

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: June 30, 2009
Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File Number 1-6249

WINTHROP REALTY TRUST

(Exact name of Registrant as specified in its certificate of incorporation)

Ohio

(State or other jurisdiction of incorporation or organization)

34-6513657

(IRS Employer Identification Number)

7 Bulfinch Place, Suite 500, Boston, Massachusetts

(Address of principal executive offices)

02114

(Zip Code)

(617) 570-4614

(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 and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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):

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 Exchange Act Rule 12b-2). Yes No

As of August 1, 2009 there were 15,861,233 Common Shares of Beneficial Interest outstanding.

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Item 1. Financial Information**WINTHROP REALTY TRUST
FORM 10-Q - JUNE 30, 2009****CONSOLIDATED BALANCE SHEETS**

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

	<u>June 30, 2009</u>	<u>December 31, 2008</u> (as adjusted)
ASSETS		
Investments in real estate, at cost		
Land	\$ 21,344	\$ 21,344
Buildings and improvements	246,579	246,362
	267,923	267,706
Less - accumulated depreciation	(28,884)	(25,901)
Investments in real estate, net	239,039	241,805
Cash and cash equivalents	20,469	59,238
Restricted cash held in escrows	8,821	14,353
Loans receivable, net of reserve of \$1,538 and \$2,445, respectively	25,591	22,876
Accounts receivable, net of reserve of \$130 and \$225, respectively	11,995	14,028
Securities carried at fair value	53,676	36,516
Available for sale securities, net	195	184
Preferred equity investment	45,780	50,624
Real estate loan available for sale	34,797	-
Equity investments	17,299	92,202
Lease intangibles, net	24,798	25,929
Deferred financing costs, net	2,272	3,218
Deposit for purchase of Series B-1 Preferred Shares	-	17,081
Other assets	-	40
TOTAL ASSETS	<u>\$ 484,732</u>	<u>\$ 578,094</u>
LIABILITIES		
Mortgage loans payable	\$ 226,655	\$ 229,737
Series B-1 Cumulative Convertible Redeemable Preferred Shares, \$25 per share liquidation preference; 1,496,000 and 2,413,105 shares authorized and outstanding at June 30, 2009 and December 31, 2008, respectively	37,400	60,328
Loan payable	19,818	-
Note payable	-	9,800
Accounts payable and accrued liabilities	8,463	8,596
Dividends payable	3,956	5,934
Deferred income	58	795
Below market lease intangibles, net	3,220	3,696
TOTAL LIABILITIES	<u>299,570</u>	<u>318,886</u>
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Winthrop Realty Trust Shareholders' Equity:		
Common Shares, \$1 par, unlimited shares authorized; 15,823,249 and 15,754,495 outstanding at June 30, 2009 and December 31, 2008, respectively	15,823	15,754
Additional paid-in capital	461,614	460,956
Accumulated distributions in excess of net income	(303,176)	(213,284)
Accumulated other comprehensive loss	(373)	(15,176)
Total Winthrop Realty Trust Shareholders' Equity	173,888	248,250
Non-controlling interests	11,274	10,958
Total Equity	<u>185,162</u>	<u>259,208</u>

TOTAL LIABILITIES AND EQUITY

\$ 484,732

\$ 578,094

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
FORM 10-Q - JUNE 30, 2009

**CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS)**

(Unaudited)

(In thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue				
Rents and reimbursements	\$ 10,447	\$ 10,993	\$ 21,432	\$ 21,660
Interest and dividends	2,214	350	3,966	883
	<u>12,661</u>	<u>11,343</u>	<u>25,398</u>	<u>22,543</u>
Expenses				
Property operating	1,822	1,802	3,823	3,669
Real estate taxes	652	675	1,355	1,414
Depreciation and amortization	2,682	2,910	5,581	5,968
Interest	4,433	5,468	8,831	11,299
Impairment loss on available for sale securities	-	107	-	207
Provision for loss on loan receivable	1,724	-	2,152	-
General and administrative	1,878	1,482	3,324	3,553
State and local taxes	147	98	197	222
	<u>13,338</u>	<u>12,542</u>	<u>25,263</u>	<u>26,332</u>
Other income				
Earnings (loss) from preferred equity investments	(3,209)	(912)	(2,194)	1,418
Loss of equity investments	(82,249)	(22,333)	(100,412)	(18,521)
Gain on sale of available for sale securities	-	-	-	2,029
Gain on sale of securities carried at fair value	2,685	-	2,598	-
Gain on sale of mortgage-backed securities available for sale	-	-	-	454
Unrealized gain on securities carried at fair value	12,580	-	1,432	-
Impairment loss on real estate loan available for sale	(203)	-	(203)	-
Gain on early extinguishment of debt	-	-	5,237	-
Interest income	42	436	114	664
	<u>(70,354)</u>	<u>(22,809)</u>	<u>(93,428)</u>	<u>(13,956)</u>
Consolidated loss from continuing operations	<u>(71,031)</u>	<u>(24,008)</u>	<u>(93,293)</u>	<u>(17,745)</u>
Income from discontinued operations	-	37	-	86
Consolidated net loss	<u>(71,031)</u>	<u>(23,971)</u>	<u>(93,293)</u>	<u>(17,659)</u>
Income attributable to non-controlling interests	(165)	(86)	(336)	(86)
Net loss attributable to Winthrop Realty Trust	<u>\$ (71,196)</u>	<u>\$ (24,057)</u>	<u>\$ (93,629)</u>	<u>\$ (17,745)</u>
Comprehensive loss				
Net loss	\$ (71,031)	\$ (23,971)	\$ (93,293)	\$ (17,659)
Change in unrealized loss on available for sale securities arising during the period	9	89	11	2,112
Change in unrealized gain on mortgage-backed securities available for sale arising during the period	-	-	-	190
Change in unrealized gain (loss) on interest rate derivatives arising during the period	127	401	265	(250)
Change in unrealized loss from equity investments	26,371	13,920	26,174	4,285
Less reclassification adjustment from gains included in net income	-	-	-	(2,483)
Comprehensive loss	<u>\$ (44,524)</u>	<u>\$ (9,561)</u>	<u>\$ (66,843)</u>	<u>\$ (13,805)</u>
Per Common Share data - Basic				
Loss from continuing operations attributable to Winthrop Realty Trust	\$ (4.50)	\$ (1.65)	\$ (5.92)	\$ (1.27)
Income from discontinued operations attributable to Winthrop Realty Trust	-	-	-	0.01
Net loss attributable to Winthrop Realty Trust	<u>\$ (4.50)</u>	<u>\$ (1.65)</u>	<u>\$ (5.92)</u>	<u>\$ (1.26)</u>
Per Common Share data - Diluted				

Loss from continuing operations attributable to Winthrop Realty Trust	\$ (4.50)	\$ (1.65)	\$ (5.92)	\$ (1.27)
Income from discontinued operations attributable to Winthrop Realty Trust	-	-	-	0.01
Net loss attributable to Winthrop Realty Trust	<u>\$ (4.50)</u>	<u>\$ (1.65)</u>	<u>\$ (5.92)</u>	<u>\$ (1.26)</u>
Basic Weighted-Average Common Shares	<u>15,822</u>	<u>14,564</u>	<u>15,814</u>	<u>13,990</u>
Diluted Weighted-Average Common Shares	<u>15,822</u>	<u>14,564</u>	<u>15,814</u>	<u>13,990</u>
Amounts attributable to Winthrop Realty Trust Common Shareholders				
Loss from continuing operations	\$ (71,196)	\$ (24,094)	\$ (93,629)	\$ (17,831)
Income from discontinued operations	-	37	-	86
Net loss	<u>\$ (71,196)</u>	<u>\$ (24,057)</u>	<u>\$ (93,629)</u>	<u>\$ (17,745)</u>

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
FORM 10-Q - JUNE 30, 2009

CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(In thousands)

	Common Shares of Beneficial Interest		Additional Paid-In Capital	Accumulated Distributions In Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
	Shares	Amount					
Balance, December 31, 2008	15,754	\$ 15,754	\$ 460,956	\$ (213,284)	\$ (15,176)	\$ 10,958	\$ 259,208
Net loss attributable to Winthrop Realty Trust	-	-	-	(93,629)	-	-	(93,629)
Cumulative effect, change in accounting principle	-	-	-	11,647	(11,647)	-	-
Net income attributable to non-controlling interests	-	-	-	-	-	336	336
Distributions to non-controlling interests	-	-	-	-	-	(743)	(743)
Contributions from non-controlling interests	-	-	-	-	-	723	723
Dividends paid or accrued on Common Shares of beneficial interest (\$0.50 per share)	-	-	-	(7,910)	-	-	(7,910)
Change in unrealized gain on available for sale securities, net of reclassification adjustment for amounts included in net income	-	-	-	-	11	-	11
Change in unrealized loss on interest rate derivatives	-	-	-	-	265	-	265
Change in unrealized loss from equity investments	-	-	-	-	26,174	-	26,174
Stock issued pursuant to dividend reinvestment plan	69	69	658	-	-	-	727
Balance, June 30, 2009	<u>15,823</u>	<u>\$ 15,823</u>	<u>\$ 461,614</u>	<u>\$ (303,176)</u>	<u>\$ (373)</u>	<u>\$ 11,274</u>	<u>\$ 185,162</u>
	Common Shares of Beneficial Interest		Additional Paid-In Capital	Accumulated Distributions In Excess of Net Income	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares	Amount					
Balance, December 31, 2007	66,292	\$ 66,292	\$ 358,145	\$ (134,531)	\$ (8,090)	\$ 9,978	\$ 291,794
Net loss attributable to Winthrop Realty Trust	-	-	-	(17,831)	-	-	(17,831)
Net income attributable to non-controlling interests	-	-	-	-	-	86	86
Distributions to non-controlling interests	-	-	-	-	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	-
Dividends paid or accrued on Common Shares of beneficial interest (\$0.13 per share)	-	-	-	(9,508)	-	-	(9,508)
Change in unrealized gain on available for sale securities, net of reclassification adjustment for amounts included in net income	-	-	-	-	83	-	83
Change in unrealized gain on mortgage-backed securities held for sale, net of reclassification adjustment for amounts included in net income	-	-	-	-	(264)	-	(264)
Change in unrealized loss on interest rate derivatives	-	-	-	-	(250)	-	(250)
Change in unrealized loss from equity investments	-	-	-	-	4,285	-	4,285
Stock issued pursuant to dividend reinvestment plan	526	526	1,951	-	-	-	2,477
Conversion of Series B-1 Preferred Shares to Common Shares	2,667	2,667	8,936	-	-	-	11,603
Issuance of Common Shares through rights offering	8,845	8,845	28,157	-	-	-	37,002
Balance, June 30, 2008	<u>78,330</u>	<u>\$ 78,330</u>	<u>\$ 397,189</u>	<u>\$ (161,870)</u>	<u>\$ (4,236)</u>	<u>\$ 10,064</u>	<u>\$ 319,477</u>

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
FORM 10-Q - JUNE 30, 2009

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	For the Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities		
Net loss	\$ (93,293)	\$ (17,659)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization (including amortization of deferred financing costs)	3,746	4,025
Amortization of lease intangibles	2,461	2,829
Straight-lining of rental income	577	372
Earnings of preferred equity investments less than distributions	4,784	2,099
Earnings of equity investments less than distributions	101,077	24,497
Restricted cash held in escrows	(1,003)	(65)
Gain on sale of mortgage-backed securities available for sale	-	(454)
Gain on sale of securities carried at fair value	(2,598)	-
Gain on sale of available for sale securities	-	(2,029)
Unrealized gain on securities carried at fair value	(1,432)	-
Impairment loss on real estate loan available for sale	203	-
Gain on early extinguishment of debt	(5,237)	-
Impairment loss	-	207
Provision for loss on loan receivable	2,152	-
Bad debt recovery	(95)	(32)
Tenant leasing costs	(1,806)	-
Net change in interest receivable	(480)	(60)
Net change in accounts receivable	1,551	10,183
Net change in accounts payable and accrued liabilities	(469)	(3,394)
Net change in other assets	-	(399)
	<u>10,138</u>	<u>20,120</u>
Cash flows from investing activities		
Investments in real estate	(719)	(1,764)
Proceeds from repayments of mortgage-backed securities available for sale	-	78,318
Investment in equity investments	-	(5,087)
Investment in preferred equity investment	-	(3,923)
Investment in real estate loan available for sale	(35,000)	-
Proceeds from preferred equity investments	60	20,179
Purchase of securities carried at fair value	(29,889)	-
Purchase of available for sale securities	-	(5,055)
Proceeds from sale of securities carried at fair value	16,759	-
Proceeds from sale of available for sale securities	-	57,699
Decrease (increase) in restricted cash held in escrows	2,597	(6)
Issuance and acquisition of loans receivable	(11,147)	(4,846)
Collection of loans receivable	6,800	1,147
	<u>(50,539)</u>	<u>136,662</u>

(Continued on next page)

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
FORM 10-Q - JUNE 30, 2009

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

(Continued from previous page)

	For the Six Months Ended	
	June 30,	
	2009	2008
Cash flows from financing activities		
Repayment of borrowings under repurchase agreements	\$ -	\$ (75,175)
Proceeds from loan payable	19,818	-
Proceeds from revolving line of credit	35,000	-
Proceeds from mortgage loans payable	49	463
Restricted cash held in escrows	3,938	60
Principal payments of mortgage loans payable	(3,131)	(2,260)
Payments of note payable	(9,800)	-
Payment of revolving line of credit	(35,000)	-
Deferred financing costs	(61)	(24)
Dividends paid on Common Shares	(9,888)	(20,659)
Issuance of Common Shares under dividend reinvestment plan	727	2,477
Issuance of Common Shares through rights offering	-	37,002
Contribution from non-controlling interest	723	-
Distribution to non-controlling interest	(743)	-
Net cash provided by (used in) financing activities	1,632	(58,116)
Net increase (decrease) in cash and cash equivalents	(38,769)	98,666
Cash and cash equivalents at beginning of period	59,238	36,654
Cash and cash equivalents at end of period	<u>\$ 20,469</u>	<u>\$ 135,320</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 8,542</u>	<u>\$ 14,324</u>
Taxes paid	<u>\$ 129</u>	<u>\$ 94</u>
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Dividends accrued on Common Shares	<u>\$ 3,956</u>	<u>\$ 5,091</u>
Capital expenditures accrued	<u>\$ 222</u>	<u>\$ 423</u>
Conversion of Series B-1 Preferred Shares into Common Shares	<u>\$ -</u>	<u>\$ 11,603</u>
Redemption of Series B-1 Preferred Shares	<u>\$ (17,081)</u>	<u>\$ -</u>
Deposit on redemption of Series B-1 Preferred Shares	<u>\$ 17,081</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Winthrop Realty Trust (the "REIT") is an unincorporated association in the form of a business trust organized in Ohio under a Declaration of Trust dated August 1, 1961, as amended and restated on May 21, 2009, which has as its stated principal business activity the ownership and management of, and lending to, real estate and related investments.

The REIT conducts its business through WRT Realty L.P., a Delaware limited partnership (the "Operating Partnership"). The REIT is the sole general partner of, and owns directly and indirectly, 100% of the limited partnership interest in the Operating Partnership. The transfer of the REIT's assets and liabilities to the Operating Partnership had no effect on the REIT's financial statements. All references to the "Trust" refer to the REIT and its consolidated subsidiaries, including the Operating Partnership.

The Trust is engaged in the business of owning real property and real estate related assets which it categorizes into three specific areas: (i) direct or indirect ownership of operating properties ("operating properties"); (ii) origination and acquisition of loans and debt securities secured directly or indirectly by commercial real property ("loan assets and loan securities"), including collateral mortgage-backed securities and collateral debt obligation securities; and (iii) equity and debt interests in other REITs ("REIT securities").

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements, although management believes that the disclosures presented herein are adequate to make the accompanying unaudited consolidated interim financial statements presented not misleading. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements and the notes thereto included in the REIT's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the SEC. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary for fair statements have been included. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the operating results for the full year.

The accompanying unaudited consolidated financial statements represent the consolidated results of the REIT, its wholly-owned taxable REIT subsidiary, WRT TRS Management Corp., the Operating Partnership, wholly-owned subsidiaries and certain partially-owned entities in which the Operating Partnership owns either (i) a controlling interest or (ii) is the primary beneficiary. All significant intercompany amounts have been eliminated. The Trust accounts for its investments in companies in which it has the ability to significantly influence, but does not have a controlling interest, by using the equity method of accounting.

Reverse Stock Split

In November 2008 the Trust effected a 1-for-5 reverse stock split (the "Reverse Split") of its Common Shares of Beneficial Interest ("Common Shares") pursuant to which each five Common Shares issued and outstanding as of the close of the market on November 28, 2008 were automatically combined into one Common Share, subject to the elimination of fractional shares. All references to Common Shares outstanding, per Common Share amounts and stock option data have been restated to reflect the effect of the Reverse Split for all periods presented.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year's presentation. Discontinued operations for the three and six month periods ended June 30, 2008 include the Trust's property in Biloxi, Mississippi. Also during the three and six month periods ended June 30, 2008, the Trust placed its St. Louis, Missouri property back into continuing operations.

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Retrospective Adjustments Related to Non-Controlling Interests

The consolidated financial statements reflect certain reclassifications of prior period amounts, resulting from retrospective adoption of Statement of Financial Accounting Standards ("SFAS") No. 160, "*Non-Controlling Interests in Consolidated Financial Statements, an Amendment to ARB 51.*" The revisions had no impact on previously reported net income attributable to common shares of beneficial interest ("Common Shares") or basic and diluted earnings per common share.

Effective January 1, 2009, the Trust adopted the provisions of SFAS 160, which establishes and expands accounting and reporting standards for entities that have outstanding minority interests which are re-characterized as non-controlling interests in a subsidiary. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure on the face of the consolidated statements of operations and comprehensive income of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. Previously, net income attributable to the non-controlling interest generally was reported as an expense in determining consolidated net income. The adoption of SFAS 160 resulted in (i) the reclassification of minority interests in consolidated subsidiaries to non-controlling interests in consolidated subsidiaries, a component of permanent equity on the Trust's consolidated balance sheets, (ii) the reclassification of minority interest expense to net income attributable to non-controlling interests on the Trust's consolidated statements of operations and comprehensive income, and (iii) additional disclosures, including a consolidated statement of changes in equity.

Variable Interest Entities

The Trust has evaluated its investments to determine whether they constitute a variable interest in a variable interest entity ("VIE"). FIN 46 requires a VIE to be consolidated by its primary beneficiary. The primary beneficiary is the party that absorbs a majority of the VIE's anticipated losses and/or a majority of the expected returns.

In December 2008 the Trust adopted FASB Staff Position FAS 140-4 ("FSP FAS 140-4") and FIN 46(R)-8 ("FIN 46R-8"), *Disclosures by Public Entities (Enterprises) About Transfers of Financial Assets and Interests in Variable Interest Entities*. Among other things FSP FAS 140-4 and FIN 46(R)-8 require enhanced disclosure with respect to variable interest entities to provide financial statements users with an understanding of the significant judgments and assumptions made by the Trust in its determination of whether it must consolidate variable interest entities.

At June 30, 2009, the Trust has identified four convertible mezzanine loans related to the Marc Realty portfolio to be variable interests in a VIE. The Trust has determined that it is not the primary beneficiary of the underlying borrowing entities of the four mezzanine loans as it does not anticipate absorbing a majority of the expected losses due to its preferred return position. These loans, with a carrying value of \$3,923,000 net of other-than-temporary impairment charges of \$3,331,000, are accounted for as preferred equity in the Trust's consolidated balance sheet as of June 30, 2009.

Earnings Per Share

The Trust has calculated earnings per share in accordance with SFAS No.128, "*Earnings Per Share*," and EITF 03-06 "*Participating Securities and the Two Class Method Under FASB Statement No. 128 Earnings Per Share*." SFAS No.128 requires that Common Share equivalents be excluded from the weighted-average shares outstanding for the calculation of basic earnings per share. EITF 03-06 requires that computation of earnings per share reflect the impact of participating securities. The holders of the Series B-1 Cumulative Convertible Redeemable Preferred Shares ("Series B-1 Preferred Shares") are entitled to receive cumulative preferential dividends equal to the greater of (i) 6.5% of the liquidation preference or (ii) cash dividends paid on the Common Shares.

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation of Common Shares outstanding for the basic and diluted earnings per share calculation is as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Basic				
Loss from continuing operations attributable to Winthrop Realty Trust	\$ (71,196)	\$ (24,094)	\$ (93,629)	\$ (17,831)
Allocation of undistributed earnings to Series B-1 Preferred Shares	-	-	-	-
Income from discontinued operations attributable to Winthrop Realty Trust	-	37	-	86
Net loss attributable to Winthrop Realty Trust applicable to Common Shares for earnings per share purposes	<u>\$ (71,196)</u>	<u>\$ (24,057)</u>	<u>\$ (93,629)</u>	<u>\$ (17,745)</u>
Basic weighted-average Common Shares	<u>15,822</u>	<u>14,564</u>	<u>15,814</u>	<u>13,990</u>
Loss from continuing operations attributable to Winthrop Realty Trust				
Loss from continuing operations attributable to Winthrop Realty Trust	\$ (4.50)	\$ (1.65)	\$ (5.92)	\$ (1.27)
Income from discontinued operations attributable to Winthrop Realty Trust	-	-	-	0.01
Net loss attributable to Winthrop Realty Trust per Common Share	<u>\$ (4.50)</u>	<u>\$ (1.65)</u>	<u>\$ (5.92)</u>	<u>\$ (1.26)</u>
Diluted				
Loss from continuing operations attributable to Winthrop Realty Trust	\$ (71,196)	\$ (24,094)	\$ (93,629)	\$ (17,831)
Allocation of undistributed earnings to Series B-1 Preferred Shares	-	-	-	-
Income from discontinued operations attributable to Winthrop Realty Trust	-	37	-	86
Net loss attributable to Winthrop Realty Trust applicable to Common Shares for earnings per share purposes	<u>\$ (71,196)</u>	<u>\$ (24,057)</u>	<u>\$ (93,629)</u>	<u>\$ (17,745)</u>
Basic weighted-average Common Shares	15,822	14,564	15,814	13,990
Series B-1 Preferred Shares (1)	-	-	-	-
Stock options (2)	-	-	-	-
Diluted weighted-average Common Shares	<u>15,822</u>	<u>14,564</u>	<u>15,814</u>	<u>13,990</u>
Loss from continuing operations attributable to Winthrop Realty Trust				
Loss from continuing operations attributable to Winthrop Realty Trust	\$ (4.50)	\$ (1.65)	\$ (5.92)	\$ (1.27)
Income from discontinued operations attributable to Winthrop Realty Trust	-	-	-	0.01
Net loss attributable to Winthrop Realty Trust per Common Share	<u>\$ (4.50)</u>	<u>\$ (1.65)</u>	<u>\$ (5.92)</u>	<u>\$ (1.26)</u>

- (1) The Trust's Series B-1 Preferred Shares were anti-dilutive for the three and six months ended June 30, 2009 and 2008 and are not included in the weighted-average shares outstanding for the calculation of diluted earnings per Common Share.
- (2) The Trust's outstanding stock options were anti-dilutive for the three and six months ended June 30, 2009 and 2008 and are not included in the weighted average shares outstanding for the calculation of diluted earnings per Common Share.

