Transcript of
Winthrop Realty Trust
Second Quarter 2016 Management Conference Call
July 28, 2016

Participants

Amy Grucan – Investor Relations
Michael Ashner – Chairman and Chief Executive Officer
Carolyn Tiffany – President
John Garilli – Chief Financial Officer

Presentation

Operator
Greetings, and welcome to the Winthrop Realty Trust Second Quarter 2016 Management Conference call. At this time all participants are in a listen only mode. [Operator instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host Ms. Amy Grucan, Investor Relations for Winthrop. Thank you, you may begin.

Amy Grucan – Investor Relations
Good afternoon, everyone. Welcome to the Winthrop Realty Trust Second Quarter 2016 Management Conference call. With this today from senior management are Michael Ashner, Chairman and Chief Executive Officer; Carolyn Tiffany, President; John Garilli, Chief Financial Officer; and other members of the management team.

This morning, July 28, we issued a press release disclosing certain financial information about Winthrop and providing updates on the liquidation process. The press release is available on our website at www.winthropreit.com in the News and Events section, and which will be furnished on Form 8-K with the SEC. Additionally, we are hosting a live webcast of today's call, which you can also access in the website's News and Events section.

At this time, management would like to inform you that certain statements made during this conference call, which are not historical, might constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that these expectations will be attained. Factors and risks that could cause actual results to differ materially from those expressed or implied by forward-looking statements are detailed in the press release, and from time to time in our filings with the SEC. We do not undertake a duty to update any forward-looking statements.

I will now turn the call over to Michael Ashner. Michael.

Michael Ashner – Chairman and Chief Executive Officer
Thank you, Amy. Welcome to our discussion of our second quarter 2016 financial results and continuing discussion of our ongoing efforts with respect to the company's plan of liquidation.

As it is our last scheduled call, I find it somewhat bittersweet. Once again, I will initiate the discussion with Carolyn Tiffany and John Garilli available to answer those truly difficult questions that may be posed. As described oftentimes, the adoption of a plan eliminates much of the content one finds in the standard earnings call. We apply liquidation accounting, and that accounting is based primarily on changes to asset valuations. These changes reflect our best current estimates that we expect to realize from the proceeds of asset sales, and the cash flows prior to liquidation, taking into consideration numerous factors, including the timing of each asset sale, its operating income prior to disposition, cost of liquidation, corporate G&A, etc.

On an apples to apples basis, the estimated liquidation proceeds decreased by $0.22 per share to $10.61 as compared to the first quarter estimate of $10.83 per share after deducting the $2.00 per share distribution declared when paid during the second quarter, and the $1.25 per share distribution declared when paid on July 1.

The $0.22 downward valuation of our net asset value is well described in the earnings release. For the record, we have not made any change to our most recent valuation of 20 Times Square investment. After almost two years of liquidation accounting, hindsight demonstrates that as real events actually occur, there will be changes to the NAV analysis in each quarter, one way or the other.

We've been very busy the past five months. First, let's address sales activity during the second quarter and thereafter. On May 19, a venture in which the company held an 83.7% interest, closed on the sale of the Stamford, Connecticut luxury apartment building generating $90 million of gross sales proceeds, inclusive of forfeited deposits. Funds from the sale will be used to retire the outstanding indebtedness on this property, as well as the existing mortgage indebtedness encumbering the remaining luxury apartment property in Houston, Mosaic.

In April, the company close the sale of its interest in a joint venture and mezzanine loan relating to the Sullivan Center office and retail property located in Chicago. The company realized approximately $95.3 million in proceeds.

Our apartment property in Greensboro, North Carolina, Lake Brandt was sold on May 12 for gross proceeds of $20 million and net proceeds of $6.3 million after the satisfaction of third mortgage indebtedness and closing costs. On June 30, the company sold its warehouse property in Jacksonville, Florida for $10.5 million dollars, in which $2 million was received in cash after the payment of closing costs, with the company providing seller financing of $8.4 million bearing interest of LIBOR +5% and maturing July 1, 2019.

