion of the interest rate protection agreements on May 1, 2007 for \$4,261 which is included in other comprehensive income.

**Table of Contents****FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On June 6, 2008, we repurchased and retired \$16,570 of the 2017 II Notes at a redemption price of 89.750% of par. In connection with the partial retirement, we recognized \$1,059 as gain on early retirement of debt, which is the difference between the repurchase amount of \$14,872 and the principal amount retired of \$16,570, net of the pro rata write off of the unamortized debt issue discount, the unamortized loan fees and the unamortized settlement amount of the interest rate protection agreements related to the 2017 II Notes of \$40, \$177 and \$422, respectively. On July 1, 2008, we repurchased and retired \$5,000 of the 2017 II Notes at a redemption price of 88.915% of par. In connection with the partial retirement, we recognized \$363 as gain on early retirement of debt, which is the difference between the repurchase amount of \$4,446 and the principal amount retired of \$5,000, net of the pro rata write off of the unamortized debt issue discount, the unamortized loan fees, and the unamortized settlement amount of the interest rate protection agreements related to the 2017 II Notes of \$12, \$53 and \$126, respectively. On August 12, 2008, we repurchased and retired \$10,000 of the 2017 II Notes at a redemption price of 87.200% of par. In connection with the partial retirement, we recognized \$897 as gain on early retirement of debt, which is the difference between the repurchase amount of \$8,720 and the principal amount retired of \$10,000, net of the pro rata write off of the unamortized debt issue discount, the unamortized loan fees, and the unamortized settlement amount of the interest rate protection agreements related to the 2017 II Notes of \$24, \$109 and \$250, respectively.

On August 18, 2008, we amended our Unsecured Line of Credit agreement dated as of September 28, 2007. As a result of the amendment, of the aggregate amount of the revolving commitment under the Unsecured Line of Credit, which remains \$500,000 and which, subject to certain conditions, may be increased to a maximum amount of \$700,000, the portion available in multiple currencies has been increased to \$161,000 from \$100,000.

The following is a schedule of the stated maturities and scheduled principal payments of the mortgage loans, senior unsecured debt and unsecured line of credit, exclusive of premiums and discounts, for the next five years ending December 31, and thereafter:

	<b>Amount</b>
Remainder of 2008	\$ 884
2009	133,297
2010	15,815
2011	407,657
2012	601,028
Thereafter	842,635
Total	\$ 2,001,316

As of September 30, 2008, we are in compliance with all of our debt covenants.

**5. Stockholders Equity****Shares of Common Stock:**

During the nine months ended September 30, 2008, 171,365 limited partnership interests in the Operating Partnership ( Units ) were converted into an equivalent number of shares of common stock, resulting in a reclassification of \$4,189 of minority interest to equity.

***Non-Qualified Employee Stock Options:***

During the nine months ended September 30, 2008, certain of our employees exercised 6,300 non-qualified employee stock options. Net proceeds to us were approximately \$174.

***Restricted Stock:***

During the nine months ended September 30, 2008, we awarded 588,628 of restricted common stock shares and restricted stock units to certain employees and 19,328 shares of restricted common stock to certain directors. These restricted common stock shares and restricted stock units had a fair value of approximately \$19,423 on the

**Table of Contents****FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

dates of approval by the Compensation Committee of the Board of Directors. The restricted common stock and restricted stock units awarded to employees generally vest over a three year period and the restricted common stock awarded to directors generally vest over a three to ten year period. Compensation expense will be charged to earnings over the respective vesting period for the shares/units expected to vest.

***Dividend/Distributions:***

The following table summarizes dividends/distributions accrued during the nine months ended September 30, 2008.

	<b>Nine Months Ended September 30, 2008</b>	
	<b>Dividend/ Distribution per Share/Unit</b>	<b>Total Dividend/ Distribution</b>
Common Stock/Operating Partnership Units	\$ 2.16	\$ 109,268
Series F Preferred Stock	\$ 4,677.00	\$ 2,339
Series G Preferred Stock	\$ 5,427.00	\$ 1,357
Series J Preferred Stock	\$ 13,593.90	\$ 8,156
Series K Preferred Stock	\$ 13,593.90	\$ 2,719

**6. Acquisition of Real Estate**

During the nine months ended September 30, 2008, we acquired 25 industrial properties comprising approximately 3.1 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled approximately \$316,015, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels.

**7. Sale of Real Estate, Real Estate Held for Sale and Discontinued Operations**

During the nine months ended September 30, 2008, we sold 108 industrial properties comprising approximately 8.8 million square feet of GLA and several land parcels. Gross proceeds from the sales of the 108 industrial properties and several land parcels were approximately \$558,861. The gain on sale of real estate was approximately \$178,401.

All but one of the 108 sold industrial properties met the criteria established by SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ( SFAS 144 ) to be included in discontinued operations. Therefore, in accordance with SFAS 144, the results of operations and gain on sale of real estate for 107 of the 108 sold industrial properties are included in discontinued operations. The results of operations and gain on sale of real estate for the one industrial property and several land parcels that do not meet the criteria established by SFAS 144 are included in continuing operations.

During the three months ended March 31, 2008, we deferred \$2,506 of the gain on sale of real estate on the sale of one property. Since we leased back a portion of the property and we provided seller financing, SFAS No. 98 *Accounting for Leases* required us to defer the gain. The \$2,506 gain on sale of real estate was recognized during the three months ended September 30, 2008 since the mortgage note receivable was paid off and retired on July 3, 2008.

At September 30, 2008, we had 16 industrial properties comprising approximately 1.9 million square feet of GLA held for sale. In accordance with SFAS 144, the results of operations of the 16 industrial properties held for sale at September 30, 2008 are included in discontinued operations. There can be no assurance that such industrial properties held for sale will be sold.

Income from discontinued operations for the three and nine months ended September 30, 2007 reflects the results of operations of the 107 industrial properties that were sold during the nine months ended September 30, 2008, the results of operations of 161 industrial properties that were sold during the year ended December 31, 2007, the results of operations of the 16 industrial properties identified as held for sale at September 30, 2008 and the gain on sale of real estate relating to 127 industrial properties that were sold during the nine months ended September 30, 2007.

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The following table discloses certain information regarding the industrial properties included in our discontinued operations for the three and nine months ended September 30, 2008 and September 30, 2007:

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
Total Revenues	\$ 4,745	\$ 24,519	\$ 34,023	\$ 84,076
Property Expenses	(1,337)	(8,230)	(11,315)	(27,673)
Depreciation and Amortization	(1,217)	(7,557)	(7,841)	(25,189)
Gain on Sale of Real Estate	22,548	59,637	166,393	174,436
Provision for Income Taxes	(65)	(10,155)	(3,343)	(33,081)
Minority Interest	(3,062)	(7,317)	(22,293)	(21,726)
Income from Discontinued Operations	\$ 21,612	\$ 50,897	\$ 155,624	\$ 150,843

In conjunction with certain property sales, we provided seller financing. At September 30, 2008 and December 31, 2007, we had mortgage notes receivable and accrued interest outstanding of approximately \$41,170 and \$30,456, respectively, which is included as a component of prepaid expenses and other assets.