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Recently Issued Accounting Standards

In June 2009 Financial Accounting Standards Board (“FASB”) Statement No. 168, “*The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, A Replacement of FASB Statement No. 162*,” (“SFAS 168”) was issued. SFAS 168 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The objective of this Statement is to replace Statement 162 and to establish the FASB Accounting Standards Codification™ (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Trust is evaluating the impact of SFAS 168 on its consolidated financial statements.

In June 2009 FASB Statement No. 167, “*Amendments to FASB Interpretation No. 46(R)*,” (“SFAS 167”) was issued, which amends the consolidation guidance applicable to variable interest entities. The amendments will affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. This statement will be effective for the Trust beginning in fiscal 2010. The Trust is evaluating the impact of SFAS 167 on its consolidated financial statements.

In June 2009 FASB Statement No. 166, “*Accounting For Transfers of Financial Assets - An Amendment of FASB Statement No. 140*,” (“SFAS 166”) was issued. SFAS 166 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. SFAS 166 must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009. Earlier application is prohibited. The Trust is evaluating the impact of SFAS 166 on its consolidated financial statements.

In May 2009 FASB Statement No. 165, “*Subsequent Events*,” (“SFAS 165”) was issued. SFAS 165 is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. The Trust has adopted SFAS 165, which did not have a material impact on its consolidated financial statements.

In April 2009 the FASB issued FSP SFAS 141(R)-1, “*Accounting For Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies*,” (“FSP No. SFAS 141(R)-1”) which amends the accounting for acquired contingencies under FAS No. 141 (Revised 2007), “*Business Combinations*,” (“FAS 141(R)”) previously adopted by the Trust. FSP FAS No. 141-1(R)-1 applies to all assets acquired and all liabilities assumed in a business combination that arise from contingencies. The FSP FAS states that the acquirer will recognize such an asset or liability if the acquisition date fair value of that asset or liability can be determined during the measurement period. If it cannot be determined during the measurement period, then the asset or liability should be recognized at the acquisition date if the following criteria, consistent with FAS No. 5, “*Accounting for Contingencies*,” are met: (1) information available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (2) the amount of the asset or liability can be reasonably estimated. This FSP is effective for all business acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Trust has adopted the provisions of SFAS No. 141(R) and FSP No. SFAS 141(R)-1 9, which did not have a material impact on its consolidated financial statements.

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In April 2009 FASB Staff Position No. FAS 115-2 and FAS 124-2, “*Recognition and Presentation of Other-Than-Temporary Impairments*,” (“FSP FAS 115-2” and “FAS 124-2”) was issued. Additionally, this FSP expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt. It requires a more detailed, risk-oriented breakdown of major security types and related information currently required by SFAS No. 115. In addition, FSP 115-2 and 124-2 requires that the annual disclosures in SFAS No. 115 and FSP FAS 115-1 and FAS 124-1, “*The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*,” be made for interim periods (including the aging of securities with unrealized losses). This FSP also requires new disclosures to help users of financial statements understand the significant inputs used in determining a credit loss, as well as a rollforward of that amount each period. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The FSP requires the difference between the security’s amortized cost basis and fair value on debt securities that the Trust intends to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized costs basis be recognized in the Trust’s consolidated statement of income. For available for sale and held to maturity debt securities that the Trust has no intent to sell and believes that it is more-likely-than-not will not be required to be sold prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the rest of the fair value loss is recognized in Accumulated Other Comprehensive Income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on the Trust’s cash flow projections utilizing its base assumptions. The cumulative effect of the adoption of the FSP included an increase in the opening balance of accumulated distributions in excess of net income at April 1, 2009 of \$11,647,000 primarily as a result of the Trust’s investment in Lex-Win Concord LLC (See Note 8).

In April 2009 FSP FAS 157-4, “*Determining Fair Value When the Volume and Level of Activity For the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*,” (“FSP FAS 157-4”) was issued. This FSP provides additional guidance for estimating fair value in accordance with SFAS No. 157, “*Fair Value Measurements*,” when the volume and level of activity for the asset or liability have significantly decreased. FSP FAS 157-4 includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same – that is, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Accordingly, this FSP does not apply to quoted prices for an identical asset or liability in an active market (that is, a Level 1 input – See Note 3, “Fair Value Measurement”). This FSP is effective for interim and annual reporting periods ending after June 15, 2009, early adoption is permitted for periods ending after March 15, 2009. The Trust has adopted FSP FAS 157-4, which did not have a material impact on its consolidated financial statements.

In April 2009 FASB Staff Position No. FAS 107-1 and APB 28-1, “*Interim Disclosures About Fair Value of Financial Instruments*,” (“FSP FAS 107-1 and APB 28-1”), was issued. This FSP amends SFAS No. 107, “*Disclosures About Fair Value of Financial Instruments*,” to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, “*Interim Financial Reporting*,” to require those disclosures in summarized financial information at interim reporting periods. FSP FAS 107-1 and APB 28-1 applies to all financial instruments within the scope of SFAS No. 107 held by publicly traded companies. FSP FAS 107-1 and APB 28-1 require disclosure in interim reporting periods and annual reporting periods of the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required under SFAS No. 107, including disclosure of the method(s) and significant assumptions used to estimate the fair value of financial instruments, including any changes therein. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009 and does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The Trust has adopted FAS 107-1 and APB 28-1, which did not have a material impact on its consolidated financial statements.

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In November 2008 EITF Issue No. 08-6, "*Equity Method Investment Accounting Considerations*," ("EITF 08-6") was ratified. EITF 08-6 addresses questions about the potential effect of FASB Statement No. 141R, "*Business Combinations*," and FASB Statement No. 160, "*Non-Controlling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51, on Equity Method Accounting Under APB 18*." EITF 08-6 generally continues existing practices under APB 18, including the use of a cost-accumulation approach to initial measurement of the investment. EITF 08-6 does not require the investor to perform a separate impairment test on the underlying assets of an equity method investment. However, an equity method investor is required to recognize its proportionate share of impairment charges recognized by the investee, adjusted for basis differences, if any, between the investee's carrying amount for the impaired assets and the cost allocated to such assets by the investor. The investor is also required to perform an overall other-than-temporary impairment test of its investment in accordance with APB 18. EITF 08-6 was effective for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years, and is applied prospectively. The Trust has adopted EITF 08-6, which did not have a material impact on its consolidated financial statements.

In June 2008 EITF Issue 07-5, "*Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*," ("EITF 07-5") was ratified. Paragraph 11(a) of SFAS 133 specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the company's own stock and (b) classified in shareholder's equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the SFAS 133 paragraph 11(a) scope exception. EITF 07-5 was effective on January 1, 2009. The Trust has adopted EITF 07-5, which did not have a material impact on its consolidated financial statements.

3. Fair Value Measurement

On January 1, 2008 the Trust adopted Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*," ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. Accordingly, the standard does not require any new fair value measurements of reported balances. Cash equivalents, derivative financial instruments, available for sale securities, and securities carried at fair value are reported at fair value.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability other than quoted prices, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Trust's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Level 1 securities include highly liquid government bonds, mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows, which would generally be classified within Level 2 of the valuation hierarchy. Examples of such instruments include certain derivative financial instruments. In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include, for example, residual interests in securitizations and other less liquid securities.

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In October 2008 FASB Staff Position FAS 157-3 ("FSP FAS 157-3"), "*Determining the Fair Value of a Financial Asset When the Market For That Asset is Not Active*," was adopted which provides clarification that determination of fair value in an inactive market depends on facts and circumstances and may require the use of significant judgment to determine whether certain individual transactions are forced liquidations or distressed sales. In cases where the volume and level of trading activity for an asset has declined substantially, the available prices vary significantly over time or among market participants, or the prices are not current, observable inputs might not be relevant and could require material adjustment. In addition, FSP FAS 157-3 also clarifies that broker or pricing service quotes may be appropriate inputs when measuring fair value, but are not necessarily determinative if an active market does not exist for the financial asset. Regardless of the valuation techniques used, FSP FAS 157-3 requires that an entity include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks. The Trust has always considered nonperformance and liquidity risks in its analysis of loans and collateral underlying its securities and the adoption of FSP FAS 157-3 did not have a material impact on its consolidated financial statements.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Recurring Measurements

Cash Equivalents

The Trust's cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The types of instruments that are valued based on quoted market prices in active markets include most U.S. government treasury bills with original maturities of less than 90 days and money market securities acquired through overnight sweeps.

Available for Sale Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. At June 30, 2009 all of the Trust's available for sale securities are classified within Level 1 of the valuation hierarchy.

Securities Carried at Fair Value

At June 30, 2009 all but one of the Trust's securities carried at fair value are classified within Level 1 of the fair value hierarchy. One of the securities is not actively traded and is classified within Level 3 of the fair value hierarchy.

Real Estate Loan Available for Sale

The Trust's real estate loan available for sale was sold in July 2009. The Trust's real estate loan available for sale is classified within Level 3 of the fair value hierarchy at June 30, 2009.

Derivative Financial Instruments

The Trust uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using both quantitative and qualitative valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative as well as potential credit risks with the swap counterparty. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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To comply with the provisions of SFAS No. 157, the Trust incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Trust has considered the impact of netting as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Trust has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2009, the Trust assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Trust has determined that the derivative valuations in their entirety should be classified in Level 2 of the fair value hierarchy.

The table below presents the Trust's assets and liabilities as of June 30, 2009, measured at fair value, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents (1)	\$ -	\$ -	\$ -	\$ -
Available for sale securities	195	-	-	195
Real estate loan available for sale	-	-	34,797	34,797
Securities carried at fair value	53,077	-	599	53,676
	<u>\$ 53,272</u>	<u>\$ -</u>	<u>\$ 35,396</u>	<u>\$ 88,668</u>
Liabilities				
Derivative liabilities	<u>\$ -</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ 424</u>

(1) Does not include cash on hand of approximately \$20,469 at June 30, 2009.

The table below presents the Trust's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents (1)	\$ 43,272	\$ -	\$ -	\$ 43,272
Available for sale securities	184	-	-	184
Securities carried at fair value	36,516	-	-	36,516
	<u>\$ 79,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,972</u>
Liabilities				
Derivative liabilities	<u>\$ -</u>	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ 765</u>

(1) Does not include cash on hand of approximately \$15,966 at December 31, 2008.

The table below includes a roll forward of the balance sheet amounts from January 1, 2009 to June 30, 2009, including the change in fair value, for financial instruments classified by the Trust within Level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement.

Six Months Ended June 30, 2009 (in thousands)	Real Estate Loan Available For Sale	Securities Carried at Fair Value
Fair value, January 1, 2009	\$ -	\$ -
Purchases, issuances and settlements, net	34,797	599
Transfers in/and or out of Level 3	-	-
Fair value, June 30, 2009	<u>\$ 34,797</u>	<u>\$ 599</u>

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Non-Recurring Measurements

Preferred Equity and Equity Investments

The valuation of preferred equity and equity investments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each asset as well as the income capitalization approach considering prevailing market capitalization rates. The Trust reviews each investment based on the highest and best use of the investment and market participation assumptions. The significant assumptions used in this analysis include the discount rate used in the income capitalization valuation and interest rate volatility. The Trust has determined that the significant inputs used to value its equity investment in Lex-Win Concord fall within Level 3. The Trust recognized valuation adjustments of \$31,670,000 on this asset during the three and six months ended June 30, 2009. The Trust has determined that the significant inputs used to value certain of its preferred equity investments fall within Level 3. The Trust recorded valuation adjustments of \$2,186,000 on these preferred equity investments during the three and six months ended June 30, 2009.

As of June 30, 2009, the table below presents the Trust's assets and liabilities measured at fair value as events dictate, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Non-Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity investments (1)	\$ -	\$ -	\$ -	\$ -
Preferred equity investments	-	-	3,305	3,305
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,305</u>	<u>\$ 3,305</u>

(1) The carrying value of the Equity Investment was \$0 as of June 30, 2009.

As of December 31, 2008, the table below presents the Trust's assets and liabilities measured at fair value as events dictate, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Non-Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity investments	\$ -	\$ -	\$ 73,061	\$ 73,061
Preferred equity investments	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,061</u>	<u>\$ 73,061</u>

Fair Value Option

SFAS No. 159, "The Fair Value Option For Financial Assets and Financial Liabilities," ("SFAS 159") provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings on a quarterly basis based on the then market price regardless of whether such assets or liabilities have been disposed of at such time. SFAS 159 permits the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Trust elected the fair value option for all securities acquired subsequent to September 30, 2008.

For the three and six months ended June 30, 2009, the Trust recognized a net unrealized gain of \$12,580,000 and \$1,432,000, respectively, as a result of the change in fair value of the securities for which the fair value option was elected, which is recorded as an unrealized gain in the Trust's statement of operations. Income related to securities carried at fair value is recorded as interest and dividend income.

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The following table presents the Trust's financial assets for which the fair value option was elected (in thousands):

Financial instruments, at fair value	<u>June 30, 2009</u>
Assets	
Securities carried at fair value:	
Senior debentures	\$ 23,749
Preferred shares	16,975
Common shares	<u>12,952</u>
	53,676
Real estate loan available for sale	<u>34,797</u>
	<u>\$ 88,473</u>

The following table presents the difference between fair values and the aggregate contractual amounts due (senior debentures) for which the fair value option has been elected (in thousands):

	Fair Value at June 30, 2009	Amount Due Upon Maturity	Difference
Assets			
Securities carried at fair value:			
Senior debentures	\$ 23,749	\$ 29,191	\$ 5,442

4. Acquisitions, Loan Originations, Dispositions and Financings

Preferred Stock

In January 2009 the Trust acquired 917,105 Series B-1 Preferred Shares for \$17,081,000 at a discount from their liquidation value of \$25 per share. The Trust determined that the repurchase of the Series B-1 Preferred Shares qualified as extinguishment of debt pursuant to the guidance of SFAS 140, "Accounting For the Transfer and Servicing of Financial Assets and Liabilities," and recorded a gain from the early extinguishment of debt pursuant to APB 26 of approximately \$5,237,000, net of unamortized issuance costs of \$609,000.

In July 2009 the Trust acquired an additional 100,000 Series B-1 Preferred Shares at a discounted price of \$2,000,000. The Trust expects to record a gain from the early extinguishment of debt of approximately \$444,000, net of unamortized issuance costs of \$56,000, during the third quarter of 2009. Subsequent to this repurchase, there are 1,396,000 Series B-1 Preferred Shares outstanding.

Acquisitions & Dispositions of REIT Securities

During the six months ended June 30, 2009 the Trust acquired senior debentures with a face value of approximately \$29,490,000 at a cost of approximately \$19,665,000, preferred shares at a cost of approximately \$9,361,000 and common shares at a cost of approximately \$863,000.

During the six months ended June 30, 2009 the Trust sold senior debentures with an original cost basis of \$8,634,000 and a fair value as reported on the balance sheet of the last reporting period prior to the sale of \$8,800,000 and received net proceeds of approximately \$9,572,000. In addition, during the six months ended June 30, 2009, the Trust sold preferred shares with an original cost basis of \$3,913,000 and a fair value as reported on the balance sheet of the last reporting period prior to the sale of \$3,989,000 for net proceeds of approximately \$5,602,000. Also during the period, the Trust sold common shares with an original cost basis of \$1,294,000 and a fair value as reported on the balance sheet of the last reporting period prior to the sale of \$1,372,000 for net proceeds of approximately \$1,585,000. The difference between the original cost basis and the fair value represents the unrealized gain or loss recognized pursuant to SFAS 159 during the holding period of the securities. For the three and six months ended June 30, 2009, the Trust recognized a net gain on the sale of these securities of approximately \$2,685,000 and \$2,598,000, respectively, exclusive of any interest or dividends earned.

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River City

The Trust extended its \$9,500,000 mortgage loan secured by its River City property for a period of one year. The terms of the extension require monthly payments of interest only at a fixed rate of 6% with a new maturity of March 28, 2010. The renewal was subject to a \$200,000 principal payment which was made in April.

Note Payable Payoff

At December 31, 2008, the Trust had a \$9,800,000 note payable to Citibank, which bore interest at LIBOR plus 2.5% and matured in December 2011. The note was made in connection with the Trust's purchase during 2008 of 3,500,000 common shares of Lexington Realty Trust ("Lexington"). The note required monthly payments of interest only and was subject to margin calls if at any time the note balance compared to the fair value of the common shares exceeded 57.5%. The Trust paid the note off in full in March 2009.

KeyBank Loan Extension

The Trust exercised its one-year extension option of its \$24,372,000 mortgage loan payable to KeyBank which is collateralized by 14 properties and now matures on June 30, 2010. In accordance with the terms of the loan agreement, as a condition to the extension, the Trust pledged \$1,373,000 as cash collateral on the loan and paid a \$61,000 extension fee.

Real Estate Loan Acquisitions

On June 1, 2009, the Trust acquired from Concord Debt Holdings, LLC ("Concord") for \$5,500,000, a \$7,219,000 first mortgage loan collateralized by a two building four story complex containing 116,000 square feet in Phoenix, Arizona. The loan bears interest at a rate of 9.8375%, requires monthly payments of interest only and matures on June 9, 2012. The borrower has the right to prepay the loan at any time for a discounted payoff amount of \$5,500,000. The Trust has recorded this investment as a loan receivable and is carried at amortized cost.

On June 1, 2009, the Trust acquire from Concord, for \$38,500,000, a \$73,796,000 first mortgage loan collateralized by a 19 story, 289,000 square foot office building located at 160 Spear Street, San Francisco, California ("160 Spear Street"). The loan bears interest at a rate of 6.48215%, requires monthly payments of interest only and matures on June 9, 2012, subject to a one-year extension which extension requires the payment of an \$850,000 extension fee. The borrower has the right to prepay the loan at any time for a discounted payoff amount of \$50,000,000 plus any additional advances made by the Trust to the borrower. The Trust has agreed to make additional advances to the borrower in equal quarterly installments of \$600,000 over the next two years up to a maximum of \$4,800,000. The additional advances will bear interest at a rate of 15%, will be collateralized by the property and will be coterminus with the existing loan.

On July 14, 2009, the Trust sold to an unrelated third party a \$35,000,000 9.75% A Note at par with respect to the first mortgage loan collateralized by the office building located at 160 Spear Street as discussed above. As a result of this sale, and the Trust's intention to hold the remaining portion of this loan to maturity, the Trust has recorded \$35,000,000 as a real estate loan available for sale, which is carried at the lower of cost or fair value at June 30, 2009, and the remaining \$3,500,000 investment has been recorded as a loan receivable and is carried at cost at June 30, 2009.

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Loan Payable

On June 24, 2009, the Trust obtained a margin loan from JP Morgan in the amount of \$19,818,000, bearing interest at LIBOR plus 0.5%. The loan is collateralized by the securities carried at fair value. The funds were used to pay off borrowings under the Trust's revolving line of credit with KeyBank, and the balance outstanding at June 30, 2009 was repaid on July 15, 2009 in connection with the sale of the 160 Spear Street A Note.

Preferred Equity Restructuring

During July 2009 the Trust restructured its preferred equity investment in Marc Realty as discussed in Note 7.

Lease Extension

In April 2009 the Trust entered into a lease extension and modification agreement with respect to its 133,000 square foot Plantation, Florida office property which is net leased to BellSouth Telecommunications Inc. Pursuant to the agreement, the lease term was extended for ten years through March 31, 2020, and the current annual rent was reduced to approximately \$1,740,000 for the final year of the current lease term. Thereafter, annual rent will be approximately \$1,450,000 from April 1, 2010 through March 31, 2015 and approximately \$1,500,000 from April 1, 2015 through March 31, 2020. In addition, existing lease intangibles of \$1,733,000 will be amortized ratably over the revised remaining lease term.

5. Loans Receivable

All of the Trust's loans identified as being impaired under the provisions of SFAS No. 114 are collateral dependent loans and are evaluated for impairment by comparing (i) the fair value of the underlying collateral less costs to sell and (ii) the carrying value of each loan. Due to the unique nature of each individual property collateralizing the Trust's loans, the Trust uses the income approach through internally developed valuation models to estimate the fair value of the collateral. This approach requires the Trust to make significant judgments with respect to discount rates and the timing and amounts of estimated future cash flows which are considered Level 3 inputs in accordance with SFAS No. 157. These cash flows include operating costs and, where applicable, costs of completion and lot and unit sale prices.

The following table summarizes the Trust's loans receivable at June 30, 2009 and December 31, 2008 (in thousands):

Property	Location	Interest Rate	Maturity	Carrying Amount (7)	
				June 30, 2009	December 31, 2008
Marc Realty – Various (1) (2)	Chicago, IL	8.5%	(1)	\$ 17,848	\$ 17,547
Loan loss reserve				(1,538)	(1,179)
Lex-Win Concord LLC (3)	Various	0.8%	Dec 2009	-	5,000
600 West Jackson LLC (4)	Chicago, IL	6.5%	June 2009	-	1,508
160 Spear (5)	San Francisco, CA	(6)	June 2012	3,776	-
Siete Square (5)	Phoenix, AZ	9.8%	June 2012	5,505	-
Vision Term Loan (8)		15.0%	Dec 2011	-	1,266
Loan loss reserve				-	(1,266)
				<u>\$ 25,591</u>	<u>\$ 22,876</u>

- (1) Represents tenant improvement and capital expenditure loans for properties in the Marc Realty portfolio. These loans mature on May 1, 2016. Effective July 1, 2009, the interest rate on these loans has been increased to 10%.
- (2) Collateralized by a subordinate mortgage or the ownership interests in the property owner.
- (3) The Trust made an unsecured working capital loan of \$5,000 to Lex-Win Concord in December 2008. This amount was repaid in January 2009.
- (4) Represents a second mortgage on the property. The loan was repaid on June 30, 2009.
- (5) Represents first mortgage loans secured by the properties.
- (6) The Trust holds a B Note in this loan. Interest on the B Note equals the difference between (i) interest on the entire outstanding loan principal balance (\$73,796 at June 30, 2009) at a rate of 6.48215% per annum less (ii) interest payable on the outstanding principal balance of the A Note (\$35,000) at a rate of 9.75% per annum. Accordingly, the stated interest rate on the B Note at June 30, 2009 was 3.583%.
- (7) The carrying amount includes accrued interest of \$603 and \$123 at June 30, 2009 and December 31, 2008, respectively.
- (8) In April 2009, the Trust wrote off this reserve.

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During the three and six months ended June 30, 2009, the Trust recorded a provision for loan loss of \$1,724,000 and \$2,152,000, respectively, related to loans on several properties in the Marc Realty portfolio. In addition, during the three and six months ended June 30, 2009, the Trust wrote off \$1,793,000 of which \$1,258,000 related to the Marc Realty restructuring (see Note 7) and \$535,000 of which was previously reserved related to a property in the Marc Realty portfolio which was foreclosed on in May 2009.

For the three and six months ended June 30, 2009, the Trust did not recognize any interest income on impaired loans subsequent to the date of their impairment. Cash payments received on impaired loans were classified as cost recovery. As of June 30, 2009, the Trust has received \$9,000 which was recorded as a recovery on impaired loans which had a carrying value of \$0 at June 30, 2009.

6. Securities

Securities Carried at Fair Value

Securities carried at fair value represents senior debentures, preferred shares, and common shares for which the Trust has elected the fair value option of SFAS 159.