During the second quarter, we borrowed $45 million secured by Mosaic, that last property in the ST residential portfolio, at a rate of LIBOR +2.75, the proceeds of which were used in part to fund our July 1st distribution. We also financed our office building at 450 W. 14th Street in New York City, NY, obtaining a $50.5 million replacement first mortgage. This loan bears interest of LIBOR +4.4% and matures on May 1, 2019.

Leasing activity was particularly compelling during the second quarter as our venture at 701 7th Avenue in Time Square, otherwise known as 20 Times Square, entered into two significant lease agreements. The first lease is with a joint venture between Cirque de Soleil and the National Football League, which will fully occupy the second, third and fourth floors of the retail space. The Cirque venture plans to use the space for both entertainment and retail purposes.

Our venture also entered into another long-term lease with Hershey Company in mid-July for approximately 6,940 square feet of ground floor space. The terms and rental rates at both leases are consistent with the valuation for the property that we have used in our liquidation analysis.

On June 10th, the contract for sale on 1 East Erie, Chicago Illinois, our office retail property, became binding at a gross purchase price of $47.9 million. The buyers' deposit of $1.25 million is now nonrefundable, and we anticipate a closing during the third quarter. Similarly, the venture, which the company holds a 49.9% interest as well as the first mortgage, entered into a binding agreement to sell its Mentor retail property in Chicago for a purchase price of $10.45 million. We also anticipate this sale to close during the third quarter.

As we indicated in our prior call, it was our intention and is our intention to generate as much cash as possible prior to the formation of the liquidating trust for distribution to shareholders. As mentioned, we utilized the refinancing proceeds from Mosaic to fund a portion of the $3.25 per share distribution during this second quarter through July 1st.

As you may have noticed, we improved our supplement provided specifics with respect to each asset the total proceeds we anticipate realizing. This gives us our best current projection into each asset's value when the chaotic universe is subject to future upward and downward adjustment.

Since the liquidation was adopted two years ago, the company's distributed approximately $80 million to its bondholders to retire its bonds; $120 million to its preferred shareholders to satisfy the liquidating preference on its preferred shares; and approximately $282 million in aggregate distributions to common shareholders, or $7.75 per share.

The modified NAV range that we gave shareholders for the value of the common shares on the last day of 2013 adds to those assets, which have been sold to date, range between $524 million and $562 million. We had realized from those sales approximately $614 million. Let me assure you that we will continue to exercise all efforts to exceed expectations post formation of the liquidating trust in order to continue to maximize shareholder value.

The last day of trading of our common shares will be August 1st as the company will be transferring its remaining assets and liabilities to the liquidating trust on August 5th and coming to an end. Our Board of Trustees have determined trustees of the liquidating trust will be myself, Carolyn Tiffany and Howard Goldberg, our lead independent trustee. A copy of the proxy statement, which describes in detail the tax and legal consequences for shareholders of owning a beneficial interest is available in the SEC's website www.sec.gov, as well as the company's website www.winthropreit.com. We continue to recommend to everyone that they discuss any questions they may have with their personal tax and investment advisors.

I personally want to extend my heartfelt gratitude to our shareholders who have consistently supported management and our board, both through good times and bad times. Whatever success we've enjoyed would not have occurred without the untiring commitment of our entire management team, our board of trustees, and that support which we have received from you, our shareholders. I am personally extremely grateful for that support and the experience. It has been a long journey for all of us together and I hope a result with which you find satisfactory.

I would now like to open the floor to questions. Feel free to ask about the liquidation process, our assets or any other questions which you might have, including what people are reading. We are all happy to respond.

Operator
Ladies and gentlemen, the floor is now open for questions. [Operator instructions] One moment while we poll for questions.

Our first question is coming from Dan Occhionero of Barclays. Please proceed with your question.

Q:
Good afternoon. Thanks for taking my question. I wanted to ask about New York hotels. There's been a lot of noise about supply concerns and I wanted to get your thoughts on how it might impact your Marriott development project and how it might affect valuation and what you're kind of using as comps for the property.

Michael Ashner – Chairman and Chief Executive Officer
Well, it's certainly true that there is some concern about New York hotels going into the future. I think there is like 11,000 rooms being added next year. But to my knowledge, there's no planned additional rooms for 2018.