**8. Supplemental Information to Statements of Cash Flows**

Supplemental disclosure of cash flow information:

	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
Interest paid, net of capitalized interest	\$ 85,103	\$ 91,166
Interest capitalized	\$ 6,711	\$ 5,846
Supplemental schedule of noncash investing and financing activities:		
Distribution payable on common stock/Units	\$ 36,425	\$ 36,326

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Distribution payable on preferred stock	\$		\$	6,089
Exchange of units for common stock:				
Minority interest	\$	(4,189)	\$	(1,594)
Common stock		2		1
Additional paid-in-capital		4,187		1,593
	\$		\$	
In conjunction with the property and land acquisitions, the following liabilities were assumed:				
Accounts payable and accrued expenses	\$	(464)	\$	(5,873)
Mortgage debt, net of premium recorded	\$	(7,852)	\$	(38,590)
Write-off of fully depreciated assets	\$	(58,469)	\$	(29,873)
In conjunction with certain property sales, the Company provided seller financing and assigned a mortgage note payable:				
Mortgage notes receivable	\$	62,613	\$	42,172
Mortgage note payable	\$		\$	769

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The computation of basic and diluted EPS is presented below:

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
<b>Numerator:</b>				
Loss from Continuing Operations	\$ (12,795)	\$ (16,792)	\$ (54,965)	\$ (47,022)
Gain on Sale of Real Estate, Net of Minority Interest and Income Taxes		55	7,959	2,939
Less: Preferred Stock Dividends	(4,857)	(4,857)	(14,571)	(16,463)
Less: Redemption of Preferred Stock				(2,017)
Loss from Continuing Operations Available to Common Stockholders, Net of Minority Interest and Income Taxes For Basic and Diluted EPS	(17,652)	(21,594)	(61,577)	(62,563)
Discontinued Operations, Net of Minority Interest and Income Taxes	21,612	50,897	155,624	150,843
Net Income Available to Common Stockholders For Basic and Diluted EPS	\$ 3,960	\$ 29,303	\$ 94,047	\$ 88,280
<b>Denominator:</b>				
Weighted Average Shares Basic and Diluted	43,150,905	44,240,206	43,087,942	44,373,126
<b>Basic and Diluted EPS:</b>				
Loss from Continuing Operations Available to Common Stockholders, Net of Minority Interest and Income Taxes	\$ (0.41)	\$ (0.49)	\$ (1.43)	\$ (1.41)
Discontinued Operations, Net of Minority Interest and Income Taxes	\$ 0.50	\$ 1.15	\$ 3.61	\$ 3.40
Net Income Available to Common Stockholders	\$ 0.09	\$ 0.66	\$ 2.18	\$ 1.99

The number of weighted average shares diluted is the same as the number of weighted average shares basic for the three and nine months ended September 30, 2008 and September 30, 2007 as the dilutive effect of stock options and restricted stock was excluded as its inclusion would have been antidilutive to the loss from continuing operations available to common stockholders, net of minority interest and income taxes. The dilutive effect of stock options and restricted stock excluded from the computation are five and 134,428 for the three months ended September 30, 2008 and 2007, respectively, and 2,416 and 187,339 for the nine months ended September 30, 2008 and 2007, respectively.

Unvested restricted stock shares aggregating 1,157,741 and 480,845 for the three months ended September 30, 2008 and 2007, respectively, and 970,084 and 422,206 for the nine months ended September 30, 2008 and 2007, respectively, were antidilutive as the issue price of these shares was higher than the Company's average stock price during the respective periods and accordingly were excluded from dilution computations.

Options to purchase common stock of 278,601 for the three months ended September 30, 2008 and 265,852 for the nine months ended September 30, 2008 were antidilutive as the strike price of these stock options was higher than the Company's average stock price during the respective periods and accordingly were excluded in dilution computations. In 2007, all of the stock options were dilutive.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The \$200,000 of senior unsecured debt (the 2011 Exchangeable Notes ) issued during 2006, which are convertible into common shares of the Company at the price of \$50.93, were not included in the computation of diluted EPS as our average stock price did not exceed the strike price of the conversion feature.

**10. Stock Based Compensation**

We recognized \$4,592 and \$3,403 for the three months ended September 30, 2008 and 2007, respectively, and \$12,776 and \$10,657 for the nine months ended September 30, 2008 and 2007, respectively, in compensation expense related to restricted stock awards, of which \$484 and \$565 was capitalized for the three months ended September 30, 2008 and 2007, respectively, and \$1,255 and \$1,285 was capitalized for the nine months ended September 30, 2008 and 2007, respectively, in connection with development activities. At September 30, 2008, we have \$29,451 in unrecognized compensation related to unvested restricted stock awards. The weighted average period that the unrecognized compensation is expected to be recognized is 1.20 years. We did not award stock options to our employees or our directors during the nine months ended September 30, 2008 and September 30, 2007 and all outstanding options are fully vested, therefore no stock-based employee compensation expense related to stock options is included in net income available to common stockholders.

**11. Other Comprehensive Income and Fair Value Measurements**

In January 2008, we entered into two interest rate protection agreements which fixed the interest rate on forecasted offerings of unsecured debt (the January 2008 Agreements ). We designated the January 2008 Agreements as cash flow hedges. The January 2008 Agreements each have a notional value of \$59,750 and are effective from May 15, 2009 through May 15, 2014. The January 2008 Agreements fix the LIBOR rate at 4.0725% and 4.0770%, respectively. We anticipate that the January 2008 Agreements will be highly effective, and, as a result, the change in value is shown in other comprehensive income.

In March 2008, we entered into an interest rate swap agreement (the March 2008 Agreement ) which fixed the interest rate on a portion of our outstanding borrowings on our Unsecured Line of Credit. We designated this transaction as a cash flow hedge. The March 2008 Agreement has a notional value of \$50,000 and is effective from March 6, 2008 through April 1, 2010. The March 2008 Agreement fixes the LIBOR rate at 2.4150%. Any payments or receipts from the March 2008 Agreement will be treated as a component of interest expense. We anticipate that the March 2008 Agreement will be highly effective, and, as a result, the change in value is shown in other comprehensive income.

In conjunction with certain issuances of senior unsecured debt, we entered into interest rate protection agreements to fix the interest rate on anticipated offerings of senior unsecured debt. In the next 12 months, we will amortize approximately \$435 into net income by decreasing interest expense.

During 2008, we owned one industrial property and two land parcels located in Toronto, Canada for which the functional currency was determined to be the Canadian dollar. Additionally the 2007 Canada Joint Venture owns three industrial properties and several land parcels in Canada for which the functional currency is the Canadian dollar. The assets and liabilities of these industrial properties and land parcels are translated to U.S. dollars from the Canadian dollar based on the current exchange rate prevailing at each balance sheet date. The income statement accounts of the industrial properties and land parcels are translated using the average exchange rate for the period. The resulting translation adjustments are included in accumulated other comprehensive income.

We adopted the provisions of SFAS 157 as of January 1, 2008, for financial instruments recorded at fair value. Although the adoption of SFAS 157 did not materially impact our financial condition, results of operations, or cash flow, we are now required to provide additional disclosures as part of our financial statements.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Table of Contents**FIRST INDUSTRIAL REALTY TRUST, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table sets forth our financial assets and liabilities that are accounted for, at fair value on a recurring basis as of September 30, 2008:

Description	September 30, 2008	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Assets:</b>				
Interest Rate Protection Agreements(1)	\$ 1,614		\$ 1,614	

(1) Mark to market gains on the interest rate protection agreements are recorded in accumulated other comprehensive income and the value of the interest rate protection agreements is included in prepaid expenses and other assets, net.