Securities carried at fair value at June 30, 2009 are summarized in the table below (in thousands):

	<u>Cost</u>	<u>Fair Value</u>
Senior debentures	\$ 19,252	\$ 23,749
Preferred shares	12,778	16,975
Common shares	20,509	12,952
	<u>\$ 52,539</u>	<u>\$ 53,676</u>

For the three and six months ended June 30, 2009, the Trust recognized an unrealized gain on securities carried at fair value of \$12,580,000 and \$1,432,000, respectively.

Securities carried at fair value at December 31, 2008 are summarized in the table below (in thousands):

	<u>Cost</u>	<u>Fair Value</u>
Senior debentures	\$ 8,221	\$ 8,631
Preferred shares	7,405	8,352
Common shares	20,866	19,533
	<u>\$ 36,492</u>	<u>\$ 36,516</u>

For the year ended December 31, 2008, the Trust recognized an unrealized gain on securities carried at fair value of \$24,000.

Available for Sale Securities

Available for sale securities represents securities for which the Trust has not elected the fair value option of SFAS 159. These securities are accounted for pursuant to Statement of Financial Accounting Standards No. 115, "Accounting For Certain Investments in Debt and Equity Securities."

Available for sale securities at June 30, 2009 are summarized in the table below (in thousands):

	<u>Cost</u>	<u>Fair Value</u>
Preferred shares	\$ 204	\$ 195

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For the three and six months ended June 30, 2009, the Trust recognized an unrealized gain in other comprehensive income of \$9,000 and \$11,000, respectively. As of June 30, 2009, there was a cumulative unrealized loss in other comprehensive income of \$10,000 related to these securities.

Available for sale securities at December 31, 2008 are summarized in the table below (in thousands):

	<u>Cost</u>	<u>Fair Value</u>
Preferred shares	\$ 204	\$ 184

For the year ended December 31, 2008, the Trust recognized an unrealized loss in other comprehensive income of \$20,000.

During the six months ended June 30, 2009 and June 30, 2008, securities were sold for total proceeds of approximately \$16,759,000 and \$57,699,000, respectively. The Trust recognized a gross realized gain of \$2,685,000 and \$2,598,000 on the sale of these securities during the three and six months ended June 30, 2009, respectively. The Trust recognized a gross realized gain of \$0 and \$2,029,000 on the sale of these securities during the three and six months ended June 30, 2008, respectively. The Trust utilizes the specific identification method for calculating gain or loss on the sale of securities.

7. Preferred Equity Investments – Marc Realty

As a result of the restructuring and foreclosure discussed below, at June 30, 2009, the Marc Realty portfolio consisted of two participating second mortgage loans and 15 convertible mezzanine loans, together with an equity investment in each mezzanine borrower, in the aggregate amount of approximately \$44,648,000, net of impairments of \$7,111,000. The second mortgage and mezzanine loans contain conversion rights, and each loan is collateralized by the applicable borrower's ownership interest in a limited liability company (each a "Property Owner") that in turn owns an office building or complex primarily in the Chicago business district or suburban area. Each borrower holds a 100% interest in the applicable Property Owner.

Foreclosure

In May 2009 the property located in Lansing, Michigan was foreclosed on by the lender who held the first mortgage. The Trust had fully impaired its investment in this property prior to the foreclosure. As such, the Trust had no gain or loss recognition in 2009 related to the foreclosure.

Restructuring

During July 2009 the Trust restructured its preferred equity investment in Marc Realty. Prior to the restructuring, and subsequent to the foreclosure, the Trust held loans and equity investments in 20 properties with Marc Realty. The restructuring does not apply to five of the properties (the "Excluded Properties") in which the Trust held preferred equity investments. Of the five Excluded Properties, four are suburban properties, for which both Marc Realty and the Trust have determined are worth less than the debt, have ceased making debt service payment and expect the lender to foreclose. The debt on these properties is non-recourse to the Trust. The Trust has fully impaired their investments in these four properties as of June 30, 2009. The other Excluded Property is a downtown property, in which the Trust invested in 2007 subsequent to the initial 2005 Marc investment and in which the Trust owns a 70% interest. The restructuring is applicable to the remaining 15 properties (the "Included Properties") classified as preferred equity investments. The restructuring effectively eliminates approximately \$12,500,000 of a deferred return due to Marc Realty on the Included Properties in exchange for the Trust transferring all of its interest in two of the suburban, and one of the downtown, properties to Marc Realty. The Trust's transfer of its interest in the properties is effective as of May 1, 2009. Subsequent to the transfer and the foreclosure, the Trust had a preferred equity investment in 17 properties – 12 Included Properties and five Excluded Properties.

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In addition, the Trust made an additional aggregate advance of \$684,000 in July 2009 which resulted in the equalization of interests to 50%-50% between the Trust's preferred equity investment and the Marc Realty principals deemed equity in all but one of the remaining Included Properties. In eight properties the Trust's interest was increased and in three properties the Trust's interest was decreased. The tenant improvement and capital expenditure loans made by the Trust are also now equivalent to the loans made by the Marc Realty principals on the Included Properties.

As a result of the transfer of all of its interests in the mezzanine loans on the two suburban properties and the one downtown property, the Trust has recognized a loss from preferred equity investment of \$2,664,000 during the three months ended June 30, 2009. In addition, the Trust recognized a \$1,636,000 impairment loss during the three months ended June 30, 2009 in connection with the transfer of a portion of its interests on three of the suburban Included Properties. There was no gain or loss recognized on the eight Included Properties in which the Trust increased its interest.

For the Included Properties, the agreement also modifies the priority of payments between the Trust and Marc Realty so that all cash returns are now effectively pari passu. The interest rate on our mezzanine loans has been increased to 9% from 7.65% and the interest rate on the tenant improvement and capital expenditure loans made by the Trust and Marc Realty has been increased to 10% from 8.5% effective July 1, 2009. The return payable to Marc Realty on their equity investment has also increased to 9% from 7.65%. The mezzanine loans require monthly payments of interest only and the maturity date for each of the loans has been extended to April 17, 2016. If cash flow from property operations is not sufficient to pay both the Trust and Marc Realty, then the return payable to both parties will be deferred. As a result of the modification, the Trust's mezzanine loans on the Included Properties will be reclassified from preferred equity investments to equity investments effective July 1, 2009 and the Trust will recognize its pro rata share of the underlying properties' income or loss.

The Trust is also entitled to participate on a pari passu basis in capital proceeds derived from the sale or refinancing of the applicable property (the "Participating Interest"), to the extent that such proceeds exceed all of the debt encumbering the property, including a return to the Trust and Marc Realty of their equity plus a 9% return thereon.

Impairments/Earnings

The Trust recognized earnings from preferred equity investments, exclusive of Participating Interest payments and impairments, of \$906,000 and \$1,921,000 for the three and six months ended June 30, 2009, respectively, and \$1,115,000 and \$2,486,000 for the three and six months ended June 30, 2008, respectively. Earnings from preferred equity investments for the three and six months ended June 30, 2009 include an impairment loss of approximately \$550,000 taken on one of the Excluded Properties and earnings for the three and six months ended June 30, 2008 included a loss of approximately \$2,000,000 attributable to an impairment recorded at the underlying entity which held a property in Lansing, Michigan and was foreclosed on in May 2009.

Sales

One of the properties in the Marc Realty portfolio, 600 West Jackson, Chicago, Illinois, in which the Trust held a 7.65% convertible mezzanine loan and a preferred interest, was sold on June 12, 2008 to an unaffiliated third party. The Trust received \$2,530,000, exclusive of interest, on its original investment of \$1,736,000. Further to this transaction, the selling entity, of which the Trust owns 60%, made a \$1,500,000 second mortgage loan to the buyer. The loan bore interest at 6.5%, matured on June 30, 2009, and required monthly payments of interest only. In connection with the sale of the property, the Trust received additional equity income totaling \$795,000 which was deferred until repayment of the second mortgage loan made to the borrower. On June 30, 2009, the second mortgage loan was paid in full and the Trust recorded earnings from preferred equity investments in the form of a Participating Interest payment of \$795,000.

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Summary financial information for the Property Owner entities on a combined basis is as follows (in thousands):

	As of June 30, 2009	As of December 31, 2008
Condensed Balance Sheets		
Investment in real estate, net	\$ 124,389	\$ 167,386
Prepaid expenses and deposits	5,487	7,239
Cash and cash equivalents	2,355	3,371
Receivables and other assets	22,240	30,485
Assets of discontinued operations	25,183	-
Total Assets	\$ 179,654	\$ 208,481
Nonrecourse mortgage debt	\$ 193,044	\$ 285,524
Other liabilities	19,992	24,481
Liabilities of discontinued operations	68,701	-
Total Liabilities	281,737	310,005
Partners' Deficit	(102,083)	(101,524)
Total Liabilities and Partners' Deficit	\$ 179,617	\$ 208,481
On the Trust's Consolidated Balance Sheets:		
Preferred Equity Investment	\$ 45,780	\$ 50,624

A basis difference exists between the carrying value of the Trust's preferred equity investment and its share of the Property Owner's reported net assets as a result of (i) the acquisition of its investment in Marc Realty at the then determined fair value which was different from its share of the net depreciated assets as recorded by the Property Owners on the historical books of the venture and (ii) other-than-temporary impairment charges of \$9,698,000.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Condensed Statements of Operations				
Revenues	\$ 10,669	\$ 11,641	\$ 22,331	\$ 23,020
Operating expense	(5,046)	(5,589)	(9,744)	(11,726)
Interest expense	(2,999)	(3,111)	(5,963)	(5,970)
Real estate taxes	(1,690)	(1,733)	(3,380)	(3,465)
Depreciation and amortization	(2,417)	(2,248)	(4,833)	(4,604)
Other expenses, net	(551)	(498)	(1,070)	(946)
Loss from continuing operations	(2,034)	(1,538)	(2,659)	(3,691)
Discontinued operations				
Income (loss) from discontinued operations	3,002	352	1,392	(2,366)
Gain (loss) on sale of property	(1,119)	9,389	(1,119)	12,733
Income from discontinued operations	1,883	9,037	273	10,367
Net loss	\$ (151)	\$ 7,499	\$ (2,386)	\$ 6,676
On the Trust's Consolidated Statements of Operations and Comprehensive Income:				
Equity in earnings (loss) of Preferred Equity Investment	\$ (3,209)	\$ (912)	\$ (2,194)	\$ 1,418

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Discontinued operations for 2009 includes the results of operations for the three Included Properties in which the Trust transferred all of its interests effective May 1, 2009, the four Excluded Properties which are pending foreclosure and the Lansing, Michigan property which was foreclosed on in May 2009. Discontinued operations for 2008 also include the results of operations for two additional properties which were sold during 2008.

8. Equity Investments

The Trust's equity investments at June 30, 2009 and December 31, 2008 are summarized below (in thousands):

	<u>Lex-Win Concord</u>	<u>Sealy Northwest Atlanta</u>	<u>Sealy Airpark Nashville</u>	<u>Sealy Newmarket</u>	<u>Lex-Win Acquisition</u>	<u>Total</u>
Balance December 31, 2008	\$ 73,061	\$ 3,780	\$ 6,510	\$ 8,756	\$ 95	\$ 92,202
Investments	-	-	-	-	-	-
Distributions/capital returns	-	(134)	(418)	(113)	-	(665)
Equity in other comprehensive income	21,479	-	-	-	-	21,479
Other comprehensive income reclassification	4,695	-	-	-	-	4,695
Equity in loss	(99,235)	(242)	(572)	(363)	-	(100,412)
Balance June 30, 2009	<u>\$ -</u>	<u>\$ 3,404</u>	<u>\$ 5,520</u>	<u>\$ 8,280</u>	<u>\$ 95</u>	<u>\$ 17,299</u>

Concord

General

In March 2006 the Trust together with Newkirk Realty Trust, Inc. ("Newkirk") formed Concord Debt Holdings, LLC ("Concord") for the purpose of acquiring and originating a diversified portfolio of real estate loans and securities. In connection with the merger of Newkirk into Lexington, Lexington acquired Newkirk's interest in Concord. Both the Trust and Lexington committed to invest \$162,500,000 in Concord, all of which was contributed as of June 30, 2009.

Lex-Win Concord LLC ("Lex-Win Concord") was created on August 2, 2008. In connection with the formation of Lex-Win Concord, both the Trust and Lexington contributed to Lex-Win Concord their 50% interests in Concord and WRP Management LLC ("WRP Management"), the entity that provides management services to Concord Real Estate CDO 2006-1, Ltd. ("CDO-1"). In conjunction with this formation, the limited liability company agreement of Concord was amended and restated to admit Inland America Concord Sub LLC ("Inland") with a redeemable preferred membership interest in Concord. Inland has committed to invest up to \$100,000,000 in Concord over a 12-18 month period, subject to certain conditions, of which \$76,000,000 was contributed as of June 30, 2009. Lex-Win Concord holds 100% of the common membership interests in Concord and serves as its managing member.

Lex-Win Concord has determined that, at the time of its formation and transfer of interests from the Trust and Lexington to Lex-Win Concord, both Concord and Lex-Win Concord were under the common control of the Trust and Lexington. Accordingly, Lex-Win Concord accounted for the formation of and the related transfer of membership interests under the guidance of FASB Statement No. 141, "Business Combinations," ("SFAS 141") for entities under common control. Among other things, SFAS 141 requires that Lex-Win Concord, as the entity receiving equity interests, initially recognize the assets and liabilities at their carrying amounts at the date of transfer and report results of operations as though the transfer occurred at the beginning of the period. In addition, SFAS 141 requires that financial statements for prior years be restated to present comparative information. Accordingly, the results of operations presented herein comprise those of Lex-Win Concord and Concord for the three and six months ended June 30, 2009 and 2008.

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With respect to the Trust's investment in Lex-Win Concord, the Trust determined at the time of formation that Lex-Win Concord is not a VIE pursuant to FIN 46(R). The Trust further evaluated its investment in Lex-Win Concord pursuant to the requirements of EITF 04-5 and SOP 78-9, "*Accounting for Investments in Real Estate Ventures*," ("SOP 78-9") and determined that it and Lexington share equally in the control of Lex-Win Concord and in Concord's operations. Accordingly, the Trust accounts for its investment under the equity method.

At June 30, 2009, the Trust has responded to market trends, including accelerating CDO and CMBS rating downgrades, increasing default probability assumptions, market interest rate fluctuations, the short-term nature of Concord's repurchase agreement financing and an overall lack of clarity on future recovery of the underlying collateral in these assets. These factors along with the recent failure by Inland American Real Estate Trust, Inc. ("Inland") to make its capital call, the litigation initiated by Inland, the expectation that there will not be any distributions received in the near term and the non-controlling nature of the Trust's investment in Lex-Win have resulted in the Trust's determination that an other-than-temporary-impairment exists and an additional impairment related to its investment in Concord was warranted in the second quarter. The aggregate impairments consist of both a proportionate share of Concord's operating losses plus a decline in the fair value that management has assigned to the remaining equity in the investment. The Trust determined the fair value of its investment in Lex-Win by calculating its share of net asset value, as adjusted for various risks. The fair value of Lex-Win's assets and liabilities was determined using the income approach based upon the expected future cash flows of each asset and liability discounted at market rates of return in accordance with SFAS 157. Accordingly, the Trust recognized an impairment loss of \$31,670,000.

On December 31, 2008, the Trust and Lexington each advanced proceeds of \$5,000,000 to Lex-Win Concord pursuant to short-term demand notes bearing interest at 1.36%. These notes were subsequently repaid to each of the Trust and Lexington in January 2009.

Litigation

On May 22, 2009, Inland American (Concord) Sub, LLC ("Inland-Concord"), a wholly-owned subsidiary of Inland filed an action in the Delaware Chancery Court against Lex-Win Concord and Concord, seeking (i) reformation of the Second Amended and Restated Limited Liability Company Joint Venture Agreement (the "Joint Venture Agreement") of Concord to modify the provision relating to distributions of proceeds from capital transactions, (ii) a declaration that Inland Sub is not required to make any additional capital contributions for the purpose of satisfying amounts due to Concord's lenders under certain of its existing credit facilities (the "Credit Facilities"), and (iii) a declaration that Inland Sub not be required to satisfy the May 11, 2009 capital call (the "Capital Call") made by Concord in the amount of \$24,000,000 the proceeds of which are to be used for "Permitted Investments" (as defined in the Joint Venture Agreement). The Trust believes that the language of the Joint Venture Agreement speaks for itself with respect to Inland Concord's claims and that Inland's action is without merit. Lex-Win filed its answer with the Chancery Court of the State of Delaware in this action on July 21, 2009 denying the claims raised by Inland Concord and bringing counterclaims seeking declaration that (i) Inland Concord is required to fund the Capital Call, (ii) Concord can recoup the unmade Capital Call by setting it off against any distributions otherwise payable to Inland Concord, and (iii) Inland Concord's failure to fund the Capital Call is a material breach of the Joint Venture Agreement and that Lex-Win will seek to recover all losses incurred by it as a result of such breach.

With respect to one of the loans that is held by Concord, there is a future funding obligation relating to tenant improvements, leasing commissions and debt service payments totaling approximately \$8,100,000 (the "Future Funding Amount"). The Future Funding Amount was to have been forwarded on June 19, 2009. However, Concord is disputing its obligation to fund the Future Funding Amount due to alleged breaches of the loan documents by the borrower and the guarantor. In this regard, Concord has brought an action in California State Court seeking, among other things, declaratory relief as to whether Concord is required to fund the Future Funding Amount.

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Loan Securities

Concord has a portfolio of loan securities which includes investments in CDO securities, CMBS, and rake bonds. Such bonds are accounted for as available for sale securities and, accordingly, are marked to market on a quarterly basis based upon management's assessment of fair value.

In April 2009, as a result of the issuance of FSP FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*" ("FSP FAS 115-2"), recognition guidance for other-than-temporary impairments ("OTTI") of debt securities was amended. The FSP requires the difference between the amortized cost basis and fair value on debt securities that Concord intends to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized costs basis be recognized in Concord's consolidated statement of income. For available for sale and held to maturity debt securities that Concord has no intent to sell and believes that it is not more-likely-than-not it will be required to be sold prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the rest of the fair value loss is recognized in Accumulated Other Comprehensive Income. The difference between the present value of the cash flow expected to be collected and the amortized cost basis is the credit loss. The cumulative effect of the adoption of the FSP included an increase in the opening balance of members' capital and a reduction in other comprehensive income at April 1, 2009 of \$23,294,000.

Due to the persistent lack of liquidity in the credit markets over the past two years, Concord experienced continued declines in the fair value of its available for sale securities. Through December 31, 2008, Concord had recorded other-than-temporary impairment on its loan securities of \$84,860,000. Management has identified additional declines in fair value of \$12,856,000 on its loan securities for the quarter ended June 30, 2009. Based on its analysis of FSP FAS 115-2, Concord has recognized an impairment loss of \$7,674,000 for the three months ended June 30, 2009. The remaining decline of \$5,182,000 is considered temporary and such amounts have been included in other comprehensive income. Concord has recognized \$8,555,000 of other-than-temporary impairment losses and \$7,232,000 of temporary impairment charges for the six months ended June 30, 2009.

Concord recognizes income on its portfolio of loan securities in accordance with EITF 99-20, "*Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*," ("EITF 99-20") and FASB Staff Position EITF 99-20-1, "*Amendments to the Impairment Guidance of EITF Issue No. 99-20*" ("FSP 99-20-1"). Subject to various requirements, discounts attributable to previously recognized other-than-temporary impairment charges are recognized in interest income on the effective interest method based upon the excess of all estimated prospective cash flows over the investment balance in the loan security at the measurement date. For these securities, Concord will accrete the impairment discount over the remaining life of the securities using the effective interest method, resulting in income recognition of \$478,000 and \$1,117,000 for the three and six months ended June 30, 2009, respectively. Concord did not recognize in earnings any material amounts relating to the accretion of other-than-temporary impairment charges for the three and six months ended June 30, 2008.

Real Estate Debt Investments

Concord has historically considered its real estate debt investments as held to maturity. Such investments are recorded at cost. Discounts and premiums on purchased assets are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income. Other costs incurred in connection with acquiring loans, such as marketing and administrative costs, are charged to expense as incurred.

Concord considers a real estate debt investment ("loan") impaired when, based upon current information and events, it is probable that it will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. Concord recognizes loan impairments in accordance with the guidance under SFAS No. 114, "*Accounting By Creditors For Impairment of a Loan*," ("SFAS 114") which requires that a creditor recognize impairment of a loan if the present value of expected future cash flows discounted at the loan's effective interest rate or, alternatively, the observable market price of the loan or the fair value of the collateral is less than the recorded investment in the loan. Concord believes its loans are collateral dependent and, accordingly, utilizes the fair value of the loan collateral when assessing its loans for impairment. If the fair value of the collateral is equal to or greater than the recorded investment in the loan, no impairment is recognized. Specific valuation allowances are established for impaired loans based on the fair value of collateral on an individual loan basis. The fair value of the collateral is determined by selecting the most appropriate valuation methodology. The methodologies include the evaluation of operating cash flow from the collateral during the projected holding period and the estimated sales value of the collateral computed by applying an expected capitalization rate to the stabilized net operating income of the specific property, less selling costs, discounted at market discount rates.

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If upon completion of the valuation, the fair value of the underlying collateral securing the impaired loan is less than the net carrying value of the loan, a loss contingency is created with a corresponding charge to the provision for loan losses. The loss contingency for each loan is maintained at a level believed adequate to absorb probable losses.

In addition, an unallocated loss contingency is established to cover performing loans and loan losses are recorded when (i) available information indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated in accordance with SFAS No. 5, "*Accounting for Contingencies*" ("SFAS 5"). Required loss contingency balances for the performing loan portfolio are derived from probabilities of principal loss and loss given default estimates assigned to the portfolio as part of Concord's quarterly internal risk rating assessment. Probabilities of principal loss and severity factors are based on industry and/or internal experience and may be adjusted for significant factors that, based on management's judgment, impact the collectability of the loans. Pursuant to SFAS 114 and SFAS 5, Concord recognized a provision for loan losses for the three and six months ended June 30, 2009 of \$41,192,000 and \$43,692,000, respectively, increasing the loss contingency on real estate debt investments to \$74,405,000 at June 30, 2009. Concord recognized a loan loss provision of \$2,200,000 for the three and six months ended June 30, 2008.

In March 2009 Concord received an approximate \$35,000,000 margin call from Column Financial, Inc. ("Column"). On April 14, 2009, Concord restructured its repurchase agreement with Column such that (i) no additional loans may be obtained under the facility, (ii) Column withdrew its March 2009 margin call and is not permitted to make a margin call except in a limited instance until March 31, 2010, (iii) the agreement terminates on December 31, 2010, and (iv) Concord is required to maintain certain financial ratios. The modification also required Concord to reduce the outstanding loan balance by \$10,700,000 in April 2009 and by an additional \$47,500,000 by May 31, 2009. Additionally, Concord must reduce the outstanding balance under the repurchase agreement to \$80,000,000 by September 30, 2009 and to \$60,000,000 by December 31, 2009. In order to comply with the required reductions of the outstanding balance, Concord has sold and expects to sell certain assets pledged under the Column agreement. Accordingly, Concord identified eight loans to be sold. In accordance with Financial Accounting Standards No. 65, "*Accounting For Certain Mortgage Banking Activities*," Concord has reported these loans as held for sale at the lower of cost or fair value and has recorded an impairment loss on real estate debt investments held for sale of \$27,505,000 and \$64,413,000 during the three and six months ended June 30, 2009, respectively.