What's more important to me is that you think about the submarkets in which your hotel is situated. We're situated in the Times Square submarket. That submarket has the highest occupancy of any submarket in the city of New York. It draws the most tourists of any submarket in the city of New York. So I am not greatly concerned, and people who know me know that I'm a pessimist, I'm not greatly concerned about the future operations of the occupancy or the value of that hotel at this point in time.

One has to keep in mind that we will be the newest and I believe best hotel in that market when we open.

Operator
Sir, do you have additional questions? We'll move on. Our next question is coming from Michael Kim of Apollo Global Management. Please proceed with your question.

Q:
Hi, thanks for taking my question. I have a number of questions. Will get back in the queue after a few, but just real quickly, obviously there's a lot of focus on just kind of the taxes going into the liquidating trust. I'm sure maybe this will be explained in the 10-Q, but at a high level what you think the split will be between rental income versus sale of assets? How should we think about the costs allocated for the remaining assets in terms of thinking about potential gains in taxable income?

John Garilli – Chief Financial Officer
I'll take this one. As of this point in time we don't anticipate a significant portion going to operations, so I would expect that to be minimal. We're still working on, depending on what assets are there and then the final allocation between the price, the fair market value. There will be that discount between what we're showing for a NAV and what the fair market value will be on that day. Obviously, anything that's under contract will be allocated dollar for dollar; all of your basic assets, cash, receivables, your liabilities are going to be pretty much dollar for dollar. So then whatever is left over will get allocated to the assets themselves. The physical assets, anything that's under contract, will be dollar for dollar. Those that are further out will have a bigger discount in terms of that, so I would expect a majority of that discount is going to be gain related as opposed to an ordinary issue.

Michael Ashner – Chairman and Chief Executive Officer
I'm not sure of the entire question, but if I can add one point. If the question is, will we have, all said and done, excess cash flow, cash flow from the remaining properties in excess are the cost of maintaining the trust, and I'm fairly certain that there is substantial cash flow in excess of our costs of running the trust not even after the sale of Mentor and 1 East Erie.

Q:
For some of the major remaining assets, so let's say like Mosaic and 450 W. 14th St., in particular, what is the allocated cost basis assigned to those assets?

John Garilli – Chief Financial Officer

That hasn't been determined yet. We will know once we get a final price, and then revisit how to allocate to each individual asset specifically.

Q:
Okay. Understood.

When we think about fees, the remaining fees to be paid, how should we think about the timing of when those fees would be paid?

John Garilli – Chief Financial Officer
The incentive fee and the termination fee?

Q:
Yes. How should we think about the timing of when that cash would actually be paid out of the liquidating trust?

Michael Ashner – Chairman and Chief Executive Officer
Both of them are significantly subordinated. The distribution is to shareholders. At this point in time the termination fee — John, do you know off the top of your head how much more cash we have to distribute before we get to termination fee? Per share, do you know what is on a gross basis or per share basis?

John Garilli – Chief Financial Officer
Yes, this will be in the 10-Q, which will be filed this afternoon. Roughly $364 million before we get to the incentive fee.

Michael Ashner – Chairman and Chief Executive Officer
And what about the termination?

John Garilli – Chief Financial Officer
That was the before the $1.25 that was issued in July.

Michael Ashner – Chairman and Chief Executive Officer
Okay, so that would be, what was that number?

John Garilli – Chief Financial Officer
That was $45 million gross, so you're talking about $320 million?

Michael Ashner – Chairman and Chief Executive Officer
And what about the termination fee, that's a different number.

John Garilli – Chief Financial Officer
Yes, that would be $215 million, roughly.

Michael Ashner – Chairman and Chief Executive Officer
So, nothing gets paid to us in those fees until we've distributed out $215 million more, roughly, approximately and nothing on the incentive until we bang out another 360 whatever, 320 million.

Carolyn Tiffany, President
From a practical standpoint, Mike, given that the weight of our assets to 701 Seventh Avenue, practically speaking, those won't be paid until that asset is sold.