The valuation of the above interest rate protection agreements are determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each instrument. This analysis reflects the contractual terms of the interest rate protection agreements, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. To comply with the provisions of SFAS 157, we incorporated credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of the interest rate protection agreements for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements.

Although we have determined that the majority of the inputs used to value the instruments fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our instruments utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. However, as of September 30, 2008, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of the positions of the interest rate protection agreements and have determined that the credit valuation adjustments are not significant to the overall valuation of our interest rate protection agreements. As a result, we have determined that the valuations in their entirety are classified in Level 2 of the fair value hierarchy.

**12. Commitments and Contingencies**

In the normal course of business, we are involved in legal actions arising from the ownership of our properties. In our opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a materially adverse effect on our consolidated financial position, operations or liquidity.

We have committed to the construction of several industrial properties totaling approximately 3.2 million square feet of GLA. The estimated total construction costs are approximately \$167,991. Of this amount, approximately \$23,162 remains to be funded. There can be no assurance that the actual completion cost will not exceed the estimated completion cost stated above.

At September 30, 2008, we had 17 letters of credit outstanding in the aggregate amount of \$6,324. These letters of credit expire between December 2008 and January 2010.

### **13. Subsequent Events**

From October 1, 2008 to October 31, 2008, we acquired one industrial property and one land parcel for a purchase price of approximately \$23,634, excluding costs incurred in conjunction with the acquisition of the industrial property and land parcel. There were no industrial properties sold during this period.

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**FIRST INDUSTRIAL REALTY TRUST, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On October 20, 2008, we paid a third quarter 2008 dividend/distribution of \$0.72 per common share/Unit, totaling approximately \$36,425.

In October 2008, we entered into an interest rate swap agreement (the October 2008 Agreement) to mitigate our exposure to floating interest rates related to the forecasted reset rate of our Series F Preferred Stock. The October 2008 Agreement has a notional value of \$50,000 and is effective from April 1, 2009 through October 1, 2013. The October 2008 Agreement fixes the 30-year U.S. Treasury rate at 5.217%. Related gains and losses on the October 2008 Agreement will be recognized in current earnings.

On October 22, 2008, Michael Brennan resigned from his position as President and Chief Executive Officer of the Company and as a member of the Board of Directors.

On October 24, 2008, our Compensation Committee of the Board of Directors committed us to a plan to reduce organizational and overhead costs (the Plan). Implementation of the Plan began immediately and the estimated pre-tax expense associated with the Plan is estimated to range between \$11.8 million to \$12.4 million.

On October 29, 2008, the Board of Directors declared a dividend of \$0.25 per share for the quarter ending December 31, 2008, payable on January 21, 2009 to stockholders of record on December 31, 2008.

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**Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Form 10-Q.

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. 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 are including this statement for purposes of complying with those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have an adverse effect on our operations and future prospects include, but are not limited to, changes in: national, international (including trade volume growth), regional and local economic conditions generally and real estate markets specifically, legislation/regulation (including changes to laws governing the taxation of real estate investment trusts), our ability to qualify and maintain our status as a real estate investment trust, availability and attractiveness of financing (including both public and private capital) to us and to our potential counterparties, interest rate levels, our ability to maintain our current credit agency ratings, competition, supply and demand for industrial properties (including land, the supply and demand for which is inherently more volatile than other types of industrial property) in the Company's current and proposed market areas, difficulties in consummating acquisitions and dispositions, risks related to our investments in properties through joint ventures, potential environmental liabilities, slippage in development or lease-up schedules, tenant credit risks, higher-than-expected costs, changes in general accounting principles, policies and guidelines applicable to real estate investment trusts, risks related to doing business internationally (including foreign currency exchange risks and risks related to integrating international properties and operations) and those additional factors described under the heading "Risk Factors" and elsewhere in the Company's annual report on Form 10-K for the year ended December 31, 2007, as amended (2007 Form 10-K), in the Company's subsequent quarterly reports on Form 10-Q, and in Item 1A, "Risk Factors," in this quarterly report. We caution you not to place undue reliance on forward looking statements, which reflect our analysis only and speak only as of the date of this report or the dates indicated in the statements. Unless the context otherwise requires, the terms Company, we, us, and our refer to First Industrial Realty Trust, Inc., First Industrial, L.P. and their controlled subsidiaries. We refer to our operating partnership, First Industrial, L.P., as the Operating Partnership, and our taxable REIT subsidiary, First Industrial Investment, Inc., as the TRS.

**GENERAL**

The Company was organized in the state of Maryland on August 10, 1993. We are a real estate investment trust (REIT) as defined in the Internal Revenue Code of 1986 (the Code).

We began operations on July 1, 1994. Our operations are conducted primarily through the Operating Partnership, of which we are the sole general partner with an approximate 87.6% and 87.3% ownership interest at September 30, 2008 and 2007, respectively, and through the TRS, of which the Operating Partnership is the sole stockholder. We also conduct operations through other partnerships, corporations, and limited liability companies, the operating data of which, together with that of the Operating Partnership and the TRS, is consolidated with that of the Company, as presented herein. Minority interest at September 30, 2008 and 2007 of approximately 12.4% and 12.7%, respectively, represents the aggregate partnership interest in the Operating Partnership held by the limited partners thereof.

We also own minority equity interests in, and provide various services to, seven joint ventures which invest in industrial properties (the 2003 Net Lease Joint Venture, the 2005 Development/Repositioning Joint Venture, the 2005 Core Joint Venture, the 2006 Net Lease Co-Investment Program, the 2006 Land/Development Joint Venture, the 2007

Canada Joint Venture, and the 2007 Europe Joint Venture ; together the Joint Ventures ). The Joint Ventures are accounted for under the equity method of accounting. The operating data of the Joint Ventures is not consolidated with that of the Company as presented herein.

As of September 30, 2008, we owned 803 industrial properties (inclusive of developments in process) containing an aggregate of approximately 71.4 million square feet of gross leaseable area ( GLA ), located in 29 states in the United States and one province in Canada.

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**MANAGEMENT S OVERVIEW**

We believe our financial condition and results of operations are, primarily, a function of our performance and our Joint Ventures performance in four key areas: leasing of industrial properties, acquisition and development of additional industrial properties, redeployment of internal capital and access to external capital.