During April 2009, in conjunction with the restructuring of its repurchase agreement, Concord sold a real estate debt investment with an adjusted carrying value of \$10,700,000 for \$10,677,000 and recognized a loss of \$23,000. The net proceeds of \$10,677,000 from the sale were used to reduce the amount due on the Column repurchase agreement.

On June 1, 2009, Concord sold to the Trust two real estate debt investments with an adjusted carrying value of \$61,516,000 for \$45,019,000 and recognized a loss of \$16,497,000. The net proceeds from the sale of \$45,019,000 went to pay down the Column facility. As of June 30, 2009 Concord has six loans classified as real estate debt investments held for sale with a fair value of \$79,906,000.

In July 2009 Concord sold a real estate debt investment with an adjusted carrying value of \$17,000,000 for \$16,985,000 and will recognize a loss of \$15,000. The net proceeds of \$16,985,000 went to pay down the Column facility.

The one loan identified to be sold to satisfy the Royal Bank of Scotland restructuring requirement was sold on July 31, 2009 for net proceeds equal to its carrying value of \$11,500,000.

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Summary financial information of Lex-Win Concord is as follows (in thousands):

	<u>As of</u> <u>June 30, 2009</u>	<u>As of</u> <u>December 31, 2008</u>
Condensed Consolidated Balance Sheets		
Cash and restricted cash	\$ 5,067	\$ 15,134
Real estate debt investments, net of loss contingencies	606,192	863,144
Real estate debt investments held for sale	79,906	-
Available for sale securities, net	107,399	118,491
Other assets	8,387	10,353
Total assets	<u>\$ 806,951</u>	<u>\$ 1,007,122</u>
Repurchase agreements	\$ 184,192	\$ 240,604
Revolving credit facility	79,300	80,000
Collateralized debt obligations	347,525	347,525
Contingent collateral support obligation	9,600	-
Accounts payable and other liabilities	22,620	43,230
Non-controlling redeemable preferred interest	36,570	76,441
Members' capital	136,426	248,262
Accumulated other comprehensive loss	(9,390)	(29,054)
Non-controlling interest	108	114
Total liabilities and members' capital	<u>\$ 806,951</u>	<u>\$ 1,007,122</u>
On the Trust's Consolidated Balance Sheets:		
Equity investment in venture	<u>\$ -</u>	<u>\$ 73,061</u>

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Condensed Consolidated Statement of Operations				
Interest and other income	\$ 10,227	\$ 17,170	\$ 22,775	\$ 37,209
Interest expense	(4,226)	(7,958)	(8,858)	(18,811)
Impairment loss on available for sale securities	(7,674)	(50,438)	(8,555)	(55,816)
Provision for loss contingencies on real estate debt investments	(41,192)	(2,200)	(43,692)	(2,200)
Impairment loss on real estate debt investments held for sale	(27,505)	-	(64,413)	-
Gain on extinguishment of debt	-	2,552	-	7,702
Realized loss on sale of investments held for sale	(16,520)	-	(16,520)	-
Collateral support agreement obligation	(9,600)	-	(9,600)	-
General and administrative	(1,381)	(983)	(2,492)	(1,791)
Consolidated net loss	<u>(97,871)</u>	<u>(41,857)</u>	<u>(131,355)</u>	<u>(33,707)</u>
Income attributable to non-controlling redeemable preferred interest	(1,895)	-	(3,769)	-
Income attributable to non-controlling interest	<u>(3)</u>	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>
Net loss attributable to Lex-Win Concord	<u>\$ (99,769)</u>	<u>\$ (41,863)</u>	<u>\$ (135,130)</u>	<u>\$ (33,713)</u>
Equity in loss of equity investment	\$ (49,884)	\$ (20,933)	\$ (67,565)	\$ (16,857)
Other-than-temporary impairment	<u>(31,670)</u>	<u>-</u>	<u>(31,670)</u>	<u>-</u>
On the Trust's Consolidated Statement of Operations and Comprehensive Income	<u>\$ (81,554)</u>	<u>\$ (20,933)</u>	<u>\$ (99,235)</u>	<u>\$ (16,857)</u>

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The net income attributable to the non-controlling redeemable preferred interest of \$3,769,000 for the six months ended June 30, 2009 consists of Inland's 10% preferred interest allocation.

In June 2008, Concord purchased \$4,200,000 of its CDO-1 notes, at a discount, for \$1,648,000 and recognized a gain on the extinguishment of debt totaling \$2,552,000.

On March 31, 2008, Concord purchased from the Trust \$10,000,000 of its CDO-1 notes at a discount for \$4,850,000 and recognized a gain, net of deferred costs, on the extinguishment of debt totaling \$5,150,000 after writing off a pro-rata share of deferred financing costs. The Trust had purchased the debt from an unaffiliated third party for \$4,850,000 on March 24, 2008.

Information pertaining to Concord's credit facilities collateralized by the real estate debt investments and available for sale securities as of June 30, 2009 and December 31, 2008 is as follows (in thousands):

	<u>June 30, 2009</u>		<u>December 31, 2008</u>	
	<u>Debt Carrying Value</u>	<u>Collateral Carrying Value (3)</u>	<u>Debt Carrying Value</u>	<u>Collateral Carrying Value (3)</u>
(in thousands)				
Royal Bank of Scotland, PLC, successor in interest to Greenwich Capital Financial Products, Inc., matures on February 1, 2012, interest is variable based on 1-month LIBOR rate plus 1%; 1.32% and 2.04% at June 30, 2009 and December 31, 2008, respectively.	\$ 59,613	\$ 71,530	\$ 59,613	\$ 71,417
Royal Bank of Scotland, PLC, successor in interest to Greenwich Capital Financial Products, Inc., matures on December 15, 2009, interest is variable based on 1-month LIBOR rate plus 1%; 1.32% and 1.51% at June 30, 2009 and December 31, 2008, respectively.	21,516	32,952	21,516	36,452
Column Financial, Inc., variable interest based on 1-month LIBOR plus 1%, the rate was 1.47% at December 31, 2008. (1)	-	-	15,000	25,880
Column Financial, Inc., expiration December 31, 2010, interest is variable based on 1-month LIBOR plus 0.85% to 1.35%, the weighted average was 1.35%, and 1.49% at June 30, 2009 and December 31, 2008, respectively. (2)	<u>103,063</u>	<u>141,138</u>	<u>144,475</u>	<u>261,981</u>
Total repurchase agreements	<u>\$ 184,192</u>	<u>\$ 245,620</u>	<u>\$ 240,604</u>	<u>\$ 395,730</u>

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- (1) In February 2009 the repurchase agreement was terminated and the asset which was subject to this repurchase agreement was added to the Column multiple loan asset repurchase agreement. The Column multiple loan asset repurchase agreement was modified to provide that the interest rate, maturity date and advance rate, with respect to the asset added to the multiple loan asset repurchase facility, would remain as it was under the specific repurchase agreement.
- (2) On April 14, 2009, the multiple loan asset repurchase agreement was modified as discussed above.
- (3) Collateral carrying value equals face value less bond discounts, unrealized losses and other-than-temporary impairment losses and increased by premiums and unrealized gains.

Repurchase Facilities

Under the terms of the repurchase facility with Column, Concord was required to maintain minimum liquidity, comprised of cash and cash equivalents, of at least \$10,000,000 at all times. At certain times during the year ended December 31, 2008 and at certain times during the three months ended March 31, 2009, Concord's cash balance declined to an amount below the \$10,000,000 minimum liquidity requirements. In February 2009 this requirement was eliminated from the Column repurchase facility and Concord's prior failure to comply was waived.

Additionally, during the quarter ended June 30, 2009, Column required Concord to maintain a minimum tangible net worth and a maximum indebtedness to tangible net worth. For the quarter ended June 30, 2009, Concord was in default as it failed the covenant tests.

Under the repurchase facilities with Royal Bank of Scotland PLC ("RBS"), Concord has a similar \$10,000,000 minimum liquidity requirement. In February 2009 Concord received a waiver of the covenant violation from the Royal Bank of Scotland through December 31, 2009.

During the quarter ended June 30, 2009 the RBS repurchase facility required Concord to maintain a minimum net worth and a maximum indebtedness to tangible net worth. For the quarter ended June 30, 2009, Concord was in default of its agreement as it failed the covenant tests. In July, RBS agreed to restructure its agreement with Concord. The new provisions include i) extending the maturity to January 2011 ii) waiving the going concern opinion iii) reducing the net worth requirement to \$100 million and iv) suspending the leverage and liquidity covenant until March 31, 2010. The restructuring of the agreement requires Concord to reduce the outstanding balance by \$11,500,000. The payment to reduce the outstanding balance was made on July 31, 2009 as a result of Concord selling a real estate debt investment.

KeyBank Credit Facility

On March 7, 2008 Concord entered into a \$100,000,000 secured revolving credit facility with KeyBank National Association ("KeyBank"). The credit facility enables Concord to finance existing unlevered assets as well as new assets acquired by Concord. The initial maximum aggregate borrowing under the loan is \$100,000,000. Borrowings under the facility bear interest at spreads over LIBOR ranging from 1.75% to 2.25%, depending on the underlying loan asset or loan security for which such borrowing is made. At June 30, 2009, the outstanding balance was \$79,300,000 with a weighted average interest rate of 2.51%, and the carrying value of loan assets and loan securities securing the facility was approximately \$132,131,000. The facility matures March 2010 subject to a one-year extension. On July 24, 2009, Concord paid down \$2,000,000 on the outstanding balance.

Under the terms of the line of credit facility with KeyBank, Concord is required to maintain minimum liquidity, comprised of cash and cash equivalents, of at least \$10,000,000 at all times. At certain times during the year ended December 31, 2008 and at certain times during the three months ended March 31, 2009, Concord's cash balances declined to an amount below the \$10,000,000 liquidity requirements. On February 24, 2009 Concord received from KeyBank a waiver of the covenant violation through December 31, 2009.

Additionally, during the quarter ended June 30, 2009, KeyBank required Concord to maintain a minimum tangible net worth and a maximum indebtedness to tangible net worth. For the quarter ended June 30, 2009, Concord was in default as it failed the covenant tests.

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Collateralized Debt Obligations

The following table outlines borrowings under CDO-1's collateralized debt obligations as of June 30, 2009 and December 31, 2008 (in thousands):

	June 30, 2009			December 31, 2008		
	Debt Outstanding	Weighted- Average Interest Rate	Collateral Par Value	Debt Outstanding	Weighted- Average Interest Rate	Collateral Par Value
CDO-1 – Issued seven investment grade tranches on December 21, 2006. Reinvestment period through December 21, 2011. Matures on December 21, 2016. Interest rate variable based on one-month LIBOR	\$ 347,525	0.795%	\$ 464,462	\$ 347,525	0.95%	\$ 464,831

9. Debt

Mortgage Loans Payable

The Trust had outstanding mortgage loans payable of \$226,655,000 and \$229,737,000 at June 30, 2009 and December 31, 2008, respectively. The mortgage loan payments of principal and interest are generally due monthly, quarterly or semi-annually and are collateralized by applicable real estate of the Trust.

The Trust's mortgage loans payable at June 30, 2009 and December 31, 2008 are summarized as follows (in thousands):

	Maturity	Spread Over LIBOR/Prime	Interest Rate at June 30, 2009	Balance at June 30, 2009	Balance at December 31, 2008
<u>Fixed Interest Rate:</u>					
Amherst, NY	October 2013	—	5.65%	\$ 16,721	\$ 16,913
Indianapolis, IN	April 2015	—	5.82%	4,351	4,384
Houston, TX	April 2016	—	6.43%	65,490	67,009
Andover, MA	February 2011	—	6.60%	6,328	6,389
S. Burlington, VT	February 2011	—	6.60%	2,712	2,738
Chicago, IL	March 2016	—	5.75%	21,275	21,391
Lisle, IL	June 2016	—	6.26%	24,310	24,452
Lisle, IL	March 2017	—	5.55%	5,600	5,600
Kansas City, KS	June 2012	—	7.04%	6,817	6,768
Orlando, FL	July 2017	—	6.40%	39,379	39,610
Chicago, IL	March 2010	—	6.00%	9,300	9,500
<u>Variable Interest Rate:</u>					
Various (1)	June 2010	LIBOR+1.75%	(2)	24,372	24,983
				\$ 226,655	\$ 229,737

(1) The Trust received a one-year extension to June 30, 2010. The loan payable to Keybank is collateralized by 14 properties and the Trust has one remaining one-year option to extend this loan.

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- (2) The Trust entered into an interest rate swap agreement in the notional amount of \$26,000, effectively converting the floating interest rate to a fixed rate of 5.8% through December 2009. At June 30, 2009 the principal balance is covered by the swap agreement.

The fair value of the Trust's mortgage loans payable are less than their current carrying amounts by \$32,298,000 at June 30, 2009 and exceeded their current carrying amounts by \$789,000 at December 31, 2008.

Note Payable

At December 31, 2008, the Trust had a \$9,800,000 note payable to Citibank, bearing interest at LIBOR plus 2.5% and maturing in December 2011. The loan was made in connection with the Trust's purchase during 2008 of 3,500,000 common shares of Lexington, and was repaid in March 2009.

10. Revolving Line of Credit

The Trust has a line of credit with KeyBank pursuant to which the Trust can borrow on a revolving basis up to \$35,000,000. The revolving credit line matures December 16, 2010 with the option by the Trust to extend the term for an additional year. Amounts borrowed under the credit facility bear interest at LIBOR plus 3.0%. To the extent the Trust maintains cash balances at KeyBank in excess of a certain threshold, the interest rate is reduced to LIBOR plus 2.25%. During the quarter ended June 30, 2009, the Trust borrowed and repaid the full \$35,000,000 available under the line. There were no advances outstanding under the line as of June 30, 2009. The Trust is required to pay a commitment fee on the unused portion of the line, which amounted to approximately \$16,000 and \$38,000 for the three and six months ended June 30, 2009, respectively, and \$44,000 and \$88,000 for the three and six months ended June 30, 2008, respectively.

The revolving line of credit requires the Trust to maintain (i) a minimum consolidated debt service coverage ratio, (ii) a maximum leverage ratio, (iii) liquid assets of \$17,500,000 and (iv) a minimum net worth. The revolving credit line is secured by substantially all of the Trust's assets. The revolving credit line requires monthly payments of interest only. To the extent that the amounts outstanding under the facility are in excess of the borrowing base (as calculated), the Trust is required to make a principal payment to reduce such excess. The Trust may prepay from time to time without premium or penalty and re-borrow amounts prepaid. As a result of the Trust's repurchase of Series B-1 Preferred Shares and the impairment charges taken by the Trust on its investment in Lex-Win Concord, the Trust does not currently meet the net worth covenant as defined under the line of credit and, consequently, is currently not eligible to borrow under the line. At June 30, 2009 and December 31, 2008, there were no amounts outstanding under the facility.

Derivative Financial Instruments

The Trust has exposure to fluctuations in market interest rates. The Trust seeks to limit its risk to interest rate fluctuations through match financing on our assets as well as through hedging transactions. Specifically, the Trust enters into derivative financial instruments.

The Trust's objective in using interest rate derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Trust primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable rate amounts from a counterparty in exchange for the Trust making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

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The effective portion of changes in fair value of the interest rate swap designated and that qualifies as a cash flow hedge is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the three and six months ended June 30, 2009 and 2008, the interest rate swap was used to hedge the variable cash flows associated with existing variable-rate debt. The Trust also assesses and documents, both at the hedging instruments inception and on an ongoing basis, whether the derivative instrument is highly effective in achieving offsetting changes in the cash flows attributable to the hedged item. The Trust has recorded changes in fair value related to the effective portion of its interest rate swap contract designated and qualifying as cash flow hedges totaling \$165,000 and \$341,000 of increased interest expense for the three and six months ended June 30, 2009, respectively, and \$439,000 of increased interest expense for the three months ended June 30, 2008 and \$144,000 of decreased interest expense for the six months ended June 30, 2008, as a component of other liabilities and accumulated other comprehensive loss within the Trust's consolidated balance sheets.

Effective June 24, 2009, the Trust entered into an interest rate swap agreement, with a notional amount of \$23,000,000, which will commence January 1, 2010 at the expiration of the existing swap and will cover the balance of the terms through current maturity on the KeyBank loan which is collateralized by various properties.

The table below presents information about the Trust's interest rate swaps at June 30, 2009 (dollars in thousands):

Maturity	Swap Rate	Notional Amount of Hedge	Cost of Hedge	Estimated Fair Value of Swap in Other Comprehensive Income	Unrealized Gain on Settled Swap in Other Comprehensive Income	Change in Swap Valuations Included in Other Comprehensive Income For the Three Months Ended June 30, 2009	Change in Swap Valuations Included in Other Comprehensive Income For the Six Months Ended June 30, 2009
December 2009	4.05%	\$ 26,000(1)	\$ -	\$ (398)	\$ 63	\$ 127	\$ 265
June 2010	1.05%	\$ 23,000(2)	\$ -	\$ (26)	\$ -	\$ -	\$ -

- (1) Represents a swap agreement related to the variable interest rate loan collateralized by various properties.
(2) In connection with the Finova portfolio loan extension, the Trust was required to provide interest rate protection through the maturity of the extension (June 30, 2010). The Trust obtained an interest rate swap with a \$23,000,000 notional amount that will effectively convert the interest rate on the KeyBank note payable from a floating rate of LIBOR plus 1.75% to a fixed rate of 1.80%.

12. Series B-1 Preferred Shares

In January 2009 the Trust acquired 917,105 Series B-1 Preferred Shares at a discount from their liquidation value of \$25 per share. As a result, the Trust recorded a gain from the early extinguishment of debt of approximately \$5,237,000 for the three months ended March 31, 2009.

In July 2009 the Trust acquired 100,000 Series B-1 Preferred Shares at a discount from their liquidation value of \$25 per share. As a result, the Trust will recognize a gain from the early extinguishment of debt of approximately \$444,000 in the third quarter.

As of August 1, 2009, there are 1,396,000 Series B-1 Preferred Shares outstanding.

13. Common Shares

The following table sets forth information relating to sales of Common Shares during the six months ended June 30, 2009:

Date of Issuance	Number of Shares Issued	Price per Share	Type of Offering
1/15/09	61,292	\$10.85	DRIP(1)
4/15/09	7,462	\$8.27	DRIP

- (1) The Trust's Dividend Reinvestment and Stock Purchase Plan.

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14. Discontinued Operations

In December 2008 the Trust sold a shopping center asset located in Biloxi, Mississippi aggregating approximately 51,000 square feet for a net sales price to the Trust of approximately \$2,678,000. The Trust recorded a \$1,807,000 gain on the sale and the results of operations of this property are classified as discontinued operations for the three and six months ended June 30, 2008.

On August 8, 2008 a petition for the condemnation of a shopping center asset located in St. Louis, Missouri aggregating 46,000 square feet was dismissed by a Missouri Court. As a result, the operations for this property, previously classified as discontinued operations, are now classified as income from continuing operations for the three and six months ended June 30, 2008 and 2009.

15. Commitment and Contingencies

The Trust is involved from time to time in litigation on various matters, including disputes with tenants and disputes arising out of agreements to purchase or sell properties. Given the nature of the Trust's business activities, these lawsuits are considered routine to the conduct of its business. The result of any particular lawsuit cannot be predicted because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. The Trust does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect other than previously disclosed in the consolidated financial statements.

16. Related-Party Transactions

The following table sets forth the fees and reimbursements paid by the Trust for the three and six months ended June 30, 2009 and 2008 to FUR Advisors and Winthrop Management L.P. (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	2009	2008	2009	2008
Asset management (1)	\$ 791(3)	\$ 1,388(4)	\$ 1,572(5)	\$ 2,711(6)
Property management (2)	73	65	140	126
Construction management (2)	-	-	3	-
	<u>\$ 864</u>	<u>\$ 1,453</u>	<u>\$ 1,715</u>	<u>\$ 2,837</u>

- (1) Payable to FUR Advisors.
- (2) Payable to Winthrop Management L.P.
- (3) Before credits of \$68, discussed below.
- (4) Before credits of \$63, discussed below.
- (5) Before credits of \$137, discussed below.
- (6) Before credits of \$125, discussed below.

FUR Advisors

The activities of the Trust and its subsidiaries are administered by FUR Advisors LLC ("FUR Advisors") pursuant to the terms of the Advisory Agreement between the Trust and FUR Advisors. FUR Advisors is controlled by and partially owned by the executive officers of the Trust. Pursuant to the terms of the Advisory Agreement, FUR Advisors is responsible for providing asset management services to the Trust and coordinating with the Trust's shareholder transfer agent and property managers. FUR Advisors is entitled to receive a base management fee and an incentive fee. In addition, FUR Advisors or its affiliate is also entitled to receive property and construction management fees.

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Base Management Fee

In March 2009 the base management fee was modified effective as of January 1, 2009. As modified, the asset based fee calculation has been eliminated and the equity based fee is based on a price of \$11.00 per Common Share outstanding at January 1, 2009 and \$25.00 per Series B-1 Preferred Share with respect to the 1,496,000 Series B-1 Preferred Shares outstanding after giving effect to the repurchases of Series B-1 Preferred Shares during the fourth quarter of 2008 and the first quarter of 2009. Any additional future conversions, redemptions or repurchases of the Series B-1 Preferred Shares, such as the repurchase of the 100,000 Series B-1 Preferred Shares in July 2009, will not reduce the base equity for purposes of the base management fee calculation. Any future issuances of Common Shares or preferred shares will increase the equity as per the existing agreement for purposes of the base management fee calculation.

Incentive Fee

The incentive fee entitles FUR Advisors to receive (a) an amount equal to 20% of all distributions paid to beneficiaries of Common Shares after December 31, 2003 in excess of the Threshold Amount, hereinafter defined, and, (b) upon the termination of the Advisory Agreement, an amount equal to 20% of the "liquidation value" of the Trust in excess of the Threshold Amount at the termination date. As defined in the Advisory Agreement, the Threshold Amount is equal to (x) \$314,787,000, increased by the net issuance price of all Common Shares and increased for preferred shares converted, issued after January 1, 2009, and decreased by the redemption price of all Common Shares redeemed after January 1, 2009, plus (y) a return on the amount, as adjusted, set forth in (x) equal to 7% per annum compounded annually. The incentive fee is reduced by any direct damages to the Trust if the Advisory Agreement is terminated by the Trust for cause.

If the Advisory Agreement were terminated, the actual incentive fee payable would be based on an appraised valuation or the net liquidation proceeds received for the Trust's assets, which may be substantially in excess of the amount calculated based on the market price of the Common Shares.

Winthrop Management L.P.

Winthrop Management L.P., an affiliate of FUR Advisors and the Trust's executive officers, assumed property management responsibilities for various properties owned by the Trust. Pursuant to the terms of the property management agreement, Winthrop Management L.P. receives a property management fee equal to 3% of the monthly revenues.