Q:
Right. Okay. Understood. I just wanted to clarify, the shares owned by FUR Investors LLC, those are intended to be held through the entire liquidation period? Is that true?

Michael Ashner – Chairman and Chief Executive Officer
That is true.

Q:
Just one quick question before I get into specific assets, are you able to buy back stock on the open market over the next two days?

Michael Ashner – Chairman and Chief Executive Officer
We are.

Q:
Okay. Just moving along to the assets, I guess one particular asset, your Churchill Westinghouse, why does the value of this asset double during the quarter? I saw there was a $4 million increase to the trust's share of that asset.

Michael Ashner – Chairman and Chief Executive Officer
We converted the lease, which was a short-term lease with Westinghouse. We converted it into a 15 year lease by providing capital for them to renovate their property and build a road. It's increased by the exact amount of the capital that we invested in the property. By way of doing it, we increased the rent, the rent went up, and we have 15 year lease, which is much more [indiscernible] than what we had before.

Q:
Understood. Okay. On the Jacksonville seller financing, was that sold during the quarter —

Michael Ashner – Chairman and Chief Executive Officer
No, we're still holding—

[voice interrupts]

John Garilli – Chief Financial Officer
So we closed on the last day of the quarter, so no, that hasn't close yet. I mean, it hasn't been sold, we still hold that.

Michael Ashner – Chairman and Chief Executive Officer
We still hold the paper. The property was sold and we hold the loan.

Q:
Okay. I didn't see it on the list of remaining assets, but okay. Then on 701, could you just talk about what space is remaining to be leased, between each level and maybe the square footage?

There is approximately 3,500 square feet of space on the ground floor and it's the best space, in the sense that it's the actual corner. There is the below ground, two levels below ground to be leased. Other than that as to retail space, the rest of the building is leased. We haven't started doing anything with the signage other than the portions of the signage that Hershey's and Cirque de Soleil have. So I guess in a sense that's remaining to be leased. And we're looking forward to getting guests at our hotel.

Q:
Right. And just to clarify on the way you guys have characterized the signage with Hershey and the joint venture with the NFL, you mentioned that it's external signage or super structure sign. Just to clarify, this is completely separate from the billboard, correct? This is just external signage on the building—

Michael Ashner – Chairman and Chief Executive Officer
No, it's part of the building. The Hershey's, if you look at the— Hershey's, if you're on 47th Street looking East, if you're on 7th Avenue looking East, the Hershey's retail is on the northern portion of that. There's a portion of that going straight up above Hershey's that Hershey's will have. Then the bulk of it going from that portion, wrapping around, we still have. At the other end there's a space on 47th, which is visible from 7th Avenue. I mean, we have visibility on 7th Avenue, which Cirque de Soleil and the NFL will have. And we have certain rights to use that space during certain times of the year.

Q:
Okay, understood. The lease with Hershey, was this in line with what you would expect for a space like this on the ground floor in Times Square? Or was it below—

Michael Ashner – Chairman and Chief Executive Officer
It was in line. It was absolutely in line. I have to tell you, I want to make it clear, I don't know if I've done this on the phone call, the Witkoff Group has done an exceptional job handling the leasing and the construction. We have a lot of confidence in them, particularly Steve and Sherry White, but this was absolutely in line with market rents for ground floor space in Times Square.

Q:
Okay. So that's helpful. I'll ask one more question and then get back in the queue, but Mosaic, we've seen some revisions to your NAV estimate, and I was just curious, could you provide for us what is the split in your NAV number between the expected cash flow to be earned from the asset versus the value of the asset upon its sale?

John Garilli – Chief Financial Officer
We don't have that; it's not public at this point, Michael.

Q:
That's something you wouldn't be willing to break out?

Michael Ashner – Chairman and Chief Executive Officer
They're discussing it.

Carolyn Tiffany – President
We could break it out in the 10-Q.

Q:
That would be helpful. I mean, a split between the two—another way to also ask it is—

Michael Ashner – Chairman and Chief Executive Officer
When they spilt it, I don't believe you'll find it to be material. That is, it effects the underlying net asset values.