We generate revenue primarily from rental income and tenant recoveries from long-term (generally three to six years) operating leases of our industrial properties and our Joint Ventures industrial properties. Such revenue is offset by certain property specific operating expenses, such as real estate taxes, repairs and maintenance, property management, utilities and insurance expenses, along with certain other costs and expenses, such as depreciation and amortization costs and general and administrative and interest expenses. Our revenue growth is dependent, in part, on our ability to (i) increase rental income, through increasing either or both occupancy rates and rental rates at our properties and our Joint Ventures properties, (ii) maximize tenant recoveries and (iii) minimize operating and certain other expenses. Revenues generated from rental income and tenant recoveries are a significant source of funds, in addition to income generated from gains/losses on the sale of our properties and our Joint Ventures properties (as discussed below), for our distributions. The leasing of property, in general, and occupancy rates, rental rates, operating expenses and certain non-operating expenses, in particular, are impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond our control. The leasing of property also entails various risks, including the risk of tenant default. If we were unable to maintain or increase occupancy rates and rental rates at our properties and our Joint Ventures properties or to maintain tenant recoveries and operating and certain other expenses consistent with historical levels and proportions, our revenue growth would be limited. Further, if a significant number of our tenants and our Joint Ventures tenants were unable to pay rent (including tenant recoveries) or if we or our Joint Ventures were unable to rent our properties on favorable terms, our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

Our revenue growth is also dependent, in part, on our and our Joint Ventures ability to acquire, develop and redevelop additional industrial properties on favorable terms. These properties, to the extent leased, generate revenue from rental income, tenant recoveries and fees, income from which, as discussed above, is a source of funds for our distributions. These properties also replenish our and our Joint Ventures portfolio of properties as we systematically redeploy capital, as discussed below. In this regard, we seek to maintain an investment pipeline (comprised of acquisitions under contract or letter of intent and developments in, or in the process of being placed into, their construction phase) from which to source the acquisition, development and redevelopment transactions on which our revenue growth is, in part, dependent. Our investment pipeline, however, is subject to change and is not necessarily a reliable indicator of our or our Joint Ventures ability to acquire, develop or redevelop additional industrial properties on favorable terms. The acquisition, development and redevelopment of properties is impacted, variously, by property specific, market specific, general economic and other conditions, including significant competition for opportunities from other well-capitalized real estate investors, including both publicly-traded REITs and private investors, many of which conditions are beyond our control. The acquisition, development and redevelopment of properties also entails various other risks, including the risk that our investments and our Joint Ventures investments may not perform as expected. For example, acquired, developed or redeveloped properties may not sustain and/or achieve anticipated occupancy and rental rate levels. With respect to developed and redeveloped properties, we may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing the properties. Further, as discussed below, we and our Joint Ventures may not be able to finance the acquisition, development and redevelopment opportunities we identify. If we and our Joint Ventures were unable to acquire, develop and redevelop sufficient additional properties on favorable terms, or if such investments did not perform as expected, our revenue growth would be limited and our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

We also generate income from the sale of our and our Joint Ventures properties (including existing buildings, buildings which we or our Joint Ventures have developed or re-developed on a merchant basis, and land). The Company itself and through our various Joint Ventures is continually engaged in, and our income growth is dependent in part on, systematically redeploying capital from properties and other assets with lower yield potential into properties and other assets with higher yield potential. As part of that process, we and our Joint Ventures sell select stabilized properties or land or properties offering lower potential returns relative to their market value. The gain/loss on, and fees from, the sale of such properties are included in our income and are a source of funds, in addition to revenues generated from rental income and tenant recoveries, for our distributions. Also, a significant

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portion of our proceeds from such sales is used to fund the acquisition, development and redevelopment of additional industrial properties. The sale of properties is impacted, variously, by property specific, market specific, general economic and other conditions, many of which are beyond our control. The sale of properties also entails various risks, including competition from other sellers and the availability of attractive financing for potential buyers of our properties and our Joint Ventures' properties. Further, our ability to sell properties is limited by safe harbor rules applying to REITs under the Code which relate to the number of properties that may be disposed of in a year, their tax bases and the cost of improvements made to the properties, along with other tests which enable a REIT to avoid punitive taxation on the sale of assets. If we and our Joint Ventures were unable to sell properties on favorable terms, our income growth would be limited and our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

Currently, we utilize a portion of the net sales proceeds from property sales, borrowings under our unsecured line of credit (the Unsecured Line of Credit ) and proceeds from the issuance, when and as warranted, of additional debt and equity securities to finance future acquisitions, developments and redevelopments and to fund our equity commitments to our Joint Ventures. Access to external capital on favorable terms plays a key role in our financial condition and results of operations, as it impacts our cost of capital and our ability and cost to refinance existing indebtedness as it matures and to fund acquisitions, developments, redevelopments and contributions to our Joint Ventures or through the issuance, when and as warranted, of additional equity securities. Our ability to access external capital on favorable terms is dependent on various factors, including general market conditions, interest rates, credit ratings on our capital stock and debt, the market's perception of our growth potential, our current and potential future earnings and cash distributions and the market price of our capital stock. If we were unable to access external capital on favorable terms, our financial condition, results of operations, cash flow and ability to pay dividends on, and the market price of, our common stock would be adversely affected.

**RESULTS OF OPERATIONS**

**Comparison of Nine Months Ended September 30, 2008 to Nine Months Ended September 30, 2007**

Our net income available to common stockholders was \$94.0 million and \$88.3 million for the nine months ended September 30, 2008 and September 30, 2007, respectively. Basic and diluted net income available to common stockholders were \$2.18 per share and \$1.99 per share for the nine months ended September 30, 2008 and September 30, 2007, respectively.

The tables below summarize our revenues, property expenses and depreciation and other amortization by various categories for the nine months ended September 30, 2008 and September 30, 2007. Same store properties are properties owned prior to January 1, 2007 and held as operating properties through September 30, 2008 and developments and redevelopments that were placed in service prior to January 1, 2007 or were substantially completed for 12 months prior to January 1, 2007. Properties are placed in service as they reach stabilized occupancy (generally defined as 90% occupied). Acquired properties are properties that were acquired subsequent to December 31, 2006 and held as operating properties through September 30, 2008. Sold properties are properties that were sold subsequent to December 31, 2006. (Re)Developments and land are land parcels and developments and redevelopments that were not a) substantially complete 12 months prior to January 1, 2007 or b) placed in service prior to January 1, 2007. Other revenues are derived from the operations of our maintenance company, fees earned from our Joint Ventures and other miscellaneous revenues. Construction revenues and expenses represent revenues earned and expenses incurred in connection with the TRS acting as general contractor or development manager to construct industrial properties, including industrial properties for the 2005 Development/Repositioning Joint Venture, and also include revenues and expenses related to the development and sale of properties built for third parties. Other expenses are derived from the operations of our maintenance company and other miscellaneous regional expenses.

Our future financial condition and results of operations, including rental revenues, may be impacted by the future acquisition and sale of properties. Our future revenues and expenses may vary materially from historical rates.

For the nine months ended September 30, 2008 and September 30, 2007, the occupancy rates of our same store properties were 91.1% and 91.5%, respectively.