Credits

WRP Sub-Management LLC ("WRP Sub-Management"), an affiliate of FUR Advisors, provides accounting, collateral management and loan brokerage services to Concord and its subsidiaries, including CDO-1. WRP Sub-Management received reimbursement of direct and indirect expenses totaling \$298,000 and \$698,000 for the three and six months ended June 30, 2009, respectively, in accordance with the terms of the agreement. Of these amounts, \$137,000 and \$275,000, respectively, were paid to reimburse it for costs associated with providing accounting and other "back-office" services for the benefit of Concord (the "Affiliate Amount"). Because the Trust pays an advisory fee to FUR Advisors whereas Lexington, the other equity member in Lex-Win Concord, does not, the advisory fee payable to FUR Advisors by the Trust is reduced by 50% of the Affiliate Amount to ensure equal treatment of the Trust and Lexington with respect to the reimbursements paid by Concord. For the three and six months ended June 30, 2009, the Trust received and utilized a credit of \$68,000 and \$137,000, respectively, against the base management fee.

During the three and six months ended June 30, 2008, WRP Sub-Management received reimbursement of direct and indirect expenses totaling \$417,000 and \$888,000, respectively. Of these amounts, \$125,000 and \$250,000, respectively, were paid to reimburse it for costs associated with providing accounting and other "back office" services for the benefit of Concord. The Trust received and utilized a credit of \$63,000 and \$125,000, respectively, against the base management fee.

On March 24, 2008, the Trust acquired for the benefit of Concord two classes of securities issued by CDO-1 with a face value of \$10,000,000 for approximately \$4,850,000 and transferred legal ownership of these securities to Concord on March 31, 2008 and received reimbursement equal to the acquisition cost.

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17. Business Segments

SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in financial statements and requires that those enterprises report selected financial information about operating segments in interim financial reports issued to shareholders.

Based on the Trust's method of internal reporting, management determined that it has three operating segments: (i) the ownership of operating properties; (ii) the origination and acquisition of loans and debt securities secured directly or indirectly by commercial and multi-family real property – collectively, loan assets and loan securities; and (iii) the ownership of equity and debt securities in other REITs – REIT securities. The accounting policies of the segments are identical to those described in Note 2.

The operating properties segment includes all of the Trust's wholly and partially owned operating properties. The loan assets and loan securities segment includes all of the Trust's activities related to real estate loans, which consists primarily of the Trust's investment in Lex-Win Concord and Marc Realty. The REIT securities segment includes all of the Trust's activities related to the ownership of securities in other publicly traded real estate companies. In addition to our three business segments, the Trust reports non-segment specific income and expense under corporate income (expense).

The following table summarizes the Trust's assets by business segment for the periods ended June 30, 2009 and December 31, 2008 (in thousands):

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Operating properties	\$ 281,041	\$ 286,780
Loan assets and loan securities	106,167	146,560
REIT securities	53,967	36,796
Corporate		
Cash and cash equivalents	20,469	59,238
Other	23,088	48,720
Total Assets	<u>\$ 484,732</u>	<u>\$ 578,094</u>

The Trust defines net operating income for each segment presented as the segment's revenue and other income less operating expenses. Interest on cash reserves, general and administrative expenses and other non-segment specific income and expense items are reported under corporate income (expense). The following table presents a summary of revenues from operating properties, loan assets and loan securities and REIT securities and expenses incurred by each segment for the three and six months ended June 30, 2009 and June 30, 2008 (in thousands):

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	For the Three Months Ended		For the Six Months Ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Operating Properties				
Rents and reimbursements	\$ 10,447	\$ 10,993	\$ 21,432	\$ 21,660
Operating expenses	(1,822)	(1,802)	(3,823)	(3,669)
Real estate taxes	(652)	(675)	(1,355)	(1,414)
Equity in loss of Sealy Northwest Atlanta	(204)	(98)	(242)	(236)
Equity in loss of Sealy Airpark Nashville	(314)	(267)	(572)	(550)
Equity in loss of Sealy Newmarket	(177)	-	(363)	-
Net operating income	<u>7,278</u>	<u>8,151</u>	<u>15,077</u>	<u>15,791</u>
Loan Assets and Loan Securities				
Interest	829	322	1,207	828
Equity in earnings (loss) of preferred equity investment of Marc Realty	(1,023)	1,088	(8)	3,418
Impairment loss on preferred equity investment	(2,186)	(2,000)	(2,186)	(2,000)
Equity in loss of Lex-Win Concord	(49,884)	(20,933)	(67,565)	(16,857)
Impairment loss on investment in Lex-Win Concord	(31,670)	-	(31,670)	-
Provision for loss on loans receivable	(1,724)	-	(2,152)	-
Unrealized loss on available for sale loans	(203)	-	(203)	-
Gain on sale of mortgage backed securities	-	-	-	454
Net operating loss	<u>(85,861)</u>	<u>(21,523)</u>	<u>(102,577)</u>	<u>(14,157)</u>
REIT Securities				
Dividends	1,385	28	2,759	55
Gain on sale of available for sale securities	-	-	-	2,029
Gain on sale of securities carried at fair value	2,685	-	2,598	-
Unrealized gain on securities carried at fair value	12,580	-	1,432	-
Equity in loss of Lex-Win Acquisition	-	(1,035)	-	(878)
Impairment loss on available for sale securities	-	(107)	-	(207)
Net operating income (loss)	<u>16,650</u>	<u>(1,114)</u>	<u>6,789</u>	<u>999</u>
Net Operating (Loss) Income	<u>(61,933)</u>	<u>(14,486)</u>	<u>(80,711)</u>	<u>2,633</u>
Reconciliations to GAAP Net Loss:				
Less - Depreciation and Amortization	2,682	2,910	5,581	5,968
Less - Interest Expense				
Operating properties	3,603	3,661	7,198	7,444
Loan assets and loan securities	-	-	-	206
REIT securities	-	-	75	-
Corporate Income (Expense)				
Interest income	42	436	114	664
Interest expense	(830)	(1,807)	(1,558)	(3,649)
Gain on extinguishment of debt	-	-	5,237	-
General and administrative (1)	(1,878)	(1,482)	(3,324)	(3,553)
State and local taxes	(147)	(98)	(197)	(222)
Loss from continuing operations before non-controlling interest	(71,031)	(24,008)	(93,293)	(17,745)
Non-controlling interest	(165)	(86)	(336)	(86)
Loss from continuing operations attributable to Winthrop Realty Trust	(71,196)	(24,094)	(93,629)	(17,831)
Income from discontinued operations attributable to Winthrop Realty Trust	-	37	-	86
Net Loss Attributable to Winthrop Realty Trust	<u>\$ (71,196)</u>	<u>\$ (24,057)</u>	<u>\$ (93,629)</u>	<u>\$ (17,745)</u>
Capital Expenditures				
Operating properties	<u>\$ 287</u>	<u>\$ 778</u>	<u>\$ 582</u>	<u>\$ 1,607</u>

(1) After credits – See Note 16.

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18. Subsequent Events

The Trust has evaluated all subsequent events through August 10, 2009, which is the date of filing. All relevant items have been disclosed in the corresponding Notes to these Financial Statements.

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

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "intends," "plans," "would," "may" or similar expressions in this quarterly report on Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of the factors that will determine these items are beyond our ability to control or predict. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those set forth in our Annual Report on Form 10-K for the year ended December 31, 2008 under "Forward Looking Statements" and "Item 1A – Risk Factors" as well as our other filings with the SEC. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on forward-looking statements, which are based on information, judgments and estimates at the time they are made, to anticipate future results or trends.

Management's Discussion and Analysis of Financial Condition and Results of Operations includes a discussion of our consolidated financial statements for the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

This item should be read in conjunction with the financial statements, footnotes thereto and other items contained elsewhere in this report.

Overview

We are a real estate investment trust engaged in the business of owning real property and real estate related assets. Our business objective is to maximize long-term shareholder value through a total return value approach to real estate investing. We seek to achieve this objective by acquiring investments with both recurring cash flow in order to sustain our dividend, along with investments that we believe have appreciation potential. We operate in three strategic business segments: (i) operating properties; (ii) loan assets and loan securities; and (iii) REIT equity and debt securities. We acquire assets through direct ownership as well as through strategic alliances and ventures, and have entered into three significant venture arrangements. Our venture with Marc Realty, a Chicago area real estate company, is our primary vehicle for investments in the Chicago metropolitan area. We also invest through our venture with Sealy & Co. in which we have made three investments in office flex parks. In addition, since its formation in March 2006, we have acquired substantially all of our loan assets and loan securities through Concord Debt Holdings LLC, which we refer to as Concord, a joint venture with Lexington Realty Trust, which we refer to as Lexington, and, since August 2008, Inland America Concord Sub LLC, which we refer to as Inland.

As of June 30, 2009, we held interests in approximately 9.5 million rentable square feet of office, retail, multi-tenant and mixed use space through our 21 wholly owned operating properties and our ventures with Marc Realty and Sealy & Co., Ltd., which we refer to as Sealy. Average occupancy at our consolidated properties was approximately 95% for the six months ended June 30, 2009. As of June 30, 2009 our consolidated properties were approximately 89.6% leased. The decline in occupancy at June 30, 2009 was the result of the loss of a tenant in May 2009 which occupied approximately 285,000 square feet at our Jacksonville, Florida Property. In addition to our operating properties and our joint venture arrangements, we held REIT securities with a fair value of \$53,871,000 as of June 30, 2009. Our primary sources of income are rental income and tenant recoveries from leases of our operating properties, interest income from our loan assets and loan securities, and interest and dividend income and possible appreciation from our investments in REIT securities. The comparability of financial data from period to period is affected by several items including the timing of our property acquisition and leasing activities and the purchases and sales of assets and investments.

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The weakness in the economy since late 2007 and the subsequent disruption of the capital and credit markets throughout 2008 and the first two quarters of 2009 has affected profitability and limited the availability of financing and the ability to raise equity capital. During the first two quarters of 2009 we continued to focus our attention primarily on maintaining our liquidity and reducing our exposure to near-term debt maturities, while at the same time seeking opportunistic investments and investments with current returns. Toward that end, we capitalized on the market mispricing of senior REIT securities and invested \$29,889,000 in REIT preferred and debt securities during the first half of 2009.

With respect to our debt exposure, each of our investment platforms and investments is essentially a stand-alone business, such that any potential problems or liabilities which might occur are limited to that specific platform or investment. Consequently, our exposure is in each case limited to our equity in that particular investment and not to us as a whole. Inclusive of extension rights, none of our loans are scheduled to mature in 2009. As of June 30, 2009 there is \$2,871,000 of scheduled principal payments on mortgage loans remaining in 2009. The remaining balance of approximately \$223,784,000 is scheduled to be paid down or mature in 2010 or later.

During 2009, we have taken material other-than-temporary impairment losses on assets in our portfolio that have lost considerable value. In doing so, we have addressed the financial statement impact of our legacy asset issues. These issues related primarily to our investment in Lex-Win Concord LLC ("Concord") and our suburban Chicago investments in Marc Realty. As it relates to Concord, we have specifically responded to market trends of accelerating CDO and CMBS rating downgrades, increasing default probability assumptions, market interest rate fluctuations, the short-term nature of Concord's repurchase agreement financing and an overall lack of clarity on future recovery of the underlying collateral in these assets. These factors along with the recent failure by Inland to make its capital call, the litigation initiated by Inland, the expectation that there will not be any distributions received in the near term and the non-controlling nature of our investment in Lex-Win have resulted in our determination that an other than temporary impairment exists and an additional impairment related to our investment in Concord was warranted in the second quarter. The aggregate impairments consist of both a proportionate share of Concord's operating losses plus a decline in the fair value that management has assigned to the remaining equity in the investment. While we have determined that the decline in the fair value of our investment in Concord is other than temporary, the writedown of our investment in Concord to zero for financial statement purposes should not convey to investors that we and our partners have ceased to work towards equity recovery.

During the second quarter, we worked towards improving our position on our legacy Marc Realty portfolio and in July 2009 the Trust restructured this investment. This integrated transaction was strategic in that, in its simplest terms, we exchanged our interest in several Chicago suburban properties for an increased overall interest in certain downtown Chicago properties which we consider to be opportunities with a lower risk profile and a better return potential and are more aligned with our overall investment strategy.

The contractual changes of the restructuring include the elimination of certain accumulated deferred returns due to Marc Realty on their equity, the modification and equalization of the priority of payments to the parties and an increase of the interest rates on our mezzanine loans and an increase in the interest rate on Marc Realty's equity in exchange for us transferring our interests in four properties to Marc Realty. In addition, we made an additional aggregate advance of \$684,000 in July 2009 which effectively resulted in the equalization of interests to 50%-50% between our equity investment and Marc Realty's equity. Due to the nature of this multi-step transaction we recognized losses of approximately \$5,755,000 in the second quarter of 2009. In accordance with GAAP, we are required to recognize an accounting loss equal to the carrying value of our basis in the suburban properties in which we transferred our interest, which amount was \$5,755,000 and was recognized in the second quarter. Conversely, GAAP does not allow us to recognize the value of the increased equity in the downtown properties that we received in the form of the elimination of the accumulated deferred returns due to Marc Realty from the properties in which we continue to hold an interest. At June 30, 2009, the investments in those properties continue to be carried at cost and any future benefit of the foregoing modification will be recognized at the time of realization. Effective July 1, 2009, our investments in the Marc Realty properties will be reclassified from preferred equity investments to common equity investments.

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Capital and Credit Market Deterioration

As the capital and credit market deterioration has worsened, we have performed additional assessments to determine our exposure to bankruptcies, which could negatively affect the tenancy at our operating properties as well as negatively impact borrowers' cash flow and thus their ability to meet their obligations under our loan assets and loan securities. We have also monitored the impact of the currently limited availability of financing and equity offerings. Because there is little funding available in the capital and credit markets, there are fewer buyers in the market and buyers are seeking significantly higher returns, placing significant downward pressure on current real estate values. Consequently, there is a risk that borrowers will be unable to obtain replacement financing or sell the collateral underlying loan assets and loan securities upon maturity which could lead to more loan defaults and/or negotiated extensions to existing loans beyond their current expirations. In addition, we further reviewed our risk associated with counterparties to our hedging instruments and credit facilities. We believe our greatest risk to operating results and liquidity is the recent unprecedented volatility in capital and credit markets, which, if not stabilized, may create additional losses in the upcoming years.

A continued weakness in the economy could further impair our ability to raise future capital through equity and debt offerings, thereby requiring us to obtain additional capital through the sale of assets. Further, the declining availability of financing will likely continue to have an impact on our ability to finance additional acquisitions and, ultimately, the value of real estate generally.

We have historically used the public equity markets and secured financing as our primary sources of capital. We expect to continue to fund our investments through one or a combination of cash reserves, borrowings under a credit facility, property loans, or the issuance of debt or equity. In addition, as our investments reach a level in value to the point where we may be unlikely to achieve better than market returns, to the extent market conditions permit we may exit the investment and redeploy the capital to what we believe to be higher yielding opportunities.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including commitments to repay borrowings, fund and maintain investments and other general business needs. We believe that cash flow from operations will continue to provide adequate capital to fund our operating and administrative expenses, regular debt service obligations and all dividend payments in accordance with REIT requirements in the short-term. We anticipate that cash on hand, borrowings under a credit facility and issuance of equity and debt securities, as well as other alternatives, will provide the necessary capital required for our investment activities. As a REIT, we must distribute annually at least 90% of our REIT taxable income. As a result of this dividend requirement, we, like other REITs, are unable to reinvest all of our operating cash flow and, in addition to cash reserves, are dependent on raising capital through equity and debt issuances or forming ventures with institutional or high net worth investors to obtain additional funds with which to expand our business.

Our primary sources of funds include:

- cash and cash equivalents;
- rents and reimbursements received from our operating properties;
- payments received under our loan assets and loan securities;
- the issuance of equity and debt securities;
- interest and dividends received from investments in and possible appreciation of REIT securities;
- cash distributions from joint ventures;
- borrowings under our credit facilities; and
- asset specific borrowings.

At June 30, 2009, we had cash and cash equivalents of \$20,469,000. In addition, we had other liquid assets consisting of securities carried at fair value and available for sale securities totaling \$53,871,000.

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Significant financial transactions during the first two quarters of 2009 include:

- the acquisition on January 6, 2009 of 917,105 of our Series B-1 Preferred Shares with a liquidation value of \$22,928,000 for \$17,081,000 in cash, resulting in a net gain of \$5,237,000;
- the acquisition of REIT securities consisting of senior debentures with a face value of \$29,490,000 for a cost of \$19,665,000, preferred shares at a cost of \$9,361,000 and common shares at a cost of \$863,000;
- the acquisition of two first mortgage loans with a face value of \$81,015,000 for a cost of \$43,869,000;
- the extension of the maturity date of the mortgage loan on our River City property for a period of one year;
- the extension of the maturity date of our \$24,372,000 mortgage loan for a period of one year; and
- the repayment in March 2009 of a \$9,800,000 note payable.

Subsequent to June 30, 2009, the following transactions have occurred:

- the acquisition on July 9, 2009 of 100,000 of our Series B-1 Preferred Shares with a liquidation value of \$2,500,000 for \$2,000,000 in cash, resulting in a net gain of approximately \$444,000;
- the sale on July 14, 2009 at par of a \$35,000,000 A Note with respect to the first mortgage loan secured by the property located at 160 Spear Street, San Francisco, California; and
- the restructuring of our preferred equity investment in Marc Realty as discussed in Item 1 – Financial Statements, Note 7.

Cash Flows

Operating Activities

Cash provided by operating activities of \$10,138,000 for the six months ended June 30, 2009 reflects our net loss of \$93,293,000 adjusted by non-cash items of \$102,115,000 including depreciation and amortization expense, the effect of straight-lining of rental income, equity in losses of partially-owned entities and unrealized losses on securities carried at fair value, \$2,520,000 of distributions from non-consolidated interests and a net decrease due to changes in other operating assets and liabilities of \$1,204,000. See our discussion of our Results of Operations below for additional details on our operations.

Investing Activities

Cash used in investing activities of \$50,539,000 for the six months ended June 30, 2009 was comprised primarily of the following:

- \$35,000,000 for purchases of available for sale real estate loans which represents the portion of the 160 Spear loan that was subsequently sold in July;
- \$29,889,000 for purchases of securities carried at fair value;
- \$9,072,000 for acquisitions of loans receivable, primarily the Siete Square loan and the balance of the 160 Spear loan;
- \$2,075,000 for additional loan advances related to the Marc Realty portfolio; and
- \$719,000 for tenant improvements.

These uses of investing cash flows were offset primarily by:

- \$16,759,000 in proceeds from the sale of securities carried at fair value;
- \$6,800,000 in proceeds from the repayment of loans receivable; and
- \$2,597,000 in net proceeds from the release of cash escrows; primarily related to the release of funds from the qualified intermediary for the sale of our Biloxi, Mississippi property.

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Financing Activities

Cash provided by financing activities of \$1,632,000 for the six months ended June 30, 2009 was comprised primarily of the following:

- \$35,000,000 of proceeds from our revolving line of credit;
- \$19,818,000 of proceeds from our loan payable; and
- \$3,938,000 of restricted cash held in escrow that was released, primarily related to the application of funds held as cash collateral and utilized to pay off the CitiBank note payable.

These sources of financing cash flows were offset primarily by:

- \$35,000,000 for repayment of borrowings on our revolving line of credit;
- \$9,800,000 for payment of the note payable to CitiBank;
- \$9,888,000 for dividend payments on our Common Shares; and
- \$3,131,000 for mortgage loan repayments.

Dividends

Since December 2005 we have paid regular dividends to our shareholders. In paying dividends we have endeavored to have our dividends track cash flow from operations, both recurring and nonrecurring. As a result, while we intend to continue paying dividends each quarter, future dividend declarations will be at the discretion of our Board of Trustees and will depend on the actual cash flow of the Trust both projected as recurring and nonrecurring, its overall financial condition, capital requirements, the distribution requirements for REITs under the Internal Revenue Code of 1986 and such other factors as our Board of Trustees deem relevant. Subject to the foregoing, we expect to continue distributing our current cash flow after reserving normal and customary amounts thereby allowing us to maintain our capital. Toward that end, the Board of Trustees elected to reduce our dividend to \$0.25 per share for each of the first two quarters of 2009, which represented a reduction from \$0.325 per share for each of the first two quarters of 2008. This represents our existing budgeted recurring cash flow generated by assets currently owned and excludes any realized gains from capital transactions, any potential cash flow from our investment in Concord, as well as potential future cash flow generated from the investment of the substantial cash and cash equivalents on hand. We expect to continue applying these standards with respect to our dividends on a quarterly basis which could cause the dividends to increase or decrease depending on cash flow.

We paid regular quarterly dividends \$0.40625 per Series B-1 Preferred Share in each of the first two quarters of 2009. We declared a special dividend of \$0.05 per Common Share in December 2008, which was paid in January 2009.

Results of Operations

Our results are discussed below by business segment:

- Operating Properties – our wholly and partially owned operating properties;
- Loan Assets and Loan Securities – our activities related to senior and mezzanine real estate loans as well as commercial mortgage-backed securities including our investment in Concord and our Marc Realty venture properties;
- REIT Securities – our activities related to the ownership of equity and debt securities in other real estate investment trusts; and
- Non-segment specific results are discussed under Corporate – includes interest on cash reserves, general and administrative expenses and other non-segment specific income and expense items.

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The following table summarizes our assets by business segment (in thousands):

	June 30, 2009	December 31, 2008
Operating properties	\$ 281,041	\$ 286,780
Loan assets and loan securities	106,167	146,560
REIT securities	53,967	36,796
Corporate		
Cash and cash equivalents	20,469	59,238
Other	23,088	48,720
Total Assets	\$ 484,732	\$ 578,094

Total assets decreased by \$93,362,000, or 16.2%, from \$578,094,000 at December 31, 2008 to \$484,732,000 at June 30, 2009. The decrease was due primarily to a decrease of \$38,769,000 in cash and cash equivalents, a decrease of \$40,393,000 in loan assets and loan securities and a decrease of \$25,632,000 in other assets.

The decrease in loan assets and loan securities is due primarily to a decrease of \$73,061,000 in the carrying value of our equity investment in Concord as a result of the operating loss incurred by Concord for the six months ended June 30, 2009 as well as a \$24,941,000 other comprehensive income reclassification adjustment and a \$51,916,000 valuation adjustment recognized by the Trust on this investment at June 30, 2009. The decrease in other assets resulted from the utilization of \$17,081,000 for the re-acquisition of the Series B-1 Preferred Shares and the release of approximately \$8,642,000 of funds held in escrow. The release of escrow funds was primarily the result of \$2,678,000 released from the qualified intermediary for the sale of our Biloxi, Mississippi property and \$5,227,000 released from the CitiBank cash collateral account and utilized to pay off the \$9,800,000 note payable.

The results of operations and changes in financial position for the Trust are discussed below.