Carolyn Tiffany – President
That's probably the best way. I don't know if we could actually, because we're filing the 10-Q this afternoon, I don't know that I could get in there that quickly, but Michael's right, it's not material component of the value, the cash flow.

Q:
Okay. I guess you mentioned in the release that you had changed the cap rate assumption on the assets. What magnitude of a change in cap rate was that assumption during the quarter? Even over the past year. Because I know you made a revision in I think the fourth quarter of last year. Just kind of curious to what magnitude your cap rate assumption has moved over that time period.

John Garilli – Chief Financial Officer
It was roughly a quarter of a point, a little bit more than that.

Q:
Okay. And the way you guys are computing this, I assume that you still own the 20,000 square feet of ground level retail space and are you just using a cap rate on the entire cash flow of the project for rental income from commercial and residential?

John Garilli – Chief Financial Officer
That's correct. It's a blended rate.

Q:
It's a blended rate. Okay. And the commercial asset, where do we stand in terms of occupancy right now?

John Garilli – Chief Financial Officer
We're fully occupied.

Q:
Okay, great. Perfect. I'll get back in the queue. Thank you.

Operator
[Operator instructions] Our next question is coming from Stendi Kaba, a private investor.

Q:
Thanks for your time. Specific to Times Square, you guys have an estimated cash flow value of something like $209 million. If I'm doing the waterfall math correctly, which I might not be, that gives somewhere near like a $1.16 million sell price before the debt? So it would be helpful as an investor if you guys could just be a little bit more granular in terms of how your estimating that price. So maybe some general ranges around per quarter footage price, non-ground square footage price, how we can think about cap rate -- maybe a general range of price per room fee. I know some of the data is sensitive since you're trying to sell it, but if you can provide general ranges, ceilings and floors, that give me some inclination as to how to value it myself, that would be helpful.

Michael Ashner – Chairman and Chief Executive Officer
The valuation has been done in large measure, or supported by an appraisal. Who did the appraisal, Cushman & Wakefield? Yes, because of the complexity of a project and the construction. I'm not sure the numbers you're throwing around are correct, so let me give you rough numbers. Rough, rough numbers. Carolyn's probably going to start waving her hand at me, but you can do your own mathematics on it.

At roughly $1.150 billion, so we get back all of our capital plus a 12% return on our capital, which rolls into a portion of the value of the property for our investment assuming a sale at the end of 2017. I'm waiting for somebody to raise their hand. I can't see…. above that you're entitled to roughly 15 percent [indiscernible] of the net sale proceeds that are realized for the property. That's the easiest way for us to account for it.

So if you work backward or reverse engineer, you'll figure out, you'll probably come to some conclusions as to how we value the property. We believe in it that the property will have in that valuation and in the Cushman & Wakefield appraisal there is a relatively low cap rate given for the retail property and a wider cap rate given for the hotel property. But any more than that, I think it's best that you work through the number yourself.

Q:
I understand. So I think this would be a very conservative number and you can tell me you can't tell me, but in terms of cap rate, because that's very material to valuation, of course, can we assume, generally speaking, probably less than 5%?

Michael Ashner – Chairman and Chief Executive Officer
You can assume less than 5%.

Q:
Okay, that's helpful. Thank you. Then I guess my last question is, future plans on filings and calls. I don't know if you've spoken about that. Are you going to do quarterly filings? I'm assuming you'll update us whenever there's a sale, like you have been, but can we speak to you every quarter? How is that going to work?

John Garilli – Chief Financial Officer
At this point we are waiting for a final response from the SEC. We do not, at this point, anticipate continuing to do quarterly filings and that we will be required just to do annual filings. To the extent that there is a material transaction or something that is significant that occurs, we will continue to file 8-K's, current events detailing out the transaction and how that compares to our existing liquidation value.

Michael Ashner – Chairman and Chief Executive Officer
I want to underscore two points. It is our strong intention to make beneficial interest owners, whatever you're called at that point, well aware of what happens, just like I would want to be aware of, if I was in your position, which I am in your position. This is not going to be quietly leaking away. As things occur with respect to our material, you will know about them as they occur.