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	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>(\$ in 000 s)</b>			
<b>REVENUES</b>				
Same Store Properties	\$ 218,290	\$ 213,355	\$ 4,935	2.3%
Acquired Properties	31,039	12,112	18,927	156.3%
Sold Properties	25,321	76,366	(51,045)	(66.8)%
(Re)Developments and Land, Not Included				
Above	10,519	6,272	4,247	67.7%
Other	22,425	29,818	(7,393)	(24.8)%
	307,594	337,923	(30,329)	(9.0)%
Discontinued Operations	(34,023)	(84,076)	50,053	(59.5)%
Subtotal Revenues	273,571	253,847	19,724	7.8%
Construction Revenues	101,600	21,229	80,371	378.6%
Total Revenues	\$ 375,171	\$ 275,076	\$ 100,095	36.4%

Revenues from same store properties increased by \$4.9 million due primarily to an increase in rental rates and an increase in tenant recoveries, partially offset by a decrease in occupancy. Revenues from acquired properties increased \$18.9 million due to the 130 industrial properties acquired subsequent to December 31, 2006 totaling approximately 11.7 million square feet of GLA. Revenues from sold properties decreased \$51.0 million due to the 272 industrial properties sold subsequent to December 31, 2006 totaling approximately 22.5 million square feet of GLA. Revenues from (re)developments and land increased \$4.2 million primarily due to an increase in occupancy. Other revenues decreased by approximately \$7.4 million due primarily to a decrease in fees earned from our Joint Ventures and a decrease in fees earned related to us assigning our interest in certain purchase contracts to third parties for consideration. Construction revenues increased \$80.4 million primarily due to three development projects that commenced in September 2007, April 2008 and August 2008 for which we are acting in the capacity of development manager.

	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>	<b>\$ Change</b>	<b>% Change</b>
	<b>(\$ in 000 s)</b>			
<b>PROPERTY AND CONSTRUCTION EXPENSES</b>				
Same Store Properties	\$ 70,134	\$ 65,855	\$ 4,279	6.5%
Acquired Properties	10,163	2,942	7,221	245.4%
Sold Properties	8,650	23,681	(15,031)	(63.5)%
	5,032	3,572	1,460	40.9%

## (Re)Developments and Land, Not Included

Above				
Other	11,805	12,826	(1,021)	(8.0)%
	105,784	108,876	(3,092)	(2.8)%
Discontinued Operations	(11,315)	(27,673)	16,358	(59.1)%
Total Property Expenses	94,469	81,203	13,266	16.3%
Construction Expenses	96,628	20,278	76,350	376.5%
Total Property and Construction Expenses	\$ 191,097	\$ 101,481	\$ 89,616	88.3%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance, and other property related expenses. Property expenses from same store properties increased \$4.3 million due primarily to an increase in real estate tax expense and an increase in repairs and maintenance expense. Property expenses from acquired properties increased \$7.2 million due to properties acquired subsequent to December 31, 2006. Property expenses from sold properties decreased \$15.0 million due to properties sold subsequent to December 31, 2006. Property expenses from (re)developments and land increased \$1.5 million due to an increase in the substantial completion of developments. Expenses are no longer capitalized to the basis of a property once the

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development is substantially complete. The \$1.0 million decrease in other expense is primarily attributable to a decrease in the bad debt reserve and a decrease in incentive compensation expense. Construction expenses increased \$76.4 million primarily due to three development projects that commenced in September 2007, April 2008 and August 2008 for which we are acting in the capacity of development manager.

General and administrative expense remained relatively unchanged.

	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>	<b>\$ Change</b>	<b>% Change</b>
	(\$ in 000 s)			
<b>DEPRECIATION and OTHER AMORTIZATION</b>				
Same Store Properties	\$ 85,586	\$ 89,665	\$ (4,079)	(4.5)%
Acquired Properties	29,602	8,996	20,606	229.1%
Sold Properties	5,155	22,662	(17,507)	(77.3)%
(Re)Developments and Land, Not Included Above and Other	5,632	2,929	2,703	92.3%
Corporate Furniture, Fixtures and Equipment	1,513	1,401	112	8.0%
	127,488	125,653	1,835	1.5%
Discontinued Operations	(7,841)	(25,189)	17,348	(68.9)%
Total Depreciation and Other Amortization	\$ 119,647	\$ 100,464	\$ 19,183	19.1%

Depreciation and other amortization for same store properties remained relatively unchanged. Depreciation and other amortization from acquired properties increased by \$20.6 million due to properties acquired subsequent to December 31, 2006, as well as, \$7.2 million of accelerated depreciation and amortization taken during the nine months ended September 30, 2008 attributable to a tenant in two buildings that we acquired in May 2007 who terminated its lease early. Depreciation and other amortization from sold properties decreased \$17.5 million due to properties sold subsequent to December 31, 2006. Depreciation and other amortization for (re)developments and land and other increased \$2.7 million due primarily to an increase in the substantial completion of developments.

Interest income increased approximately \$1.4 million, or 99.0%, due primarily to an increase in the average mortgage loans receivable outstanding during the nine months ended September 30, 2008, as compared to the nine months ended September 30, 2007.

Interest expense decreased approximately \$6.6 million, or 7.4%, primarily due to a decrease in the weighted average interest rate for the nine months ended September 30, 2008 (5.92%), as compared to the nine months ended September 30, 2007 (6.50%), and due to an increase in capitalized interest for the nine months ended September 30, 2008 due to an increase in development activities, partially offset by an increase in the weighted average debt balance outstanding for the nine months ended September 30, 2008 (\$2,026.5 million), as compared to the nine months ended September 30, 2007 (\$1,967.9 million).

Amortization of deferred financing costs decreased \$0.3 million, or 12.5%, primarily due to the amendment of our Unsecured Line of Credit in September 2007 which extended the maturity from September 2008 to September 2012. The net unamortized deferred financing fees related to the prior Unsecured Line of Credit are amortized over the extended amortization period, except for \$0.1 million, which represents the write off of unamortized deferred financing costs associated with certain lenders who did not renew the line of credit and is included in loss from early retirement of debt for the nine months ended September 30, 2007.

For the nine months ended September 30, 2008, we recognized a \$2.7 million gain from early retirement of debt due to the partial repurchases of our senior unsecured notes. For the nine months ended September 30, 2007, we incurred a \$0.4 million loss from early retirement of debt due to early payoffs of mortgage loans and the write-off of financing fees associated with our previous line of credit which was amended and restated on September 28, 2007.

Equity in income of Joint Ventures decreased by approximately \$16.3 million, or 69.1%, due primarily to a decrease in our pro rata share of gain on sale of real estate and earn outs on property sales from the 2005 Core Joint Venture and a decrease in our earn outs on property sales from the 2005 Development/Repositioning Joint Venture during the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007.

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The income tax benefit (provision) (included in continuing operations, discontinued operations and gain on sale) decreased by \$30.8 million, or 103.3%, due primarily to a decrease in equity in income of joint ventures and a decrease in gains on the sale of real estate within the TRS. Net income of the TRS decreased by \$48.2 million, or 111.2%, for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007.

The following table summarizes certain information regarding the industrial properties included in our discontinued operations for the nine months ended September 30, 2008 and September 30, 2007.

	<b>Nine Months Ended September 30, 2008</b>	<b>Nine Months Ended September 30, 2007</b>
	(\$ in 000 s)	
Total Revenues	\$ 34,023	\$ 84,076
Property Expenses	(11,315)	(27,673)
Depreciation and Amortization	(7,841)	(25,189)
Gain on Sale of Real Estate	166,393	174,436
Provision for Income Taxes	(3,343)	(33,081)
Minority Interest	(22,293)	(21,726)
Income from Discontinued Operations	\$ 155,624	\$ 150,843

Income from discontinued operations, net of income taxes and minority interest, for the nine months ended September 30, 2008 reflects the results of operations and gain on sale of real estate relating to 107 industrial properties that were sold during the nine months ended September 30, 2008 and the results of operations of 16 properties that were identified as held for sale at September 30, 2008.