Comparison of Six Months ended June 30, 2009 versus Six Months ended June 30, 2008

The following table summarizes our results by business segment for the six months ended June 30, 2009 and 2008 (in thousands):

	2009	2008
Operating properties	\$ 2,298	\$ 2,379
Loan assets and loan securities	(102,577)	(14,363)
REIT securities	6,714	999
Corporate income (expenses)	272	(6,760)
Consolidated loss from continuing operations	\$ (93,293)	\$ (17,745)

Operating Properties

	2009	2008
Rents and reimbursements	\$ 21,432	\$ 21,660
Operating expenses	(3,823)	(3,669)
Real estate taxes	(1,355)	(1,414)
Equity in loss of Sealy Northwest Atlanta	(242)	(236)
Equity in loss of Sealy Airpark Nashville	(572)	(550)
Equity in loss of Sealy Newmarket	(363)	-
Operating income	15,077	15,791
Depreciation expense	(5,581)	(5,968)
Interest expense	(7,198)	(7,444)
Net income	\$ 2,298	\$ 2,379

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The decrease in operating income from our operating properties for the comparable periods was due primarily to:

- a \$228,000 decrease in rents and reimbursements due primarily to:
 - a decrease of \$351,000 on our wholly-owned net lease portfolio due to the restructuring of the lease for our Plantation, Florida property as of January 1, 2009;
 - a decrease of \$194,000 at our Lisle, Illinois properties due to an approximate 9% decrease in occupancy at one of the properties in 2009;
 - a decrease of \$44,000 at our Ontario property as a result of a decline in revenue from the parking facility in 2009;
 - an increase of \$263,000 at our River City property due to an approximate 6% increase in average occupancy in 2009;
 - an increase of \$57,000 at our Creekwood Apartments property due to an approximate 7% increase in average occupancy in 2009;
- a \$154,000 increase in operating expenses due primarily to increased cost at our River City property; and
- a \$391,000 increase in losses from our Sealy equity investments due primarily to a \$363,000 loss related to our Newmarket office complex in Atlanta, Georgia which we acquired in August 2008. Losses from the Sealy portfolio are primarily the result of non-cash depreciation and amortization expenses. We received cash distributions of \$665,000 from the Sealy equity investments for the six months ended June 30, 2009.

Depreciation, real estate taxes and interest expenses related to our operating properties remained relatively constant with the comparable prior year period.

Loan Assets and Loan Securities

	2009	2008
Interest	\$ 1,207	\$ 828
Equity in earnings (loss) of preferred equity investment	(2,194)	1,418
Equity in loss of Lex-Win Concord	(99,235)	(16,857)
Gain on sale of mortgage backed securities	-	454
Provision for loss on loan receivable	(2,152)	-
Unrealized loss on available for sale loans	(203)	-
Operating loss	(102,577)	(14,157)
Interest expense	-	(206)
Net loss	\$ (102,577)	\$ (14,363)

The decrease in operating income from loan assets and loan securities for the comparable periods was due primarily to:

- a \$82,378,000 increase in equity in loss from Lex-Win Concord due primarily to:
 - a \$64,413,000 impairment loss on real estate debt investments held for sale at Concord;
 - a \$41,492,000 increase in provision for loss contingencies on real estate debt investments at Concord;
 - a \$16,520,000 realized loss on sale of investments held for sale at Concord;
 - a \$9,600,000 collateral support agreement obligation recorded in June 2009; and
 - a \$47,261,000 decrease in impairment loss on available for sale securities at Concord.

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The Trust's allocable share of the loss from Concord was \$67,565,000 for the six months ended June 30, 2009 which represents an increase of \$50,708,000 over the loss allocated for the six months ended June 30, 2008. In addition, we recorded a \$31,670,000 other-than-temporary impairment loss in 2009 on our equity investment in Lex-Win Concord.

- a \$3,612,000 decrease in equity in earnings from our preferred equity investment, Marc Realty, primarily due to:
 - a \$2,664,000 loss from the transfer of our interest in three of the properties in the Marc Realty portfolio in May 2009;
 - a \$565,000 decrease in earnings as a result of having a lower investment balance in 2009;
 - a \$197,000 decrease in gains on sale of real estate; and
 - a \$186,000 increase in other-than-temporary impairments. The Trust recognized \$2,186,000 of other-than-temporary impairments on four of our mezzanine loans during the six months ended June 30, 2009 compared with a \$2,000,000 other-than-temporary impairment recognized on one mezzanine loan during the same period in 2008;
- a \$2,152,000 provision for loss on loans receivable related to seven properties in our Marc Realty portfolio; and
- a \$454,000 gain on sale of mortgage backed securities recognized in the quarter ended June 30, 2008.

REIT Securities

	2009	2008
Interest and dividends	\$ 2,759	\$ 55
Gain on sale of securities	2,598	2,029
Impairment loss on available for sale securities	-	(207)
Unrealized gain on securities carried at fair value	1,432	-
Equity in earnings of Lex-Win Acquisition, LLC	-	(878)
Operating income	6,789	999
Interest expense	(75)	-
Net income	\$ 6,714	\$ 999

The increase in operating income from REIT securities for the comparable periods was due primarily to:

- a \$2,704,000 increase due primarily to interest and dividends received in 2009 on our REIT investment portfolio as the result of the increased investment in REIT securities for the six months ended June 30, 2009;
- a \$1,432,000 unrealized gain on securities carried at fair value; and
- a \$569,000 increase in gain on sale of securities.

Corporate

	2009	2008
Interest income	\$ 114	\$ 664
General and administrative	(3,324)	(3,553)
Interest expense	(1,558)	(3,649)
Gain on extinguishment of debt	5,237	-
State and local taxes	(197)	(222)
Operating income (loss)	\$ 272	\$ (6,760)

The increase in corporate operations for the comparable periods was due primarily to:

- a \$5,237,000 gain on early extinguishment of debt resulting from our January 2009 purchase of 917,105 of our Series B-1 Preferred Shares at a discount to their liquidation value;

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- a \$2,091,000 decrease in corporate interest expense due primarily to lower aggregate payments in 2009 on our Series B-1 Preferred Shares as a result of fewer Series B-1 Preferred Shares outstanding during 2009;
- a \$229,000 decrease in general and administrative expenses due primarily to the reduction in the base management fee of \$651,000 which was partially offset by a \$327,000 increase in professional fees; and
- a \$550,000 decrease in corporate interest income earned on our cash and cash equivalents due primarily to lower yields on U.S. Treasury securities and other depository accounts during the first six months of 2009 versus 2008.

State income taxes were \$197,000 and \$222,000 for the six months ended June 30, 2009 and 2008, respectively, due primarily to our anticipated taxable income for state purposes, after deductions for dividends paid and after the utilization of net operating loss carryforwards, where applicable.

Comparison of Three Months ended June 30, 2009 versus Three Months ended June 30, 2008

The following table summarizes our results by business segment for the three months ended June 30, 2009 and 2008 (in thousands):

	2009	2008
Operating properties	\$ 993	\$ 1,580
Loan assets and loan securities	(85,861)	(21,523)
REIT securities	16,650	(1,114)
Corporate expenses	(2,813)	(2,951)
Consolidated loss from continuing operations	\$ (71,031)	\$ (24,008)

Operating Properties

	2009	2008
Rents and reimbursements	\$ 10,447	\$ 10,993
Operating expenses	(1,822)	(1,802)
Real estate taxes	(652)	(675)
Equity in loss of Sealy Northwest Atlanta	(204)	(98)
Equity in loss of Sealy Airpark Nashville	(314)	(267)
Equity in loss of Sealy Newmarket	(177)	-
Operating income	7,278	8,151
Depreciation expense	(2,682)	(2,910)
Interest expense	(3,603)	(3,661)
Net income	\$ 993	\$ 1,580

The decrease in operating income from our operating properties for the comparable periods was due primarily to:

- a \$546,000 decrease in rents and reimbursements due primarily to:
 - a decrease of \$386,000 on our wholly-owned net lease portfolio due to the restructuring of the lease for our Plantation, Florida property as of January 1, 2009;
 - a decrease of \$189,000 at our Ontario property as a result of a decline in revenue from the parking facility in 2009;
 - a decrease of \$92,000 at our Lisle, Illinois properties due to an approximate 9% decrease in occupancy at one of the properties in 2009;
 - an increase of \$66,000 at our River City property due to an approximate 8% increase in average occupancy for the three months ended June 30, 2009;
 - an increase of \$54,000 at our Creekwood Apartments property due to an approximate 9% increase in average occupancy for the three months ended June 30, 2009;
- a \$20,000 increase in operating expenses; and

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- a \$330,000 increase in losses from our Sealy equity investments due primarily to a \$177,000 loss related to our Newmarket office complex in Atlanta, Georgia which we acquired in August 2008. Losses from the Sealy portfolio are primarily the result of non-cash depreciation and amortization expenses. We received cash distributions of \$322,000 from the Sealy's equity investments for the three months ended June 30, 2009.

Depreciation and interest expenses related to our operating properties remained relatively constant with the comparable prior year period.

Loan Assets and Loan Securities

	2009	2008
Interest	\$ 829	\$ 322
Equity in loss of preferred equity investment	(3,209)	(912)
Equity in loss of Lex-Win Concord	(81,554)	(20,933)
Provision for loss on loans receivable	(1,724)	-
Unrealized loss on available for sale loans	(203)	-
Operating loss	(85,861)	(21,523)
Interest expense	-	-
Net loss	<u>\$ (85,861)</u>	<u>\$ (21,523)</u>

The decrease in operating income from loan assets and loan securities for the comparable periods was due primarily to:

- a \$60,621,000 increase in equity in loss from Lex-Win Concord due primarily to:
 - a \$27,505,000 impairment loss on real estate debt investments held for sale at Concord;
 - a \$38,992,000 increase in provision for loss contingencies on real estate debt investments at Concord;
 - a \$16,520,000 realized loss on sale of investments held for sale at Concord;
 - a \$9,600,000 collateral support agreement obligation recorded in June 2009; and
 - a \$42,764,000 decrease in impairment loss on available for sale securities at Concord.

The Trust's allocable share of the loss from Concord was \$49,884,000 for the three months ended June 30, 2009 which represents an increase of \$28,951,000 over the loss allocated for the three months ended June 30, 2008. In addition, we recorded a \$31,670,000 other-than-temporary impairment loss in 2009 on our equity investment in Lex-Win Concord.

- a \$2,297,000 decrease in equity in earnings from our preferred equity investment, Marc Realty, primarily due to:
 - a \$2,664,000 loss from the transfer of our interest in three of the properties in the Marc Realty portfolio in May 2009;
 - a \$209,000 decrease in earnings as a result of having a lower investment balance in 2009;
 - a \$186,000 increase in other-than-temporary impairments. The Trust recognized \$2,186,000 of other-than-temporary impairments on four of our mezzanine loans during the three months ended June 30, 2009 compared with a \$2,000,000 other-than-temporary impairment recognized on one mezzanine loan during the same period in 2008; and
 - offset by a \$762,000 increase in gains on sale of real estate; and
- a \$1,724,000 provision for loss on loans receivable related to seven properties in our Marc Realty portfolio.

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REIT Securities

	2009	2008
Interest and dividends	\$ 1,385	\$ 28
Gain on sale of securities	2,685	-
Impairment loss on available for sale securities	-	(107)
Unrealized gain on securities carried at fair value	12,580	-
Equity in loss of Lex-Win Acquisition, LLC	-	(1,035)
Operating income (loss)	16,650	(1,114)
Interest expense	-	-
Net income (loss)	\$ 16,650	\$ (1,114)

The increase in operating income from REIT securities for the comparable periods was due primarily to:

- a \$12,580,000 unrealized gain on securities carried at fair value as a result of a recovery in market value during the three months ended June 30, 2009;
- a \$2,685,000 gain on sale of securities; and
- an increase of \$1,357,000 in dividend income due primarily to interest and dividends received in 2009 on our REIT investment portfolio as the result of the increased investment in REIT securities for the three months ended June 30, 2009.

Corporate

	2009	2008
Interest income	\$ 42	\$ 436
General and administrative	(1,878)	(1,482)
Interest expense	(830)	(1,807)
State and local taxes	(147)	(98)
Operating loss	\$ (2,813)	\$ (2,951)

The increase in corporate operations for the comparable periods was due primarily to:

- a \$977,000 decrease in corporate interest expense due primarily to lower aggregate payments in 2009 on our Series B-1 Preferred Shares as a result of fewer Series B-1 Preferred Shares outstanding during 2009;
- a \$396,000 increase in general and administrative expenses due primarily to a \$374,000 increase in professional fees; and
- a \$394,000 decrease in corporate interest income earned on our cash and cash equivalents due primarily to lower yields on U.S. Treasury securities and other depository accounts during the three months of 2009 versus 2008.

State income taxes were \$147,000 and \$98,000 for the three months ended June 30, 2009 and 2008, respectively, due primarily to our anticipated taxable income for state purposes, after deductions for dividends paid and after the utilization of net operating loss carryforwards, where applicable.

Off-Balance Sheet Investments

We have two significant off-balance sheet investments – our Marc Realty and Lex-Win Concord investment platforms. Marc Realty is discussed at Item 1. Financial Statements - Note 7 and Lex-Win Concord is discussed at Item 1. Financial Statements - Note 8.

Critical Accounting Policies and Estimates

A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Recently Issued Accounting Standards

See Item 1. Financial Statements – Note 2.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have exposure to fluctuations in market interest rates. Market interest rates are highly sensitive to many factors beyond our control. Various financial vehicles exist which would allow management to mitigate the potential negative effects of interest rate fluctuations on our cash flow and earnings.

Our liabilities include both fixed and variable rate debt. As discussed in Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations, we seek to limit our risk to interest rate fluctuations through match financing on our loan assets and loan securities as well as through hedging transactions. In this regard, we entered into the following agreements:

- An interest rate swap with a \$40,000,000 notional amount that effectively converted the interest rate on that portion of principal of our note payable to KeyBank from a floating rate equal to LIBOR plus 1.75% to a fixed rate of 5.80%. We made a \$40,000,000 prepayment on KeyBank’s floating rate debt during the second quarter of 2007. As a result, we settled a portion of the existing interest rate swap with a notional amount of \$14,000,000 for \$366,000, resulting in an unrealized gain which will be amortized to income over the remaining life of the swap. The outstanding balance at June 30, 2009 on this loan is approximately \$24,372,000.
- Effective June 24, 2009, we entered into an interest rate swap agreement, with a notional amount of \$23,000,000, which will commence January 1, 2010 at the expiration of the existing swap and will cover the balance of the terms through current maturity on the KeyBank loan which is collateralized by various properties.

The following table shows what the annual effect a change in the LIBOR rate would have on interest expense based upon the unhedged balances in variable rate debt at June 30, 2009 (in thousands):

	-0.32%	Change in LIBOR(2)		3%
	_____	1%	2%	_____
Change in consolidated interest expense	\$ (63)	\$ 198	\$ 396	\$ 595
Pro-rata share of change in interest expense of debt on non-consolidated entities (1)	(653)	2,039	4,078	6,116
Non-controlling interests share	-	-	-	-
(Increase) decrease in net income	<u>\$ (716)</u>	<u>\$ 2,237</u>	<u>\$ 4,474</u>	<u>\$ 6,711</u>

(1) Represents our pro-rata share of a change in interest expense in our equity investment – Concord.

(2) The one month LIBOR rate at June 30, 2009 was 0.32%.

We believe that due to our significant investment in a non-consolidated entity (Concord), the presentation of our pro-rata share of a change in interest expense from this entity is important to fully understand our exposure to fluctuations in interest rates.

We may utilize various financial instruments to mitigate the potential negative impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. In addition, as of June 30, 2009 our pro-rata share of Lex-Win Concord’s variable rate loan assets and loan securities with a face value aggregating \$384,791,000 partially mitigate our exposure to change in interest rates.

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Market Value Risk

Our hedge transaction, and those utilized by Concord, using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The three counterparties of these arrangements are Credit Suisse International, KeyBank and JP Morgan. At the present time, due to the loan interest rate environment, the Trust's hedge transaction represents a liability to the Trust and Concord's hedge transactions represent a liability to Concord. The Trust has no obligation to post any collateral for the benefit of the counterparty.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

As of June 30, 2009, an evaluation was performed under the supervision and with the participation of our management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2009.

Other Matters

There have been no changes in our internal controls over financial reporting during the most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009**

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 21, 2009, the Trust held its Annual Meeting of Shareholders for the purpose of:

1. Electing seven Trustees to our Board of Trustees to serve for a term of one year and until their respective successors shall be elected and shall qualify;
2. Amending Section 1.3 of the Declaration of Trust to clarify the purpose of the Trust;
3. Amending Section 3.3 of the Declaration of Trust to modify the indemnification rights of Trustees, officers, employees and agents of the Trust;
4. Amending Section 4.1 of the Declaration of Trust to more clearly set forth the rights of the Trust to issue shares of beneficial interest;
5. Amending Section 7.1 of the Declaration of Trust to modify the timing of the Trust's annual meeting and permit additional persons to call special meetings of holders of beneficial interests;
6. Amending Article VIII of the Declaration of Trust to modify, among other things, the voting requirement for election of Trustees;
7. Amending Section 10.1 of the Declaration of Trust to permit certain amendments to the Declaration of Trust to be made without the consent of holders of beneficial interests;
8. Amending Article XI of the Declaration of Trust to correct inconsistencies set forth therein and to clarify the rights of the Trust;
9. Ratifying the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2009 fiscal year;

The following persons were elected as Trustees by the following vote:

Trustee	Shares Voted For	Shares Voted Against
Michael L. Ashner	14,715,123	391,987
Arthur Blasberg, Jr.	14,943,561	163,549
Howard Goldberg	14,876,622	230,488
Thomas F. McWilliams	14,928,769	178,341
Lee Seidler	14,963,058	144,052
Carolyn Tiffany	14,967,811	139,299
Steven Zalkind	14,948,140	158,970

With respect to the proposals to amend provisions of the Declaration of Trust, shareholders approved each such proposal by the following vote:

Proposal	Shares Voted For	Shares Voted Against	Shares Abstaining
Amend Section 1.3	11,661,205	48,072	10,564
Amend Section 3.3	11,613,494	87,819	18,526
Amend Section 4.1	8,066,143	3,619,815	33,882
Amend Section 7.1	11,621,921	83,081	14,839
Amend Article VIII	11,548,423	154,952	16,466
Amend Section 10.1	8,123,881	3,575,614	20,344
Amend Article XI	11,582,513	124,904	12,424

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Shareholders ratified PricewaterhouseCoopers LLP as the Trust's independent registered public accounting firm for 2009 by the following vote:

<u>Shares Voted For</u>	<u>Shares Voted Against</u>	<u>Shares Abstaining</u>
15,055,375	28,101	23,637

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference and are listed in the attached Exhibit Index.

**WINTHROP REALTY TRUST
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SIGNATURES

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

Date: August 10, 2009

Winthrop Realty Trust

By: /s/ Michael L. Ashner
Michael L. Ashner
Chief Executive Officer

Date: August 10, 2009

By: /s/ Thomas C. Staples
Thomas C. Staples
Chief Financial Officer

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EXHIBIT INDEX

Exhibit	Description	Page Number
3.1	Second Amended and Restated Declaration of Trust as of May 21, 2009	*
3.2	Bylaws of the Trust as restated on November 8, 2005 - Incorporated by reference to Exhibit 3.1 to the Trust's Form 8-K filed November 10, 2005.	-
3.3	Amendment to Bylaws adopted January 10, 2007 - Incorporated by reference to Exhibit 3.1 to the Trust's Form 8-K filed January 16, 2007	-
3.4	Amendment to Bylaws adopted February 27, 2007 - Incorporated by reference to Exhibit 3.1 to the Trust's Form 8-K filed March 2, 2007	-
4.1	Form of certificate for Common Shares of Beneficial Interest. Incorporated by reference to Exhibit 4.1 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008	-
4.2	Warrant to purchase 500,000 shares of Beneficial Interest of Trust - Incorporated by reference to Exhibit 4(l) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998.	-
4.3	Agreement of Limited Partnership of WRT Realty L.P., dated as of January 1, 2005 - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed January 4, 2005.	-
4.4	Amended and Restated Certificate of Designations for Series B-1 Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest ("Series B-1 Certificate of Designations") - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed June 21, 2005.	-
4.5	Amendment No. 1 to Series B-1 Certificate of Designations - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed November 13, 2007.	-
10.1	Indemnification Agreement with Neil Koenig, dated as of April 29, 2002 - Incorporated by reference to Exhibit 10.Q to the Trust's Annual Report on Form 10-K for the year ended December 31, 2002.	-
10.2	Stock Purchase Agreement between the Trust and FUR Investors, LLC, dated as of November 26, 2003, including Annex A thereto, being the list of Conditions to the Offer - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed December 1, 2003.	-
10.3	Second Amended and Restated Advisory Agreement dated March 5, 2009, between the Trust, WRT Realty L.P. and FUR Advisors LLC. Incorporated by reference to Exhibit 10.3 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008	-
10.4	Exclusivity Services Agreement between the Trust and Michael L. Ashner - Incorporated by reference to Exhibit 10.4 to the Trust's Form 8-K filed December 1, 2003.	-
10.5	Amendment No. 1 to Exclusivity Agreement, dated November 7, 2005 - Incorporated by reference to Exhibit 10.7 to the Trust's Form 8-K filed November 10, 2005.	-
10.6	Covenant Agreement between the Trust and FUR Investors, LLC - Incorporated by reference to Exhibit 10.5 to the Trust's Form 8-K filed December 1, 2003.	-

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10.7	Loan Agreement, dated November 18, 2004, among FT-Fin Acquisition LLC, Keybank National Association, Newstar CP Funding LLC, Keybank National Association, as agent for itself and such other lending institutions, and Keybank Capital Markets, as the Arranger - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed November 23, 2004.	-
10.8	Loan Modification Agreement, dated June 30, 2006, among FT-Fin Acquisition LLC, Keybank National Association, Newstar CP Funding LLC, Keybank National Association, as agent for itself and such other lending institutions, and Keybank Capital Markets, as the Arranger - Incorporated by reference to Exhibit 10.11 to the Trust's Quarterly report on Form 10-Q for the period ended June 30, 2006.	-
10.9	Form of Mortgage, dated November 18, 2004, in favor of Keybank National Association - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed November 23, 2004.	-
10.10	Ownership Interest Pledge Agreement, dated November 18, 2004, from FT-Fin Acquisition LLC to Keybank National Association - Incorporated by reference to Exhibit 10.3 to the Trust's Form 8-K filed November 23, 2004.	-
10.11	Guaranty, dated as of November 18, 2004, by First Union Real Estate Equity and Mortgage Investments in favor of Keybank National Association, as the agent - Incorporated by reference to Exhibit 10.4 to the Trust's Form 8-K filed November 23, 2004.	-
10.12	Indemnity Regarding Hazardous Materials, dated as of November 18, 2004, by First Union Real Estate Equity and Mortgage Investments in favor of Keybank National Association, as the agent - Incorporated by reference to Exhibit 10.5 to the Trust's Form 8-K filed November 23, 2004.	-
10.13	Amended and Restated Omnibus Agreement, dated March 16, 2005, among Gerald Nudo, Laurence Weiner and WRT Realty L.P. - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed March 18, 2005	-
10.14	Agreement, dated as of July 1, 2009, among Gerald Nudo, Laurence Weiner and WRT Realty L.P.	*
10.15	Securities Purchase Agreement, dated February 16, 2005, between First Union Real Estate Equity and Mortgage Investments and Kimco Realty Corporation - Incorporated by reference to Exhibit 10 to the Trust's Form 8-K filed February 18, 2005.	-
10.16	Securities Purchase Agreement, dated February 25, 2005, between First Union Real Estate Equity and Mortgage Investments, Perrin Holden & Davenport Capital Corp. and the Investors named therein - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed March 3, 2005.	-
10.17	Securities Purchase Agreement, dated June 15, 2005, between First Union Real Estate Equity and Mortgage Investments, Perrin Holden & Davenport Capital Corp. and the Investors named therein - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed June 21, 2005.	-
10.18	Amended and Restated Registration Rights Agreement, dated June 20, 2005, between First Union Real Estate Equity and Mortgage Investments and the Investors named therein - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed June 21, 2005.	-

WINTHROP REALTY TRUST
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10.19	Amended and Restated Investor Rights Agreement, dated June 20, 2005, between First Union Real Estate Equity and Mortgage Investments and the Investors named therein - Incorporated by reference to Exhibit 10.3 to the Trust's Form 8-K filed June 21, 2005.	-
10.20	Securities Purchase Agreement, dated November 7, 2005, between the Trust and Vomado Investments L.L.C. ("Vomado") - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed November 10, 2005.	-
10.21	Registration Rights Agreement, dated November 7, 2005, between the Trust and Vomado - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed November 10, 2005.	-
10.22	Loan Agreement, dated as of December 16, 2005, between WRT Realty L.P. and KeyBank, National Association - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed December 21, 2005.	-
10.23	Guaranty from Winthrop Realty Trust in favor of KeyBank, National Association - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed December 21, 2005.	-
10.24	Second Amendment to Loan Agreement, dated as of December 16, 2008 - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed December 22, 2008.	-
10.25	Third Amendment to Loan Agreement, dated as of December 16, 2008 - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed December 22, 2008	-
10.26	Agreement between Michael L. Ashner and Winthrop Realty Trust dated July 23, 2006 - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed July 25, 2006.	-
10.27	Winthrop Realty Trust 2007 Long Term Stock Incentive Plan - Incorporated by reference to the Trust's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 30, 2007.	-
10.28	Second Amended and Restated Limited Liability Company Agreement of Concord Debt Holdings LLC, dated August 2, 2008, between Lex-Win Concord LLC and Inland American (Concord) Sub LLC - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed August 4, 2008	-
10.29	Limited Liability Company Agreement of Lex-Win Concord LLC, dated August 2, 2008, among WRT Realty L.P., The Lexington Master Limited Partnership and WRP Sub-management LLC - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed August 4, 2008	-
31	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*

* filed herewith

WINTHROP REALTY TRUST
SECOND AMENDED AND RESTATED
DECLARATION OF TRUST

(as Amended and Restated on May 21, 2009)

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WINTHROP REALTY TRUST
SECOND AMENDED AND RESTATED DECLARATION OF TRUST
(As amended and restated on May 21, 2009)

BY THIS SECOND AMENDED AND RESTATED DECLARATION OF TRUST, effective May 21, 2009, amending and restating the Amended Declaration of Trust of First Union Real Estate Equity and Mortgage Investments made August 1, 1961, and thereafter amended from time to time, including an amendment changing the name of the Trust to Winthrop Realty Trust (said Second Amended and Restated Declaration of Trust, as heretofore and hereby amended, being referred to herein as “this Declaration”) by such persons as may from time to time be Trustees.