On a separate basis, I want to come back to this 5% cap rate. I'm not sure, we may have capped the hotel numbers, I would have to look back at a higher cap rate than 5%. I know the retail was below, was 5% or below, but the hotel may have been higher.

Q:
Okay. So for the room key, I'm looking at like very conservatively would probably be like $600,000 a room key, which is how I'm kind of valuing it. I don't know if you want to give any more detail on that.

Michael Ashner – Chairman and Chief Executive Officer
I said what I can say on it.

Q:
Okay, that's helpful. Thank you very much for your transparency. I think we all appreciate it. Have a good one.

Operator
Thank you. Our next question is coming from Dusty Henderson of Eagle Asset.

Q:
Is the liquidating trust going to receive monthly rent payments from the properties and mortgage payments in Jacksonville?

Michael Ashner – Chairman and Chief Executive Officer
Yes.

Q:
How frequent do you anticipate cash flows to the trustees?

Michael Ashner – Chairman and Chief Executive Officer
To the interest holders?

Q:
Yes.

Michael Ashner – Chairman and Chief Executive Officer
You mean distributions, how frequently? I'm the same boat as you are. As soon as we aggregate enough cash to make a distribution that is meaningful, we're going to distribute the cash.

Q:
Okay. And what would have to happen for this liquidation to drag on for longer than you plan?

Michael Ashner – Chairman and Chief Executive Officer
Values would have to be increasing, in our view, on the assets that we hold at a rate which is better than any reasonable rate of reinvestment that we can see right now. As long as assets, for example, if we saw that X assets we were talking about specific assets was rising in value at a compounded level, for example, which is just an example, at a double-digit rate, we would likely hold on to that until the rate of growth and the value of that asset flattened out.

Q:
Excellent. Thanks. Do you have any accurate ownership data for ETF's that own your stock and are you allowed to share it if you do?

Carolyn Tiffany – President
We don't have accurate information on that.

Q:
Okay.

Operator
Our next question is coming from Jerry Yanowitz of Yanco Ltd.

Q:
Thank you. Of the remaining $10.61, can you give us an estimate of how much you plan, you think is reasonable to distribute the next 12, 18 and 24 months?

Michael Ashner – Chairman and Chief Executive Officer
Very tough. So the answer is no. I would love to be done in 24 months. I would really love to be, but this is the timing of sales. I mean—

Carolyn Tiffany – President
If you go to our supplement, we do provide detail about the liquidation basis accounting when we estimate assets will be sold, so you can get a sense of the timing of asset sales from the supplement.

Q:
Nothing more definitive than that? You're not getting time period that would give you a little more clarity on that.

Carolyn Tiffany – President
No.

Michael Ashner – Chairman and Chief Executive Officer
That's our best estimate as to when assets get sold and I think you would agree that we've made distributions as fast as we can after assets have been sold.

Q:
I agree. But you do think two years is your goal for final liquidation?

Carolyn Tiffany – President
Yes.

Michael Ashner – Chairman and Chief Executive Officer
Yes.

Operator
Our next question is coming from Michael Kim of Apollo Global.

Q:
Just a couple more follow ups. In terms of the assets that are marketed for sale, is there any update today relative to what's been presented in the supplement as of the second quarter? For the assets that are now marketed?

Michael Ashner – Chairman and Chief Executive Officer
1 East Erie under hard contract, as I said, binding contract. Mentor's under binding contract. No more updates than that. We don't discuss anything with respect to marketing as a general rule unless we're under binding contract. So, that's historically what we've done and I can't say more than that, Michael.

Q:
Okay. I'm just looking at some of these assets that have a disposition date for December, they're not –

John Garilli – Chief Financial Officer
Most of those are loans that are going to be paid off in December. I'm not looking at the list, but if you see a December, very often they're loans that are going to be paid off.

Q:
I was just looking at the operating properties, not the loans.

Carolyn Tiffany – President
We really can't comment on the marketing process at this point for 550 and Churchill, which are the two that you're referring to.