Income from discontinued operations, net of income taxes and minority interest, for the nine months ended September 30, 2007 reflects the gain on sale of real estate relating to 127 industrial properties that were sold during the nine months ended September 30, 2007 and reflects the results of operations of the 161 industrial properties that were sold during the year ended December 31, 2007, 107 industrial properties that were sold during the nine months ended September 30, 2008, and 16 industrial properties identified as held for sale at September 30, 2008.

The \$12.0 million gain on sale of real estate for the nine months ended September 30, 2008 resulted from the sale of one industrial property and several land parcels that do not meet the criteria established by SFAS 144 for inclusion in discontinued operations. The \$4.5 million gain on sale of real estate for the nine months ended September 30, 2007, resulted from the sale of two industrial properties and several land parcels that do not meet the criteria established by SFAS 144 for inclusion in discontinued operations.

**Comparison of Three Months Ended September 30, 2008 to Three Months Ended September 30, 2007**

Our net income available to common stockholders was \$4.0 million and \$29.3 million for the three months ended September 30, 2008 and September 30, 2007, respectively. Basic and diluted net income available to common stockholders were \$0.09 per share and \$0.66 per share for the three months ended September 30, 2008 and September 30, 2007, respectively.

The tables below summarize our revenues, property expenses and depreciation and other amortization by various categories for the three months ended September 30, 2008 and September 30, 2007. Same store properties are properties owned prior to January 1, 2007 and held as operating properties through September 30, 2008 and developments and redevelopments that were placed in service prior to January 1, 2007 or were substantially completed for 12 months prior to January 1, 2007. Properties are placed in service as they reach stabilized occupancy (generally defined as 90% occupied). Acquired properties are properties that were acquired subsequent to December 31, 2006 and held as operating properties through September 30, 2008. Sold properties are properties that were sold subsequent to December 31, 2006. (Re)Developments and land are land parcels and developments and redevelopments that were not a) substantially complete 12 months prior to January 1, 2007 or b) placed in service prior to January 1, 2007. Other revenues are derived from the operations of our maintenance company, fees earned from our Joint Ventures, and other miscellaneous revenues. Construction revenues and expenses represent revenues earned and expenses incurred in connection with the TRS acting as general contractor or development manager to construct industrial properties, including industrial properties for the 2005 Development/Repositioning Joint Venture, and also include revenues and

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expenses related to the development and sale of properties built for third parties. Other expenses are derived from the operations of our maintenance company and other miscellaneous regional expenses.

Our future financial condition and results of operations, including rental revenues, may be impacted by the future acquisition and sale of properties. Our future revenues and expenses may vary materially from historical rates.

For the three months ended September 30, 2008 and September 30, 2007, the occupancy rates of our same store properties were 91.3% and 92.0%, respectively.

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>\$ Change</b>	<b>% Change</b>
		(\$ in 000 s)		
<b>REVENUES</b>				
Same Store Properties	\$ 71,578	\$ 71,577	\$ 1	0.0%
Acquired Properties	10,659	5,047	5,612	111.2%
Sold Properties	1,824	21,909	(20,085)	(91.7)%
(Re)Developments and Land, Not Included				
Above	4,382	2,324	2,058	88.6%
Other	7,702	8,818	(1,116)	(12.7)%
	96,145	109,675	(13,530)	(12.3)%
Discontinued Operations	(4,745)	(24,519)	19,774	(80.6)%
Subtotal Revenues	91,400	85,156	6,244	7.3%
Construction Revenues	45,202	5,381	39,821	740.0%
Total Revenues	\$ 136,602	\$ 90,537	\$ 46,065	50.9%

Despite a decrease in same store occupancy rates, revenues from same store properties remained relatively unchanged primarily due to an increase in rental rates. Revenues from acquired properties increased \$5.6 million due to the 130 industrial properties acquired subsequent to December 31, 2006 totaling approximately 11.7 million square feet of GLA. Revenues from sold properties decreased \$20.1 million due to the 272 industrial properties sold subsequent to December 31, 2006 totaling approximately 22.5 million square feet of GLA. Revenues from (re)developments and land increased \$2.1 million primarily due to an increase in occupancy. Other revenues decreased by approximately \$1.1 million due primarily to a decrease in fees earned from our Joint Ventures. Construction revenues increased \$39.8 million primarily due to three development projects that commenced in September 2007, April 2008 and August 2008 for which we are acting in the capacity of development manager.

<b>Three Months Ended</b>	<b>Three Months Ended</b>	<b>\$ Change</b>
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	September 30, 2008	September 30, 2007	(\$ in 000 s)		% Change
<b>PROPERTY AND CONSTRUCTION EXPENSES</b>					
Same Store Properties	\$ 21,885	\$ 22,476	\$ (591)		(2.6)%
Acquired Properties	3,935	1,367	2,568		187.9%
Sold Properties	665	7,098	(6,433)		(90.6)%
(Re)Developments and Land, Not Included					
Above	1,713	976	737		75.5%
Other	3,726	3,897	(171)		(4.4)%
	31,924	35,814	(3,890)		(10.9)%
Discontinued Operations	(1,337)	(8,230)	6,893		(83.8)%
Total Property Expenses	30,587	27,584	3,003		10.9%
Construction Expenses	41,895	5,188	36,707		707.5%
Total Property and Construction Expenses	\$ 72,482	\$ 32,772	\$ 39,710		121.2%

Property expenses include real estate taxes, repairs and maintenance, property management, utilities, insurance, and other property related expenses. Property expenses from same store properties remained relatively unchanged. Property expenses from acquired properties increased \$2.6 million due to properties acquired subsequent to December 31, 2006. Property expenses from sold properties decreased \$6.4 million due to properties sold subsequent to December 31, 2006. Property expenses from (re)developments and land increased \$0.7 million

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primarily due to an increase in the substantial completion of developments. Expenses are no longer capitalized to the basis of a property once the development is substantially complete. Other expense remained relatively unchanged. Construction expenses increased \$36.7 million primarily due to three development projects that commenced in September 2007, April 2008 and August 2008 for which we are acting in the capacity of development manager.

General and administrative expense decreased by \$3.2 million, or 15.2%, primarily due to a decrease in incentive compensation expense.

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>	<b>\$ Change</b>	<b>% Change</b>
	(\$ in 000 s)			
<b>DEPRECIATION and OTHER AMORTIZATION</b>				
Same Store Properties	\$ 27,003	\$ 30,273	\$ (3,270)	(10.8)%
Acquired Properties	10,434	4,061	6,373	156.9%
Sold Properties	377	6,635	(6,258)	(94.3)%
(Re)Developments and Land, Not Included Above and Other	2,014	1,168	846	72.4%
Corporate Furniture, Fixtures and Equipment	539	439	100	22.8%
	40,367	42,576	(2,209)	(5.2)%
Discontinued Operations	(1,217)	(7,557)	6,340	(83.9)%
Total Depreciation and Other Amortization	\$ 39,150	\$ 35,019	\$ 4,131	11.8%

Depreciation and other amortization for same store properties decreased \$3.3 million primarily due to accelerated depreciation and amortization taken during the three months ended September 30, 2007 attributable to certain tenants who terminated their leases early and tenants who did not renew their leases. Depreciation and other amortization from acquired properties increased \$6.4 million due to properties acquired subsequent to December 31, 2006. Depreciation and other amortization from sold properties decreased \$6.3 million due to properties sold subsequent to December 31, 2006. Depreciation and other amortization for (re)developments and land and other increased \$0.8 million primarily due to an increase in the substantial completion of developments.