The Trustees of Winthrop Realty Trust (the “Trust”) hereby agree and declare that they will hold all property of every type and description which they have acquired or may hereafter acquire as such Trustees, together with the proceeds thereof and the rents and other income therefrom, IN TRUST, on the terms and conditions set forth in this Declaration, for the benefit of the holders from time to time of the certificates representing the shares of beneficial interest in the Trust property issued by the Trust.

Where the context permits, “Beneficiaries” shall mean the record holders from time to time of shares of beneficial interest in the Trust property, “Trustees” or “Trust” shall mean Michael L. Ashner, Arthur Blasberg Jr., Howard Goldberg, Thomas McWilliams, Bradley Scher, Lee Seidler, Carolyn Tiffany and Steven Zalkind, and any successor or additional trustees who shall be appointed and duly qualify, so long as they shall continue as such duly qualified trustees, and said terms shall refer to such persons in their capacity as trustees and not in their individual capacities and shall not include the officers, agents, representatives or Beneficiaries of the Trust, and “Trust Property” shall mean the property from time to time subject to this Declaration.

ARTICLE I

Name of Trust - Title to Trust Property

Section 1.1. Name of the Trust.

The name of this Trust shall be: “Winthrop Realty Trust” and, so far as may be practicable, the business of the Trust shall be conducted in that name, or such other trade name as the Trustees may adopt in order to satisfy governmental regulation. The officers of the Trust duly appointed by the Trustees may make and execute all documents, contracts and other instruments, acquire, mortgage, pledge, lease, convey and transfer all assets of the Trust, sue and be sued under any of the aforesaid names, and take all such further action as may be consistent with the purpose of the Trust subject to the consent of the Trustees and the Beneficiaries, to the extent required hereunder or as required by applicable law.

Section 1.2. Title to Trust Property

Legal title to all Trust property shall be vested in the Trustees, and held by and transferred to the Trustees, except as provided in Section 2.4 or elsewhere herein.

Section 1.3. Purposes of Trust.

Notwithstanding anything to the contrary contained in this Declaration of Trust, the purposes of the Trust hereby created shall be:

(1) To engage in the real estate business (including, without limitation, the acquisition, holding, improving, leasing, selling, mortgaging and otherwise encumbering real property and personal property associated therewith, equity and debt securities in entities whose primary business is the real estate business and loans and other debt instruments secured, directly or indirectly, by real estate related assets of entities whose primary business is the real estate business);

(2) To receive the income, interest, rents and profits thereof, and to reinvest them or distribute them, in accordance with the provisions of this Declaration of Trust, to the holders of beneficial interests in the Trust; to acquire, own, hold, use, lease, mortgage, pledge, exchange and dispose of property of all kinds, wherever situated, including shares of stock, bonds, debentures, notes, scrip, securities, interests in real estate, evidences of indebtedness, contracts and obligations of any corporation, association, firm or individual;

(3) To enter into, promote or conduct any kind of business, contract or undertaking and for such purpose to acquire, take over and dispose of any or all of the assets of any corporation, association, firm or individual, to assume their rights and liabilities, guarantee or become surety for the performance of their obligations, and participate in any way in their affairs;

(4) To possess and exercise without restriction as fully as a natural person might do all of the powers and authorities conferred upon or permitted to real estate investment trusts under the laws of the State of Ohio; and

(5) To engage in any lawful act or activity for which real estate investment trusts may be formed under the laws of the State of Ohio; and to do any and all things incidental to the accomplishment of the purposes hereinbefore set forth or incidental to the protection and benefit of the Trust.

ARTICLE II
Powers and Authority of Trustees

Section 2.1. General.

The Trustees shall have, without prior or further authorization, absolute and exclusive power, control and authority over the Trust property held by them at any time hereunder, over the management and disposition thereof, and over the management and conduct of the business of the Trust to the same extent as if the Trustees were the sole owners of such property and business in their own right, free from any power of control on the part of the Beneficiaries, subject only to the limitations herein expressly stated. No person (the word "person" whenever used in this Declaration, except where the context otherwise requires, shall be deemed to mean any individual, individuals, association, trust, partnership, corporation, or other entity) shall in any event be bound to see to the application of any money or property paid to or delivered to the Trustees or their authorized representative. No investment or reinvestment of the Trust property hereunder shall be deemed improper because of its speculative character, whether or not the same be producing income or be of the kind commonly regarded by law as proper investments for trust funds, or because a greater proportion of the Trust property is invested therein that is usual for trusts.

The Trustees shall have all powers necessary, convenient or appropriate to effectuate the purposes of the Trust and may take any action which they may deem necessary or desirable to that end, although such matters or things are not herein specifically mentioned. Any determination of the purposes of the Trust made by the Trustees in good faith shall be conclusive. In construing the provisions of this Declaration, the presumption shall be in favor of the grant of owners to the Trustees.

Without restricting or limiting the generality of the foregoing, such powers of the Trustees shall include the powers enumerated below in this Declaration; provided however, that the powers granted in this Declaration are subject to and limited by the provisions of Article XI hereof.

Section 2.2. Power to Acquire, Hold and Dispose of Real and Personal Property.

The Trustees shall have power for such consideration and on such terms and conditions as they may deem proper, through the issuance of shares of beneficial interest in the Trust property or through the issuance of notes, debentures, bonds, or other obligations of the Trust, for cash, or otherwise, to purchase or acquire, to hold, manage, improve, lease (including building leases, part of the consideration for which is the building on or adding to the premises by the lessee) for any term, whether or not extending beyond the possible termination of the Trust, to rent, convey, sell, option, exchange, mortgage (with or without power of sale), release, partition, or otherwise deal in personal property or in real estate of any type and description, including fee, leasehold, mortgage, ground rent and any other type of interest therein, and/or buildings and structures and tangible personal property of any type and description situated thereon or elsewhere, to adjust boundaries and grant or obtain easements or options with or without consideration, and to erect, construct, alter, repair, demolish or otherwise physically affect any buildings or structures of any type or description.

Section 2.3. Power to Acquire, Hold and Dispose of Securities.

The Trustees shall have power, for such consideration and on such terms and conditions as they may deem proper, through the issuance of shares of beneficial interest in the Trust property, through the issuance of notes, debentures, bonds, or other obligations or securities of the Trust, for cash, or otherwise to acquire, and to hold, sell, exchange, pledge, collect and pay, stocks, bonds, notes, certificates of indebtedness, debentures, mortgages (first or otherwise), bank acceptances, drafts, certificates of interest, securities, obligations, and in general any property or rights (legal or equitable) owned, held, created, or issued by or representing an interest in any corporation, business trust (including the business trust created by these presents), trust, partnership, or other organization whether domestic or foreign, any individual, the United States of America or any of the several states or territories or any political subdivisions or agencies thereof, or foreign governments or political subdivisions thereof.

Section 2.4. Name in Which Title Held.

The Trustees shall have power to cause legal title to (or evidences of title to) any property of this Trust to be held in the name of the Trust, of one or more of the Trustees or of any other person, on such terms, in such manner, and with such powers as the Trustees hereunder may determine and without disclosure that the Trustees are interested therein).

Section 2.5. Power to Borrow, Mortgage and Pledge.

The Trustees shall have power to borrow money for the purposes of this Trust, to give notes, debentures, bonds, and other negotiable or nonnegotiable instruments of this Trust therefor, to enter into other obligations on behalf of the Trust, and to mortgage and pledge the real and personal property of this Trust or any part thereof to secure any of the foregoing.

Section 2.6. Power to Lend and Invest.

The Trustees shall have power to lend money (other than to Beneficiaries, officers, employees, or Trustees of the Trust) and to invest and reinvest any funds of the Trust as they shall deem wise; and to create a reserve fund or reserve funds for such purposes as the Trustees deem advisable and invest or reinvest the same in such manner as they may deem best.

Section 2.7. Power to Pay Taxes.

The Trustees shall have power to pay all taxes or assessments, of whatever kind or nature, imposed upon or against the Trustees individually or collectively in connection with the Trust property, or upon or against the Trust property or any part thereof; and for any of the foregoing purposes to make such returns and do all such other acts and things as may be deemed by the Trustees as necessary or desirable.

Section 2.8. Power to Transfer Trust to Corporation.

The Trustees shall have power to cause to be organized or assist in organizing under the laws of any jurisdiction a corporation or corporations or any other trust, association, or other organization to take over the Trust property or any part or parts thereof or to carry on any business in which this Trust shall directly or indirectly have any interest, and to sell, convey, and transfer the Trust property or any part or parts thereof to any such corporation, trust, association, or organization in exchange for the shares or securities thereof or otherwise, and to lend money to, subscribe for the shares or securities of, and enter into any contracts with any such corporation, trust, association or organization, or any corporation, trust, partnership, association, or organization in which this Trust holds or is about to acquire shares or any other interest.

Section 2.9. Power as to Securities.

The Trustees shall have power to exercise all the rights, powers, and privileges appertaining to the ownership of all or any securities forming part of the Trust property to the same extent that an individual might, and, without limiting the generality of the foregoing, to vote, or give any consent, request, or notice, or waive any notice, either in person or by proxy or power of attorney, with or without power of substitution, to one or more persons, which proxies and powers of attorney may be for meetings or action generally or for any particular meetings or action, and may include the exercise of discretionary powers.

Section 2.10. Power to Delegate.

Except as otherwise provided herein, the Trustees shall have power to delegate from time to time to such one or more of their number, or to such other person or persons as the Trustees may deem appropriate, the doing of such things and the execution of such deeds or other instruments either in the names of all the Trustees or as the Trust's agents, officers, employees, attorneys or representatives, as the Trustees may from time to time deem expedient.

Section 2.11. General Power to Enforce and Collect Securities.

The Trustees shall have power to collect, sue for, receive and receipt for all sums of money coming due to this Trust, to consent to the extension of the time for payment of, to waive defaults in respect of, or to consent to the renewal of any bonds or other securities or obligations, and to engage or intervene in, prosecute, defend, compound, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, demands, or things relating to the Trust property; to be parties to reorganizations and to transfer to and deposit with any corporation, committee, voting trustees, or other persons, any stocks, shares, or bonds, or other securities or obligations of any corporation, trust, association, or other organization, the securities of which form a part of the Trust property, for the purposes of any reorganization of any such corporation, trust, association, or other organization, or otherwise to participate in any arrangement for enforcing or protecting the interests of the Trustees as the owners or holders of such stocks, shares, bonds, or other securities or obligations and to pay any assessment levied in connection with such reorganization or arrangements; and to give time with or without security for the payment or delivery of any debts or property and to execute and enter into releases, agreements, and other instruments; and to pay or satisfy any debts or claims upon evidence that the Trustees think sufficient.

Section 2.12. Power to Incur Expenses, Appoint and Employ Officers and Agents.

The Trustees shall have power to incur and pay from the Trust property, or reimburse other for payments made in connection with, any charges or expenses which, in the opinion of the Trustees, are necessary or incidental to, or proper for the organizing or financing of the Trust or for the carrying out of any of the purposes of the Trust without regard to whether such charges or expenses are for services rendered before or after the execution of this Declaration and without regard to any interest of any Trustee in such payment; to employ such clerical assistance as they deem necessary to the transaction of the business of the Trust; to appoint, engage, or employ officers and other persons, firms or corporations, including consultants, accountants, technical, financial, real estate or investment advisers or managers, attorneys, real estate agents or brokers, corporate fiduciaries, depositories, transfer agents for the transfer of shares in the Trust, registrars, underwriters, investment bankers, or others for the sale of shares or securities of, or financing of, the Trust; and to fix their titles, duties, periods of employment and compensation. The same persons may be employed in multiple capacities and may receive compensation from the Trust in as many capacities as they may be engaged or employed by the Trust, and the Trustees, or any of them, may be the persons, or be interested in the persons, so employed.

Section 2.13. Power to Endorse and Guarantee.

The Trustees shall have power to endorse or guarantee the payment of any notes or other obligations of any person; to make contracts of guaranty or suretyship, or enter into other obligations therefor; and to mortgage and pledge the real and personal property of the Trust or any part thereof to secure any or all of such obligations provided that no such endorsement, guaranty, or suretyship shall relate to the individual obligation of any officer, employee or Trustee of the Trust.

Section 2.14. Power as to Bank Deposits.

The Trustees shall have power to deposit any moneys or securities included in the Trust property with any one or more banks, trust companies, or other banking institutions deemed by the Trustees to be responsible, without regard to whether such accounts will earn interest, such moneys or securities to be subject to withdrawal on notice or upon demand and in such manner as the Trustees may determine, and the Trustees shall have no responsibility for any loss which may occur by reason of the failure of the person with whom the moneys or securities have been deposited properly to account for the moneys or securities so deposited.

Section 2.15. Power to Determine Capital and Income.

The Trustees shall have power to determine conclusively whether any monies, securities, or other properties of the Trust are for the purposes of the Trust to be considered as capital or income and in what manner any expenses or disbursements are to be borne as between capital and income whether or not in the absence of the provision such moneys, securities, or other properties would be regarded as capital or as income and whether or not in the absence of this provision such expense or disbursement would ordinarily be charged to capital or to income.

Section 2.16. Power to Value Trust Property and Keep Books.

The Trustees shall have power from time to time to determine conclusively the value of, and to revalue, any of the real estate, securities, or other properties of this Trust and any services, securities, property or other consideration hereafter to be acquired by this Trust in accordance with such appraisals or other information as they deem satisfactory, and in accordance with methods of valuation consistently applied; and to keep the books of the Trust and render reports to the Beneficiaries of the Trust on the basis of the figures so adopted.

Section 2.17. Power to Solicit Proxies etc.

The Trustees shall have power to solicit proxies of the Beneficiaries, to adopt and use a seal, and to determine the fiscal year of the Trust and the method or form in which its accounts shall be kept and to change from time to time the fiscal year or method or form of accounts.

ARTICLE III

Limitations of Liability of Beneficiaries, Trustees and Others

Section 3.1. No Personal Liability of Beneficiaries.

No Beneficiary of this Trust shall be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with Trust property or the affairs of this Trust, nor shall any Beneficiary be liable to assessment in connection therewith. The Trustees shall have no power to bind the Beneficiaries personally, and all persons shall look solely to the Trust property for satisfaction of claims of any nature arising in connection with Trust property or the affairs of this Trust, whether founded upon any debt, demand, judgment, decree or obligation of any nature whatsoever against or incurred by the Trust, or by the Trustees, or by any officer, employee, or agent thereof.

The Trustees shall maintain such insurance against possible liability on the part of the Trust and on the part of the Beneficiaries and any officers or Trustees of the Trust in the course of trust business as the Trustees in their sole discretion deem to be appropriate to protect the Trust property, the Beneficiaries and the officers or Trustees of the Trust.

In every written order, contract, bond, note, mortgage, instrument or obligation given or executed by the Trustees or with their authority, the Trustees shall cause to be inserted, where appropriate, a provision that the Beneficiaries shall not be personally liable and that the other party shall look solely to the property of the Trust for the payment of any claim thereunder. The omission, however, of such provision from any such document or instrument shall not affect the validity thereof or render the Beneficiaries personally liable thereon, nor shall the Trustees or any officer, employee or agent of the Trust be liable for such omission, nor shall such omission in any way affect any right of the Trustees or Beneficiaries to indemnification from the Trust property.

Section 3.2. Trustee's Liability Other Than to the Trust or Beneficiary.

No Trustee, officer, employee or agent of this Trust shall be held to any personal liability whatsoever, in tort, contract or otherwise, to others than the Trust or the Beneficiaries in connection with Trust property or the affairs of this Trust; and all such persons shall look solely to the Trust property for satisfaction of claims of any nature arising in connection with Trust property or the affairs of this Trust. If the Trustees, as Trustees, are made parties to any suit or proceedings to enforce any such obligation or liability, they shall not on account thereof be held to any personal liability.

Section 3.3. Trustee's Liability to Trust and Beneficiaries - Indemnification and Expense - Bond and Security.

The Trust shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the Trust, by reason of the fact that such person is or was a trustee, officer, employee or agent of the Trust, or is or was serving at the request of the Trust as a trustee, officer, employee, or agent of another trust, corporation, nonprofit or for profit, partnership, limited liability company, joint venture, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Trust, and with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which was reasonably believed to be in or not opposed to the best interests of the Trust, and with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

The Trust shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that such person is or was a trustee, officer, employee or agent of the Trust, or is or was serving at the request of the Trust as a trustee, officer, employee, or agent of another trust, corporation, nonprofit or for profit, partnership, limited liability company, joint venture, or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Trust unless, and only to the extent that the Court of Common Pleas, or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the Court of Common Pleas or such court shall deem proper.

To the extent that a trustee, officer, employee, or agent has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in this Section 3.3, or in defense of any claim, issue, or matter therein, such person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection therewith or in connection with enforcing such person's rights hereunder.

Expenses, including attorneys' fees, incurred in defending any action, suit, or proceeding referred to in this Section 3.3 shall, absent substantial evidence indicating that such person shall not be entitled to indemnification hereunder, be paid by the Trust as incurred by such person in advance of the final disposition of such action, suit, or proceeding as authorized by the Trustees in any specific case upon receipt of an undertaking by or on behalf of the trustee, officer, employee, or agent to repay such amount, in the event that it shall ultimately be determined that such person was not entitled to be indemnified by the Trust as authorized in this Section 3.3.

The indemnification provided by this Section 3.3 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under this Declaration of Trust or the By-laws or any agreement, vote of Beneficiaries or disinterested trustees, or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a trustee, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

In order to carry out the intent and purposes of this section, and to assure the Trust's performance of its obligations hereunder, the Trust shall have the power to enter into agreements with such trustees, officers, employees or agents as may be designated by the Trustees, without specific approval thereof by the Beneficiaries. The terms of any such agreements need not be identical to the terms of any other such agreement and any such agreement which had been entered into may subsequently be amended or changed by mutual agreement of the parties thereto, without specific approval thereof by the Beneficiaries.

The Trust shall have the power to dedicate the assets of the Trust to establish arrangements for funding its indemnification obligations under this section, including but not limited to depositing assets in trust funds, obtaining bank letters of credit in favor of indemnified persons or entities, establishing specific reserve accounts and otherwise funding special self-insurance arrangements for these purposes.

The Trust may purchase and maintain insurance on behalf of any person who is or was a trustee, officer, employee, or agent of the Trust, or is or was serving at the request of the Trust as a trustee, officer, employee, or agent of another Trust, domestic or foreign, nonprofit or for profit, partnership, joint venture, trust, or other enterprise against any liability asserted against such person and incurred in any such capacity, or arising out of said status of such person, whether or not the Trust would have the power to indemnify such person against such liability under the provisions of this Section 3.3 or applicable law.

No Trustee shall be obligated to give any bond or surety or other security for the performance of any duties.

Section 3.4. No Implied Covenants or Obligations to be Read Into this Instrument; Trustees' Right to Rely on Investment Advisers and Counsel and Accountants.

Without in any respect relieving the Trustees of this Trust from liability for bad faith, willful misfeasance, or willful disregard of their duties, it is expressly agreed that:

(1) The duties and obligations of the Trustees shall be determined solely by the express provisions of this instrument and the Trustees shall not be liable except for the performance of such duties and obligations as are specifically set forth in this instrument and no implied duties or obligations shall be read into this instrument.

(2) The Trustees are authorized to rely conclusively, as to the truth of the statements and the correctness of the opinions and facts expressed therein, upon any opinion or statements furnished to the Trustees by the Trust's investment advisers. The Trustees of this Trust shall not incur any personal liability whatsoever for their reliance on such opinions and statements and/or any action or lack of action based on such opinions or statements.

(3) The Trustees may consult with counsel and independent public accountants selected by the Trustees and the opinion of such counsel or independent public accountants shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustees in accordance with or based on the opinion of such counsel or independent public accountants.

(4) The Trustees shall incur no personal liability whatsoever in acting upon any demand, notice, request, opinion, consent, waiver, certificate, document, statement of facts or instrument believed by them to be genuine or to have been signed or presented by the proper persons or properly or duly made.

ARTICLE IV

Shares of Beneficial Interest

Section 4.1. Shares \$1 Par Value; Non-Assessable and Not Limited in Number.