Q:
Okay. My last question, does 450 W. 14th Street, have you provided what that current cash flow profile looks like just net of the ground lease payments or what this might look like in a more normalized, stabilized environment?

Michael Ashner – Chairman and Chief Executive Officer
Can I respond to that?

Carolyn Tiffany – President
We haven't publicly put out asset by asset NOI's or cash flows, so at this point we really can't comment on it.

Michael Ashner – Chairman and Chief Executive Officer
I guess other than I can say this, well I'm going to say it, this is sufficient cash flow to cover our preference on a current basis. That I believe I can say. After paying the ground lease and whatever other operating expense that the building has, that I feel comfortable in saying.

Q:
Is it also fair to say that I believe maybe a couple of years ago that the six month annualized NOI number for the asset was about $5.5 million. Is it higher today than it was back then?

Michael Ashner – Chairman and Chief Executive Officer
I don't want you waving your arms at me, Carolyn. It's relatively the same as it was. When we took control of the building or became involved with the building with our partners, there were pretty much all done, all leased up all the office portion leased up a 10 year leases, so [indiscernible] step-ups that are built in those leases. I don't think there's been any significant increases to revenues there.

Q:
What kind of step-ups are there embedded in those leases?

Carolyn Tiffany – President
We haven't made that information public. And I'd also note that the retail space has not been leased. That retail space is vacant.

Q:
Okay. Thank you very much.

Operator
Our next question is coming from Bill Chen of Rhizome Partners.

Q:
Hello. I was wondering if you could disclose the duration of the Hershey's and NFL lease that you signed?

Michael Ashner – Chairman and Chief Executive Officer
I cannot because they're waving their arms at me. I cannot and the reason is, our partners have asked that since we're still in the market with the remaining ground floor space, we don't want to give any information concerning specifics of those leases to the market right now until the remaining space has been leased.

Q:
And my follow up question is more of a market practice question. The rental rates for Times Square is fairly available via various reports and whatnot. I just want to better understand that those figures that are out there,

are they triple net figures or when we think about those figures, to kind of go from that rent number to an NOI number, how should we think about it? Is that typically like a 90% NOI margin when you factor in taxes, operating expenses? Given these are very unique assets with very high rent per square foot, the expenses could be a very small component of it. So if you could help us understand that so I could kind of back into my analysis.

Michael Ashner – Chairman and Chief Executive Officer
I'll tell you what I can tell you. I don't want to go into details on our leases. Having said that, I can assure you that any lease that we do, if it was not a net lease would have base year stops so that any future increases would be passed through to the tenant.

Q:
Okay.

Michael Ashner – Chairman and Chief Executive Officer
I can't go further than that, because I really don't want to give information out to the market—hammers to break my feet.

Q:
I wasn't really asking for this specifically, it was more just understanding Times Square in general, if you could comment on industry standards. I don't want you to comment on our lease specifically, but –

Michael Ashner – Chairman and Chief Executive Officer
For that answer, people do different deals in Times Square.

Q:
Okay. So the numbers we see around, the rent numbers and when you're talking to an [indiscernible] it could be all different?

Michael Ashner – Chairman and Chief Executive Officer
Sometimes they do net leases, sometimes they do double net leases, sometimes they do gross leases, sometimes they do gross leases with stops. I mean, you'll see all kinds of leases in Times Square.

Q:
That's helpful. That's all the questions I have.

Operator
Our next question is coming from Raymond Howe of CFP.

Q:
Good afternoon. Can you tell me the scheduled occupancy dates for both the retail and hotel at Times Square?

Michael Ashner – Chairman and Chief Executive Officer
I can tell you the completion date, the CO completion date is scheduled for, on the retail, is scheduled for the end of November, beginning of December. We have an eight month leeway to deliver that space to our tenants beyond that portion of time to protect ourselves on delays that occur.

The hotel is supposed to be scheduled for completion late 2017. Having said that, I'm always skeptical about what people get it on the inside, on the outside when it comes to construction. But we've given ourselves more than enough leeway in the event that there's delays.

Q:
Can you comment on whether or not the company has bought back any shares since the end of the second quarter?

Michael Ashner – Chairman and Chief Executive Officer
It has not.

