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Transcript of Winthrop Realty Trust
Q4/Year End 2014 Management Conference Call
March 5, 2015

Participants
Amy Grucan – Investor Relations
Michael Ashner – Chairman and Chief Executive Officer
Carolyn Tiffany – President

Analysts
Mitch Germain – JMP Securities
Wilkes Graham – Compass Point

Presentation

Operator
Greetings, and welcome to Winthrop Realty Trust Q4/Year End 2014 Management Conference Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. (Operator instructions). As a reminder, this conference is being recorded.

It is now my pleasure to turn the call over to your host, Amy Grucan. You may begin.

Amy Grucan – Investor Relations
Thank you. Good afternoon, everyone. Welcome to the Winthrop Realty Trust fourth quarter and year end 2014 management conference call. With us 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, March 5th, 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 fourth quarter financial results and our ongoing efforts in connection with our plan of liquidation. In the past, our format has been for Carolyn to lead our quarterly call, followed by John with his scintillating line-by-line description of the elements of our earnings. Since adoption of the plan, however, much of that discussion is eliminated. So today you get me. Although Carolyn and John are here for your questions.

As today's release indicates, liquidation accounting is primarily a discussion of changes in our net asset valuation. These changes reflect our best estimates as the liquidation proceeds we presently expect to realize, taking into consideration numerous factors, including timing of sale of each asset, operating income generated prior to disposition of each asset, cost of liquidation and corporate G&A expense, etc.

On an apples-to-apples basis, the estimated liquidation proceeds has increased by approximately $0.23 a share as compared to third quarter 2014 estimated liquidation proceeds. This increase primarily results from growth in value in Concord Debt Holdings' asset base as well as proceeds realized in excess of our prior valuations on assets which have been sold or repaid. Offsetting the increase in sales proceeds has been a reduction of projected cash flows, which results from an accelerated sale of a number of assets which either have occurred or are now believed will occur.

In essence, management has elected in a number of situations to sell assets at prices equal to or better than originally estimated on an earlier date, which cuts off the cash flow that would have been realized if we had held those assets for a longer period of time. This consideration factored most significantly with respect to the anticipated accelerated sale date of the Vintage portfolio and partial repayment of the Edens-Norridge loan. The earlier sale of assets enabled us to make the $2.25 per share distribution in January.

With respect to transactions under hard deposits, we're pleased with the price we achieved for our Vintage portfolio. The investments performed significantly better than anticipated in large measure due to the super performance of our partners, Michael Gancar and Ryan Patterson. In addition, the proposed sale of 44 Monroe, the second asset from the ST Residential portfolio to be sold, will achieve the full proceeds projected in our liquidation analysis.

As I stated in the press release, our assets are moving quicker and at better pricing than we anticipated when we announced our plan of liquidation. As provided in our supplement, we've realized proceeds to the company of approximately $268 million in sales and repayments, which exceeded our highest prior estimates for those assets by approximately 9%, again as compared to our December 2013 NAV analysis. I foresee no reason for the momentum of favorable pricing to change in the near-term.

With respect to certain of our larger assets that we have not yet sold, I would like to make a few comments. As for the Sullivan Center, we put our toe in the sales water in the fourth quarter of 2014. While pricing was very favorable, we determined not to sell until certain pending items were resolved. The properties recently signed leases for an additional 76,000 square feet of space, increasing its occupancy from 88% to 96%, which should improve the property's cash flow by approximately $1.5 million in time. In our judgment, the current annual cash flow of $7.2 million to the company, resolving the outstanding items and the additional leasing income, should lead to better future pricing.

Our multi-use development investment in Times Square is moving forward as planned. Two comments: first, we have not increased our reported liquidation value on account of this investment; second, for what it's worth, in my view, this investment has the greatest potential for value increase of any individual asset I have owned in my 35 year career as a real estate investor. I may well be proved wrong, but that is my belief.

Worth mentioning is that the Witkoff Group, our developer partner, has done an exceptional job of managing and navigating the various aspects of a very complicated multi-use real estate development with retail, hotel and LED signage components in one of the most construction regulated locations, in one of the most construction regulated cities in the world. Not an easy task.

I am frequently asked my take on the overall commercial real estate market conditions, by my family mostly. My personal take is best evidenced by the company's behavior. That is to say, we are proceeding with our plan of liquidation in a more expedited manner than expected. Moreover, since proposing the plan, I've not seen any investment opportunities which we have missed. Ergo, I believe overall real estate market conditions to be favorable for execution of our plan exhibiting a level perceived stability with abundance of debt and equity capital. I believe these conditions will remain unchanged during the near-term. Consequently, we intend to continue to bring new assets to market during the next several months.

I need to give credit where credit is due. My hat is off to all of my colleagues and associates throughout the company, all of whom have done a remarkable job in executing this plan of liquidation at an accelerated pace. Needless to say, two hats go off to the people in Boston who have had to do so with 100 inches of snow outside their doorsteps.

I don't think I've spoken this long on any of our calls during the past 10 years, so I think it best that I open the floor to questions. Feel free to ask about the process, about the assets, or any other questions you might have. Carolyn, John and I, are happy to respond.

Operator
(Operator instructions.) Our first question comes from the line of Mitch Germain with JMP Securities. Please proceed with your question.

<Q>: Good morning, everyone. Thanks. Just curious on the leasing prospects in Times Square. How's activity going? How do you feel about the potential for where rents are going to be relative to your underwriting, maybe just some commentary there please?