Interest income remained relatively unchanged.

Interest expense decreased approximately \$3.6 million, or 11.8%, primarily due to a decrease in the weighted average interest rate for the three months ended September 30, 2008 (5.81%), as compared to the three months ended September 30, 2007 (6.38%), and due to a decrease in the weighted average debt balance outstanding for the three months ended September 30, 2008 (\$1,989.8 million), as compared to the three months ended September 30, 2007 (\$2,030.3 million).

Amortization of deferred financing costs remained relatively unchanged.

For the three months ended September 30, 2008, we recognized a \$1.3 million gain from early retirement of debt due to the partial repurchase of our senior unsecured notes. For the three months ended September 30, 2007, we incurred a \$0.1 million loss from early retirement of debt due to the write-off of financing fees associated with our previous line of credit agreement which was amended and restated on September 28, 2007 and early payoffs on mortgage loans.

Equity in income of joint ventures decreased by approximately \$5.7 million, or 88.6%, due primarily to a decrease in our pro rata share of gain on sale of real estate and earn outs on property sales from the 2005 Core Joint Venture and a decrease in our earn outs on property sales from the 2005 Development/Repositioning Joint Venture during the three months ended September 30, 2008 as compared to the three months ended September 30, 2007.

The income tax benefit (provision) (included in continuing operations, discontinued operations and gain on sale) decreased by \$9.7 million, or 126.0%, due primarily to a decrease in equity in income of joint ventures and a decrease in gains from the sale of real estate within the TRS. Net income of the TRS decreased by \$13.1 million, or 128.9%, for the three months ended September 30, 2008 compared to the three months ended September 30, 2007.

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The following table summarizes certain information regarding the industrial properties included in our discontinued operations for the three months ended September 30, 2008 and September 30, 2007.

	<b>Three Months Ended September 30, 2008</b>		<b>Three Months Ended September 30, 2007</b>
	(\$ in 000 s)		
Total Revenues	\$ 4,745	\$	24,519
Property Expenses	(1,337)		(8,230)
Depreciation and Amortization	(1,217)		(7,557)
Gain on Sale of Real Estate	22,548		59,637
Provision for Income Taxes	(65)		(10,155)
Minority Interest	(3,062)		(7,317)
Income from Discontinued Operations	\$ 21,612	\$	50,897

Income from discontinued operations, net of income taxes and minority interest, for the three months ended September 30, 2008 reflects the results of operations and gain on sale of real estate relating to 18 industrial properties that were sold during the three months ended September 30, 2008 and the results of operations of 16 properties that were identified as held for sale at September 30, 2008.

Income from discontinued operations, net of income taxes and minority interest, for the three months ended September 30, 2007 reflects the gain on sale of real estate relating to 43 industrial properties that were sold during the three months ended September 30, 2007 and reflects the results of operations of the 161 industrial properties that were sold during the year ended December 31, 2007, 107 industrial properties that were sold during the nine months ended September 30, 2008 and 16 industrial properties identified as held for sale at September 30, 2008.

The \$0.1 million gain on sale of real estate for the three months ended September 30, 2007, resulted from the sale of one industrial property and several land parcels that do not meet the criteria established by SFAS 144 for inclusion in discontinued operations.

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**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2008, our cash and restricted cash was approximately \$6.9 million and \$26.0 million, respectively. Restricted cash is primarily comprised of cash held in escrow in connection with mortgage debt requirements and gross proceeds from the sales of certain industrial properties. These sales proceeds will be disbursed as we exchange industrial properties under Section 1031 of the Code.

We have considered our short-term (one year or less) liquidity needs and the adequacy of our estimated cash flow from operations and other expected liquidity sources to meet these needs. Our 5.25% Notes due in 2009, in the aggregate principal amount of \$125 million, are due on June 15, 2009 (the 2009 Notes). We expect to satisfy the payment obligations on the 2009 Notes with the issuance of additional debt, subject to market conditions, although there can be no assurance that any such issuance could be made on reasonable terms or at all. With the exception of the 2009 Notes, we believe that our principal short-term liquidity needs are to fund normal recurring expenses, property acquisitions, developments, renovations, expansions and other nonrecurring capital improvements, debt service requirements and the minimum distribution required to maintain our REIT qualification under the Code. We anticipate that these needs will be met with cash flows provided by operating and investing activities, including the disposition of select assets.

We expect to meet long-term (greater than one year) liquidity requirements such as property acquisitions, developments, scheduled debt maturities, major renovations, expansions and other nonrecurring capital improvements through the disposition of select assets, long-term unsecured indebtedness and the issuance of additional equity securities.

We also may finance the development or acquisition of additional properties through borrowings under the Unsecured Line of Credit. At September 30, 2008, borrowings under the Unsecured Line of Credit bore interest at a weighted average interest rate of 3.16%. The Unsecured Line of Credit currently bears interest at a floating rate of LIBOR plus .475%, or the prime rate, at our election. As of October 31, 2008 we had approximately \$47.6 million available for additional borrowings under the Unsecured Line of Credit.

**Nine Months Ended September 30, 2008**

Net cash provided by operating activities of approximately \$59.6 million for the nine months ended September 30, 2008 was comprised primarily of net income before minority interest of approximately \$122.1 million and net operations distributions from Joint Ventures of \$2.6 million, offset by adjustments for non-cash items of approximately \$46.9 million and the net change in operating assets and liabilities of approximately \$18.2 million. The adjustments for the non-cash items of approximately \$46.9 million are primarily comprised of the gain on sale of real estate of approximately \$178.4 million, the effect of the straight-lining of rental income of approximately \$4.7 million and gain on early retirement of debt of approximately \$2.7 million, offset by depreciation and amortization of approximately \$136.1 million and the provision for bad debt of approximately \$2.8 million.

Net cash provided by investing activities of approximately \$29.0 million for the nine months ended September 30, 2008 was comprised primarily of the net proceeds from the sale of real estate, the repayment of notes receivable, and distributions from our Joint Ventures, partially offset by the acquisition of real estate, development of real estate, capital expenditures related to the expansion and improvement of existing real estate, contributions to, and investments in, our Joint Ventures, funding of notes receivable, and an increase in restricted cash that is held by an intermediary for Section 1031 exchange purposes.

During the nine months ended September 30, 2008, we acquired 25 industrial properties comprising approximately 3.1 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled

approximately \$316.0 million, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels.

We invested approximately \$14.7 million and received distributions of approximately \$17.9 million from our Joint Ventures. As of September 30, 2008, our industrial real estate Joint Ventures owned 114 industrial properties comprising approximately 20.5 million square feet of GLA.

During the nine months ended September 30, 2008, we sold 108 industrial properties comprising approximately 8.8 million square feet of GLA and several land parcels. Net proceeds from the sales of the 108 industrial properties and several land parcels were approximately \$479.9 million.