Q:
Lastly, since this is the last conference call and you've begged people for as long as I've listened to ask you what you're reading, so I'm going to ask you: What are you reading?

Michael Ashner – Chairman and Chief Executive Officer
I'm always looking for different conversations. Let me see what we're reading these days. Well, I'll tell you what's good. Since you're all financial people, there's *Money Changes Everything* which came out a few weeks ago. It's a great history of finance going back to the time of the Assyrians. It's actually pretty fascinating. I'll tell you what else is good that we finished but was depressing is that book by Nick Bostrum, *Super Intelligence*. That was pretty good. What's not good, and I've read every one of his books and I liked the other ones, was Max Hasting's new book *Secret War*. I thought it was dull. It's about the espionage and intelligence service during WWII. What I'm reading now is a challenging book, which questions globalization. A book by John Gray called *False Dawn*. There, that's my reading.

Q:
Thanks, guys. Thanks for all you've done.

Operator
Our next question is coming from Dan Occhionero of Barclays.

Q:
What is in the $51 million restricted cash balance?

John Garilli – Chief Financial Officer
It's primarily the distribution that was paid on July 1st, so we had to fund it the day before, so $45 million of that $51 million is related to that dividend or distribution.

Q:
And the rest is cash reserves on the properties?

John Garilli – Chief Financial Officer
Correct.

Q:
Thanks.

Operator
Our next question is from Timo Kienle, a private investor.

Q:
I have two questions and one follow-up question on the restricted cash held in the escrows on your balance sheet of $50.7 million. Does that include the Erie sale or is that still in the investments in real estate?

John Garilli – Chief Financial Officer
That's still in the investments in real estate. As I just mentioned to Dan, you might have missed it, we had the dividend payable at $45.5 million. That was paid on July 1st, but it was funded on June 30th, so that was in restricted cash.

Q:
Thank you. And the last question is, you said earlier that when there's a meaningful cash amount, you will distribute it. What is a meaningful cash amount for you to make? What's the minimum to make a distribution?

Michael Ashner – Chairman and Chief Executive Officer
There's really no minimum, but at this point with the assets the size that we have, I'd like it to be at least, for the time being, at least a buck a share.

Q:
Great. That's all the questions I have. Thank you.

Operator
Our next question is from Bill Chin of Rhizome Partners

Q:
I was just wondering, could you provide a property tax figure for the entire building upon completion, for 20 Times Square?

Michael Ashner – Chairman and Chief Executive Officer
We can't because, first of all, we're always going to have a view as to what the correct taxes are. The city's going to have a view as to what they believe the taxes are, and what you actual experience is that it's tax assessed in installments. So you really won't know what the property taxes will be for the building for five years.

Q:
Is there ranges where you're comfortable saying that it's certainly below a certain dollar figure or just a wide range would be helpful.

Michael Ashner – Chairman and Chief Executive Officer
The problem is, is that it certainly is going to be a range and on a property like that, depending on the cap rate, a one million dollar difference between what I tell you, in that range, is worth $20 million of value to the building, at least. So it may sound like a trivial number, but any number in that range, and if we're not accurate, is going to lead people to perhaps theoretically give people the wrong sense of what the value of the building would be. We talked about property taxes and it's expense, but it's going to have an impact on valuations.

That research is available if people want to look for comparable property taxes in Times Square, but it will be a five year process before we know what our final tax numbers are.

Q:
That's helpful. Thank you.

Operator
Thank you. At this time, I'd like to turn the floor back over to management for any additional or closing comments.

Michael Ashner – Chairman and Chief Executive Officer

We appreciate, as always, your being with us for today's call. If you have any additional questions, or would like to discuss anything with us further, please feel free to contact myself or any member of the management team, preferably Carolyn, and I include the future. Do not be hesitant when you have questions, if not shareholders, as beneficial trust holders to contact us if there's something you wanted to know about. You can look at our website and I want to thank you all. Have a good afternoon.

Operator
Ladies and gentlemen, thank you for your participation. This concludes today's teleconference. You may disconnect your lines at this time and have a wonderful day.