Michael Ashner – Chairman and Chief Executive Officer
Well, recent activity is proceeding. We have strong interest, but we have made a decided decision at least I think what we're going to do for the near-term. We have a special site. Anyone who walks by it sees that our site anchors the Times Square corridor. It's the only site that you can move into now on a built-to-suit basis. It's got the best space in my view in the whole Times Square corridor with about only that 1.6 million square feet and 120 million pedestrian traffic per year. I think what the Witkoff Group and Winthrop had determined is we want the right tenant, not any tenant. We don't just want to fill it; we want a tenant who is going to be the long-term kind of anchor tenant, which will really drive up value and we are speaking to those kinds of people right now. It's too early to tell how that will play out with respect to our underwriting when we did the deal way back, but I suspect it will be—if we bag what it is I would like to see us bag, I believe it will be favorable.

<Q>: And the likelihood is, are you going to combine the signage with the retail or likely keep it separate?

Michael Ashner – Chairman and Chief Executive Officer
We would like to because that obviously means that the signage income will trade at a more favorable capitalization rate than if we were to have it independent.

<Q>: Great. Two more from me. Sullivan Center looks like you marketed it; pulled it off the market. I mean, I was just curious. I am assuming some of those leases were probably at least under negotiation, maybe known a couple of weeks ago. So, is it a function of price or was it really just getting, signing everything on the dotted line?

Michael Ashner – Chairman and Chief Executive Officer
No, actually those leases weren't really fully out there to the extent that some of them were under letters of intent or under discussion, but some of them were not. So, that is part of the issue.

<Q>: So, the thought is to put it right back on the market at this point, now that the leases have been signed?

Michael Ashner – Chairman and Chief Executive Officer
No, we have some other issues that we want to resolve. We are advised that our partner, Larry Freed, is scheduled to go to trial on his federal indictment. I'd say we are advised. I haven't spoken to him directly about it—in May, and I'd like to see how that resolves itself before we go out to market.

<Q>: Great. And then just maybe some commentary on the Vintage trade; obviously, came in ahead of expectations, though I think that the NAV was probably conservative. In terms of timing, was it right to do it now? I mean is there a view that you've got a multi-family valuations that made you believe that now was a better time to do it than wait a little? Maybe trade it as the cycle continues to proceed?

Michael Ashner – Chairman and Chief Executive Officer
Well, what I'm lacking, Mitch, I'm lacking that bell that goes off when you're at the top of the market or the bottom of the market. What I have is a sense that when you think you have the deal, a proposal offered to you, in which you can be indifferent on the outcome that the price is the right price, a fair price. I think it's a good deal for Kennedy Wilson to tell you the truth. I think a really good deal for them also but for us, it was a good price, a fair price, and we take it. We don't second guess ourselves, done.

<Q>: Great. Let me know when you find that bell. Thanks, again.

Operator
(Operator instructions.) Our next question is from Wilkes Graham with Compass Point. Please proceed with your question.

<Q>: Good afternoon. Just two questions from me—and I may have missed this on the senior notes. I think there is about $74 million outstanding and as you've mentioned in the past, you can't really pay us off to August. Can you just help me understand how you're able to pay off special dividends before you pay that debt? I know you can; I know you already have but I just want to understand the process.

Michael Ashner – Chairman and Chief Executive Officer
There are restrictions; there is leverage restrictions that the bonds have and as long as we're in compliance with the leverage restrictions, we can make special dividends.

<Q>: Is the assumption or is your assumption, when you are paying off special, that obviously because you're out-marketing a lot of assets that you assume you would have the cash in August to pay it?

Michael Ashner – Chairman and Chief Executive Officer
Well, it's a combination of three things: the amount of cash we have on hand, the amount of cash we project that we're going to get from deals that have gone hard, and also, what we think that we'll be able to sell at a certain point in time; the three together and you figure it out.

<Q>: And I don't know if you'll be able to answer this. I am curious if you can give any color or detail on how are you—I don't need numbers, but just how you sort of conceptually think about the value of 20 Times Square in the

net assets and liquidation calculation? What I am really getting at is, do you plan to adjust that valuation as time goes on?

Michael Ashner – Chairman and Chief Executive Officer
Carolyn, why don't you answer that?

Carolyn Tiffany – President
Sure. I mean with all of our assets, and coming up with our net assets and liquidation, we forecast the value each quarter we look at it, and what the timing of the sale is and what we expect to receive on the sale. So, in terms of will that get adjusted, absolutely, we look at it every quarter, and take into consideration events, market driven or property driven. And with all the assets, we make our best estimate at the value. This one is of course the biggest challenge because it's so early in its stages of development. But essentially, we forecast what we believe the operations of this property will be and what kind of value that will create.

Michael Ashner – Chairman and Chief Executive Officer
I think to my way of thinking, there are probably four events that might change our view, I mean it would change our view. I read the sign of retail tenant, initiation of the sign and opening up the hotel because that will give you a better—those three things you know, we know. Also if we were to go to market or were to receive an unsolicited offer, that would impact on how we look at it. But absent an event, I mean what I had, what this company has, is the best site in America under development, in my view.

<Q>: Thanks for both of you. I appreciate it.

Operator
There are no further questions at this time. I would like to turn the floor back over to Mr. Michael Ashner for closing remarks.

Michael Ashner – Chairman and Chief Executive Officer
Again, we appreciate your being with us for today's call. We look forward to seeing you again at our Annual Shareholders Meeting in May. If you've any additional questions or you would like to discuss anything further with us directly, please feel free to contact Carol or myself. Our contact information is available on the website. I thank you all and have a good afternoon.