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Net cash used in financing activities of approximately \$87.7 million for the nine months ended September 30, 2008 was derived primarily of common and preferred stock dividends and unit distributions, repayments of senior unsecured debt, the repurchase of restricted stock from our employees to pay for withholding taxes on the vesting of restricted stock, repayments on mortgage loans payable, offering costs and debt issuance costs, partially offset by net proceeds from our Unsecured Line of Credit, a book overdraft, and proceeds from the issuance of common stock.

During the nine months ended September 30, 2008, certain of our employees exercised 6,300 non-qualified employee stock options. Net proceeds to us were approximately \$0.2 million.

## **Market Risk**

The following discussion about our risk-management activities includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. Our business subjects us to market risk from interest rates, and to a much lesser extent, foreign currency fluctuations.

## **Interest Rate Risk**

In the normal course of business, we also face risks that are either non-financial or non-quantifiable. Such risks principally include credit risk, legal risk and liquidity risk and are not represented in the following analysis.

At September 30, 2008, approximately \$1,644.3 million (approximately 82.6% of total debt at September 30, 2008) of our debt was fixed rate debt (including \$50.0 million of borrowings under the Unsecured Line of Credit in which the interest rate was fixed via an interest rate protection agreement) and approximately \$346.3 million (approximately 17.4% of total debt at September 30, 2008) was variable rate debt.

For fixed rate debt, changes in interest rates generally affect the fair value of the debt, but not our earnings or cash flows. Conversely, for variable rate debt, changes in the interest rate generally do not impact the fair value of the debt, but would affect our future earnings and cash flows. The interest rate risk and changes in fair market value of fixed rate debt generally do not have a significant impact on us until we are required to refinance such debt. See Note 4 to the consolidated financial statements for a discussion of the maturity dates of our various fixed rate debt.

Based upon the amount of variable rate debt outstanding at September 30, 2008, a 10% increase or decrease in the interest rate on our variable rate debt would decrease or increase, respectively, future net income and cash flows by approximately \$1.1 million per year. The foregoing calculation assumes an instantaneous increase or decrease in the rates applicable to the amount of borrowings outstanding under our Unsecured Line of Credit at September 30, 2008. One consequence of the recent turmoil in the capital and credit markets has been sudden and dramatic changes in LIBOR, which could result in a greater than 10% increase to such rates. In addition, the calculation does not account for our option to elect the lower of two different interest rates under our borrowings or other possible actions, such as prepayment, that we might take in response to any rate increase.

The use of derivative financial instruments allows us to manage risks of increases in interest rates with respect to the effect these fluctuations would have on our earnings and cash flows. As of September 30, 2008, we had two outstanding interest rate protection agreements with an aggregate notional amount of \$119.5 million which fixes the interest rate on forecasted offerings of debt, and one outstanding interest rate protection agreement with a notional amount of \$50.0 million which fixes the interest rate on borrowings on our Unsecured Line of Credit. See Note 11 to the September 30, 2008 Consolidated Financial Statements.

## **Foreign Currency Exchange Rate Risk**

Owning, operating, and developing industrial property outside of the United States exposes us to the possibility of volatile movements in foreign exchange rates. Changes in foreign currencies can affect the operating results of international operations reported in U.S. dollars and the value of the foreign assets reported in U.S. dollars. The economic impact of foreign exchange rate movements is complex because such changes are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. At September 30, 2008, we had only one property and two land parcels for which the U.S. dollar was not the functional currency. The property and land parcels are located in Ontario, Canada and use the Canadian dollar as their functional currency.

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**Accounting Pronouncements**

Refer to Note 2 to the September 30, 2008 Consolidated Financial Statements.

**Subsequent Events**

From October 1, 2008 to October 31, 2008, we acquired one industrial property and one land parcel for a purchase price of approximately \$23.6 million, excluding costs incurred in conjunction with the acquisition of these industrial properties and one land parcel. There were no industrial properties sold during this period.

On October 20, 2008, we paid a third quarter 2008 dividend/distribution of \$0.72 per common share/Unit, totaling approximately \$36.4 million.

In October 2008, we entered into an interest rate swap agreement (the October 2008 Agreement) to mitigate our exposure to floating interest rates related to the forecasted reset rate of our Series F Preferred Stock. The October 2008 Agreement has a notional value of \$50.0 million and is effective from April 1, 2009 through October 1, 2013. The October 2008 Agreement fixes the 30-year U.S. Treasury rate at 5.217%. Related gains and losses on the October 2008 Agreement will be recognized in current earnings.

On October 22, 2008, Michael Brennan resigned from his position as President and Chief Executive Officer of the Company and as a member of the Board of Directors.

On October 24, 2008, our Compensation Committee of the Board of Directors committed us to a plan to reduce organizational and overhead costs (the Plan). Implementation of the Plan began immediately and the estimated pre-tax expense associated with the Plan is estimated to range between \$11.8 million to \$12.4 million.

On October 29, 2008, the Board of Directors declared a dividend of \$0.25 per share for the quarter ending December 31, 2008, payable on January 21, 2009 to stockholders of record on December 31, 2008.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***

Response to this item is included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations above.

**Item 4. *Controls and Procedures***

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report, based on the evaluation of these controls and procedures required by Exchange Act Rules 13a-15(b) or 15d-15(b), have concluded that as of the end of such period our disclosure controls and procedures were effective.

There has been no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II. OTHER INFORMATION**

**Item 1. *Legal Proceedings***

None.

**Item 1A. *Risk Factors***

***Recent disruptions in the financial markets could affect our ability to obtain financing and may negatively impact our liquidity or financial condition.***

The capital and credit markets in the United States and other countries in which we operate have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. A majority of our existing indebtedness was sold through capital markets transactions. We anticipate that the capital markets could be a source of refinancing of our existing indebtedness in the future, including our 5.25% Notes in the aggregate amount of \$125 million due on June 15, 2009. This source of refinancing may not be available if capital markets volatility and disruption continues, which could have a material adverse effect on our liquidity. In addition, while the ultimate outcome of these market conditions cannot be predicted, they may have a material adverse effect on our liquidity and financial condition if our ability to borrow money under our Unsecured Line of Credit or to issue additional debt or equity securities to finance future acquisitions, developments and redevelopments and Joint Venture activities were to be impaired.

**Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds***

None.

**Item 3. *Defaults Upon Senior Securities***

None.

**Item 4. *Submission of Matters to a Vote of Security Holders***

None.

**Item 5. *Other Information***

Not Applicable.

**Item 6. *Exhibits***

**Exhibit  
Number**

**Description**

10.1

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First Amendment, dated as of August 18, 2008, to Fifth Amended and Restated Unsecured Revolving Credit Agreement dated as of September 28, 2007 among the Operating Partnership, the Company, JP Morgan Chase Bank, N.A. and the other lenders thereunder (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company filed August 20, 2008, File No. 1-13102)

- 10.2 Letter agreement dated October 24, 2008 between the Compensation Committee and W. Ed Tyler (incorporated by reference to Exhibit 10.1 of the Form 8-K of the Company filed October 30, 2008, File No. 1-13102)
- 31.1\* Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 31.2\* Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 32.1\*\* Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Filed herewith

\*\* Furnished herewith

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**SIGNATURE**

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.

FIRST INDUSTRIAL REALTY TRUST, INC.

By: /s/ Scott A. Musil

Scott A. Musil  
Chief Accounting Officer  
(Principal Accounting Officer)

Date: November 7, 2008

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
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