The total number of shares of beneficial interest of all classes which the Trust has the authority to issue is unlimited with a par value \$1.00 per share. All such shares shall be non-assessable and non-redeemable. At the date hereof, the Trust has issued and outstanding common shares of beneficial interest which are referred to as "Common Shares," and preferred shares of beneficial interest, issuable in one or more series, which are referred to as "Preferred Shares." Shares of the following series of Preferred Shares are outstanding on the date hereof: "Series B-1 Cumulative Convertible Redeemable Preferred Shares" (the "Series B-1 Preferred Shares"). The Trustees may classify and reclassify any unissued common or preferred shares of beneficial interest by setting or changing, in any one or more respects, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of beneficial interest.

The following is a description of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the Common Shares of the Trust:

(1) Each Common Share shall have one vote; and, except as otherwise provided in respect of any other class of shares hereunder classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Shares. Common Shares shall not have cumulative voting rights.

(2) Subject to the provisions of law and any preferences of any shares of beneficial interest of the Trust, dividends or other distributions, including dividends or other distributions payable in shares of another class of the Trust's shares, may be paid on the Common Shares at such time and in such amounts as the Trustees may deem advisable.

The preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of any series of Preferred Shares shall be set forth in a certificate of designations approved by the Trustees and referencing this Declaration.

Section 4.2. Share Certificates.

Every Beneficiary shall be entitled to receive a transferable certificate, in such form as the Trustees shall from time to time approve, specifying the class, series and number of shares of beneficial interest in the Trust property held by him. The certificates in the form so approved shall be treated as negotiable, and title thereto and to the shares represented thereby shall be transferred by delivery thereof endorsed either in blank or to a specified person by the person appearing by the certificate to be the owner of the shares represented thereby or by delivery of the certificate and of a separate document containing either a written assignment of the certificate or a power of attorney to sell, assign or transfer the certificate or the shares represented thereby, which separate document is signed by the person appearing by the certificate to be the owner of the shares represented thereby, and which assignment or power of attorney is either in blank or to a specified person. Unless otherwise determined by the Trustees, such certificates shall be signed, manually or by facsimile, by one or more of the Trustees or officers of this Trust designated for that purpose from time to time by the Trustees by instrument in writing filed with the transfer agent and registrar, if any, and shall be countersigned by a transfer agent, and registered by a registrar, if any. There shall be filed with each transfer agent and registrar, if any, a certified copy of the form of certificate so approved by the Trustees, and such form shall continue to be used unless and until the Trustees approve some other form. In case any one or more officers or Trustees of this Trust who shall have signed certificates shall cease to be such Trustees or officers before the certificates so signed shall have been actually issued, such certificates may nevertheless be issued with the same effect as though the persons who signed such certificates had not ceased to be such officers or Trustees of this Trust. The Trustees may in their discretion authorize certificates to be signed or authenticated by the facsimile signature of the Trustees or officers who are authorized to sign such certificates; provided that any certificate signed or authenticated by the facsimile signature of an officer or Trustee shall not be valid unless countersigned by a transfer agent and registered by a registrar, if any.

Section 4.3. Issue of Shares.

The Trustees in their discretion may from time to time without vote of the Beneficiaries issue shares of this Trust, in addition to the then issued and outstanding shares and shares, if any, held in the treasury, to such party or parties and for such property or consideration, at such time or times, and on such terms as the Trustees may deem best, and may in such manner acquire other assets (real, personal, or mixed) and businesses, and no prior offering thereof to any Beneficiaries need be made, except as may be specifically provided in the express terms of the certificate of designations with respect to any series of Preferred Shares.

Section 4.4. Trustees Right to Own Shares.

A Trustee may acquire, hold or dispose of shares in the Trust for his individual account or the account of another and may exercise all rights of a Beneficiary to the same extent as though he were not Trustee.

Section 4.5. Indemnification of Underwriters.

Without in any way limiting the generality of the other applicable provisions of this Declaration, it is expressly understood that the Trustees shall have power in connection with the sale of shares or securities of the Trust, to indemnify and save harmless, or to obtain insurance to indemnify and save harmless, any underwriter, dealer or other participant in the purchase or distribution of securities of the Trust (including persons in whom a Trustee or officer has an interest), in respect of such matters, in such amounts and for such periods of time as the Trustees shall, in their sole discretion, determine to be necessary or desirable.

Section 4.6. Change of Number of Issued Shares of Beneficial Interest.

(a) The Trustees are hereby empowered, from time to time and without action of the Beneficiaries, to change the then issued shares of beneficial interest (“Old Shares”) into a lesser number (a “Reverse Split”) of shares of beneficial interest (“New Shares”). In connection therewith, in lieu of a fractional New Share, each holder of an Old Share who otherwise would be entitled to receive a fractional New Share will be entitled to receive cash in an amount equal to the market value of each Old Share that would have been converted into a fraction of a New Share but for this sentence, upon surrender of the certificate for such Old Share. For this purpose, the market value of each Old Share shall be the unweighted average of the closing price of a common share of beneficial interest for each of the ten business days ending on the date immediately preceding the date on which the Reverse Split becomes effective. The Trustees are hereby empowered to adopt rules and regulations concerning the surrender of certificates with respect to Old Shares, issuance of certificates with respect to the New Shares and payment for fractional shares resulting from any Reverse Split that the Trustees may, from time to time, authorize.

(b) The Trustees are hereby empowered, from time to time and without action of the Beneficiaries, to change the Old Shares into a greater number (a “Forward Split”) of shares of beneficial interest (“Forward New Shares”). In connection therewith, the Trustees are hereby empowered to adopt rules and regulations concerning the surrender of certificates with respect to Old Shares, issuance of certificates with respect to the Forward New Shares and payment for fractional shares resulting from any Forward Split that the Trustees may, from time to time, authorize.

(c) In connection with the implementation of a specific Reverse Split or Forward Split, the Trustees may, but shall not be required to, change the par value per Share.

ARTICLE V
Record and Transfer of Shares

Section 5.1. Register of Shares - Record Owners.

A register shall be kept by or on behalf of the Trustees, under the direction of the Trustees, which shall contain the names and addresses of the Beneficiaries and the number of shares held by them respectively and the numbers of the certificates representing the same and a record of all transfers thereof. Only Beneficiaries whose certificates are so recorded shall be entitled to vote or to receive dividends or otherwise to exercise or enjoy the rights of Beneficiaries. No Beneficiary shall be entitled to receive payment of any dividend, nor to have notice given to him as herein provided, until he has given his address to a transfer agent or such other officer or agent of the Trustees as shall keep the said register for entry thereon. The persons in whose names the shares are registered pursuant to this Section 5.1 shall be deemed the absolute owners thereof, and, until a transfer is effected on the books of the Trust, the Trustees shall not be affected by any notice, actual or constructive, of any transfer and the Trustees may treat the persons in whose names shares stand of record as the absolute owners thereof for all purposes.

Section 5.2. Transfer Agents and Registrars.

The Trustees shall have power to employ in any city a transfer agent or transfer agents, and if they so determine a registrar or registrars. The transfer agent or transfer agents may keep the register of the Trust and record therein the original issues and transfers, if any, of the said shares and countersign certificates of shares issued to the persons entitled to the same.

Section 5.3. Deposit of Certificates with Transfer Agents.

Signed certificates for shares in blank may be deposited with any transfer agent of this Trust, to be used by the transfer agent in accordance with authority conferred upon it as occasion may require, and in so doing the signers of such certificates shall not be responsible for any loss resulting therefrom.

Section 5.4. Transfer on Records of Trust.

Shares shall be transferable on the records of the Trust (other than by operation of law) only by the record holder thereof or by an agent duly authorized by such holder in writing, upon delivery to the Trustees or a transfer agent of this Trust of the certificate or certificates therefor, properly endorsed or accompanied by duly executed instrument or instruments of transfer, together with such evidence of the genuineness of each such endorsement, execution and authorization and of other matters as may reasonably be required. Upon such delivery the transfer shall be recorded on the register of the Trust and a new certificate for the shares so transferred shall be issued to the transferee, and in case of a transfer of only a part of the shares represented by any certificate a new certificate for the residue thereof shall be issued to the transferor. But until such record is made, the Beneficiary of record shall be deemed to be the holder of such shares for all purposes hereof, and neither the Trustees nor any transfer agent or registrar nor any officer or agent of this Trust shall be affected by any notice of the proposed transfer.

Section 5.5. Transfer by Operation of Law.

Any person becoming entitled to any shares in consequence of the death, bankruptcy or insolvency of any Beneficiary, or otherwise by operation of law, shall be recorded as the holder of the said shares and receive a new certificate for the same upon production of the proper evidence thereof and delivery of the existing certificate to the Trustees or a transfer agent of this Trust. But until such record is made, the Beneficiary of record shall be deemed to be the holder of such shares for all purposes hereof and neither the Trustees nor any transfer agent or registrar nor any officer or agent of this Trust shall be affected by any notice of such death, bankruptcy, or insolvency.

Section 5.6. Joint Owners of Shares.

The Trustees may treat two or more persons holding any share as joint tenants of the entire interest therein unless their ownership is expressly otherwise recorded on the register of the Trust, but no entry shall be made in the register or in any certificate that any person is in any other manner entitled to any future, limited or contingent interest in any share; provided, however, that any person recorded as a holder of any share may, subject to the provisions hereinafter contained, be described in the register or in any certificate as a fiduciary of any kind and any customary words may be added to the description of the holder to identify the nature of such fiduciary relationship.

Section 5.7. Duty of Trustees in Share Transfers.

The Trustees shall not, nor shall the Beneficiaries, or any officer, transfer agent or other agent of this Trust or of the Trustees, be bound to see the execution of any trust, express, implied or constructive, or of any charge, pledge, or equity to which any of the shares in the Trust or any interests therein are subject, or to ascertain or inquire whether any sale or transfer of any such shares or interest therein by any Beneficiary or his personal representatives is authorized by such trust, charge, pledge, or equity, or to recognize any person as having any interest therein except for the person recorded as such Beneficiary. The receipt of the person in whose name any share is recorded, or, if such share is recorded in the name of more than one person, the receipt of any such persons shall be a sufficient discharge for all dividends and other money and for all shares, bonds, obligations and other property payable, issuable, or deliverable in respect of such shares and from all liability to see to the application thereof.

Section 5.8. Lost Certificates.

In case of the loss, mutilation or destruction of any certificate for shares hereunder, the Trustees may issue or cause to be issued a new certificate on such terms as they may see fit.

Section 5.9. Regulations on Transfer.

The Trustees may from time to time adopt such regulations as they see fit relating to issue, transfer, recording and registry of shares and the effects thereof, the issuance or prohibition of fractional shares, the use of scrip in place of fractional shares and the Trustees, by provision in the By-Laws may restrict or regulate issuance or transfer of shares in such manner as they, with advice of counsel, shall deem advisable to prevent disqualification of the Trust for taxation as a real estate investment trust under the Internal Revenue Code and the regulations (proposed or in effect) thereunder; provided that the Trustees shall not amend or waive Article VI, Section 6 of the By-Laws of the Trust unless either (i) action is taken to so amend or waive by at least 70% of the Trustees then in office or (ii) action is taken by a majority but less than 70% of such Trustees and such action is approved by the holders of at least 70% of the outstanding shares.

ARTICLE VI
Characteristics of Shares

Section 6.1. Trustees in Complete Control.

The ownership of the Trust property of every description and the right to conduct the affairs of the Trust are vested exclusively in the Trustees, and the Beneficiaries shall have no legal title to the Trust property, their interest being equitable only and limited to the beneficial interest conferred by their shares issued hereunder, and they shall have no right to call for any partition or division of any property, profits, rights, or interests of the Trust.

Section 6.2. Trust Not Affected by Death of Beneficiary.

The death of a Beneficiary during the continuance of this Trust shall not terminate the Trust nor give his or her legal representative a right to an accounting or to take any action in the courts or otherwise against other Beneficiaries or the Trustees or the property held hereunder, but shall simply entitle the legal representatives of the deceased Beneficiary to demand and receive a new certificate representing shares of beneficial interest in the Trust in place of the certificate held by the deceased Beneficiary, and upon the acceptance of which such legal representatives shall succeed to all the rights of the deceased Beneficiary under the Trust.

Section 6.3. Shares Held by Trust.

Shares issued hereunder and purchased or otherwise acquired by the Trustees for the account of the Trust shall be canceled.

ARTICLE VII
Meetings of Beneficiaries

Section 7.1. Annual and Special Meetings Call.

An annual meeting of the Beneficiaries will be held during the month of May at such date and time as may be designated from time to time by the Trustees, at which meeting the Beneficiaries will elect Trustees to succeed those Trustees whose terms expire at such meeting and will transact such other business as may be brought properly before the meeting in accordance with the By-laws and/or applicable law.

Special meetings of Beneficiaries may be called by (i) the Chairman of the Board, (ii) the Chief Executive Officer, (iii) the President, (iv) a majority of the Trustees acting with or without a meeting, or (v) the holders of record of not less than twenty-five percent (25%) of the voting power of the Trust and entitled to vote on any proposal to be submitted at said meeting. In the event the annual meeting is not held or if Trustees are not elected thereat, a special meeting may be called and held for that purpose.

Section 7.2. Notice of Meetings.

Notice of all annual and special meetings of the Beneficiaries shall be given by a Trustee or other officer by mail to each Beneficiary at his address as recorded in the register of the Trust, mailed at least ten days before the meeting. No business shall be transacted at any special meeting of Beneficiaries unless notice of such business has been given in the call for the meeting. Any adjourned meeting may be held as adjourned without further notice. The holders of shares entitling them to exercise a majority of the voting power of the Trust present in person or by proxy shall constitute a quorum for any annual or special meeting of Beneficiaries.

Section 7.3. Beneficiaries Cannot Bind Trustees.

Except as provided in Articles VIII, X, and XI, no action taken by the Beneficiaries at any meeting shall in any way bind the Trustees.

Section 7.4. Closing Transfer Books - Record Date.

For the purpose of determining the Beneficiaries who are entitled to receive notice of, or to vote at, a meeting of Beneficiaries, or to receive payment of any dividend or distribution, or to receive or exercise rights of purchase of or subscription for, or exchange or conversion of, shares or other securities, the Trustees may from time to time close the transfer books for such period not exceeding twenty days as the Trustees may determine; or, without closing the transfer books, the Trustees may fix a record date, which shall not be earlier than the date on which the record date is fixed and shall not be more than sixty days preceding the date of the meeting of the Beneficiaries or the date fixed for the payment of any dividend or distribution, or the date for the receipt or exercise of rights, as the case may be, as the record date for determination of the Beneficiaries who are entitled to such notice or to vote at such meeting or to receive payment of such dividend or distribution or to receive or exercise such rights, and any Beneficiary who was a Beneficiary at the time so fixed shall be entitled to such notice or to vote at such meeting or any adjournment thereof, or to receive such dividend or distribution or to receive or exercise such rights even though he has since that date disposed of his shares, and no Beneficiary becoming such after such date shall be entitled to such notice, vote, dividend, distribution or rights.

Section 7.5. Voting.

At any meeting of the Beneficiaries, any holder of shares entitled to vote thereat may vote in person or by proxy. Only Beneficiaries of record shall be entitled to vote. When any share is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such share, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, no vote shall be received in respect of such share. If any such holder of a share is a minor and subject to guardianship or is subject to the legal control of any other person as regards the charge or management of such share, he may vote by his guardian or such other person appointed or having such control, and such vote may be given in person or by proxy.

Section 7.6. Report at Annual Meeting.

At each annual meeting of the Beneficiaries the Trustees shall make a report upon the affairs of the Trust and upon its business and operations, together with a statement of its financial standing as shown by the books of account of the Trust.

Section 7.7. Inspection of Records.

Beneficiaries shall have the right, at reasonable times during business hours and for proper purposes to inspect the records and books of account of the Trust and the records of the meetings of the Beneficiaries and Trustees.

ARTICLE VIII

Trustees

Section 8.1. Number of Trustees

The number of Trustees shall be not less than three nor more than fifteen, as from time to time determined either by a majority of the Trustees then in office or at an annual or special meetings of the Beneficiaries by affirmative vote of the holders of a majority of the shares represented and entitled to vote at such meetings. Trustees shall be all of one class. A Trustee may be any individual who is a citizen of the United States and not a minor. Whenever there shall be a vacancy, until such a vacancy is filled, the continuing or surviving Trustee or Trustees then in office shall have all the powers granted to the Trustees and discharge all the duties imposed upon the Trustees by this Declaration. A majority of the Trustees shall not be affiliated with an adviser of the Trust or any organization affiliated with an adviser of the Trust. The term "majority of the Trustees" whenever used herein shall include one Trustee if only one Trustee is at the time in office regardless of the fixed number of trustees.

Section 8.2. Election of Trustees; Terms of Office

The term of office for each Trustee shall be one year and each Trustee shall be elected annually to serve for such term. A Trustee so elected shall hold office until the next Annual Meeting of Beneficiaries and until his successor shall be elected and qualified or until his earlier resignation, removal from office or death.

At any meeting of the Beneficiaries at which Trustees are to be elected, only persons nominated in accordance with the Trust's-By-laws shall be eligible for election as Trustees. The election as Trustee of a person who, at the time of his election, fails to meet the qualifications for Trustees specified in this Declaration of Trust shall be null and void and the vacancy in the number of Trustees so created may be filled by the Trustees as provided in Section 8.4 hereof.

At all elections of Trustees, those candidates receiving the greatest number of votes shall be elected as Trustees; provided, however, that only those candidates receiving a number of votes at least equal to a majority of the votes entitled to be cast at the meeting at which such vote is taken shall be elected as Trustees.

Section 8.3. Resignation and Removal.

Any Trustee may resign by an instrument in writing signed by him and delivered or mailed to the other Trustees at the principal office of the Trust, and such resignation shall take effect immediately or at a later date according to the terms of the instrument. Any Trustee may be removed at any time by written instrument signed by all the other Trustees specifying the date when such removal shall become effective; provided, however, that such removal shall not be effective until approved by affirmative vote of the holders of a majority of the shares entitled to vote at a duly held meeting of the Beneficiaries call for the purpose.

Section 8.4. Filling Vacancies.

In case a vacancy in the number of Trustees shall occur, the remaining Trustees, though less than a majority of the whole authorized number of Trustees, may, by a vote of a majority of their number, fill any vacancy in the Board of Trustees for the unexpired term of the Trustee whose office has become vacant. Thereupon the Trust property shall vest in the new Trustee jointly with the continuing Trustee or Trustees without further act or conveyance.

Section 8.5. Trust Continues.

The death, resignation, incompetency or removal of any one or more of the Trustees shall not operate to annul the Trust or to revoke any existing agency created pursuant to the terms of this Declaration or invalidate any action theretofore taken by the Trustees.

Section 8.6. Trustees' Meetings and Action.

The Trustees may act with or without a meeting. Meetings of the Trustees shall be called and held as provided in the By-Laws. Notice of any meetings may be waived by any Trustee either before or after such meeting. The concurrence of all the Trustees shall not be necessary for the validity of any action taken by them, but, except as otherwise provided in this Declaration or the By-laws of the Trust, a decision expressed in a vote passed at a meeting by a majority of the Trustees present, or expressed in writing signed by a majority of the Trustees without a meeting, shall constitute the action of the Trustees and have the same effect as if assented to by all. At any meeting, a majority of the Trustees then in office shall constitute a quorum. Any deed, mortgage, lease or other instrument or writing executed by any Trustee or officer of the Trust shall be valid and binding upon the Trustees and upon the Trust if such Trustee or officer acted under authority granted by the Trustees by a vote or writing passed or signed as above provided.

In the event that any Trustee or Trustees shall notify the other Trustees in writing that they do not wish to participate in the approval or disapproval of any particular matter presented to the Trustees, a majority of the other Trustees shall have authority to act for the Trust with respect to such matter.

Section 8.7. Trustees' Compensation.

The Trustees shall receive reasonable compensation for their services as Trustees and officers hereunder as fixed by the Trustees.

Section 8.8. By-Laws of Trust.

The Trustees may from time to time amend or repeal the By-Laws of the Trust which may, among other things, provide for the conduct of their business, define the duties of the officers, agents, employees and representatives and provide for their appointment, number and qualification, fix the time, place and notice of meetings of the Trustees, provide for the form of certificates representing shares of beneficial interest and regulate or restrict issuance or transfer of shares as provided in Section 5.9 of this Declaration.

Section 8.9. Committees.

The Trustees, acting by a majority of their number, may appoint from among their own number one or more persons to serve as members of one or more committees, which may be created by the Trustees and to which may be delegated such of the powers herein given to the Trustees as they may deem expedient, except as herein otherwise provided. Such committees may include, without limitation, an Audit Committee, Compensation Committee, Conflicts Committee and Nominating and Corporate Governance Committee.

ARTICLE IX

Distributions To Beneficiaries

Section 9.1. Trustees May Make Distributions.

The Trustees may from time to time distribute ratably among the Beneficiaries such proportion of the cash available from operations of the Trust, net profits, surplus (including paid-in surplus) or capital or assets of the Trust as they may deem proper, and such distribution may be made in cash or in property (including any type of obligation of the Trust or any assets thereof); and the Trustees may distribute ratably among the Beneficiaries additional shares issuable hereunder in such manner and on such terms as the Trustees may deem proper. In making such distributions the Trustees shall be guided by the requirements for qualification of the Trust as a "real estate investment trust" under provisions of the Internal Revenue Code, as now enacted or as may hereafter be amended from time to time, but nevertheless the amount of all distributions and the time of declaration and payment thereof shall be wholly in the discretion of the Trustees, as shall also the determination of what constitutes cash available from operations of the Trust, net profits or surplus. Such distributions may be among the Beneficiaries of record at the time of declaring a distribution or among the Beneficiaries of record at such other date (not more than thirty days prior to payment of such distribution) as the Trustees shall determine.

Section 9.2. Retained Amounts.

The Trustees may always retain from the net profits or cash receipts such amount as they may deem necessary to pay the debts or expenses of the Trust or to meet obligations of the Trust, or as they may deem desirable to use in the conduct of its affairs or to retain for future requirements or extensions of the business.

Section 9.3. Information to Beneficiaries.

The Trust shall furnish to the Beneficiaries from time to time such statements, certificates or other information as is then required by the law, or regulation thereunder, applicable to a "real estate investment trust" qualifying as such under the Internal Revenue Code.

ARTICLE X
Amendment of Trust

Section 10.1. Amendment.

At any time when no shares in the Trust are outstanding, the Trustees may amend any provisions of this Declaration. A certificate signed by a majority of the Trustees, setting forth such amendment and reciting that it was duly adopted by the Trustees, or a copy of the Declaration as amended executed by a majority of the Trustees, shall be recorded as provided in Section 11.5 hereof and lodged among the records of the Trust and shall be conclusive evidence of such amendment.

At any time when shares in the Trust are outstanding, the Trustees may amend the Declaration in any particular, except with respect to the liability of beneficiaries, with the approval of the owners of a majority of all the shares in the Trust entitled to vote on such matters, in writing or by vote at a meeting of the Beneficiaries, provided that the notice of the meeting shall have set forth the nature of the proposed amendment. A certificate signed by a majority of the Trustees setting forth an amendment and reciting that it was duly adopted by the Trustees and approved as aforesaid, or a copy of the Declaration as amended executed by a majority of the Trustees, shall be recorded as provided in Section 11.5 hereof and lodged among the records of the Trust and shall be conclusive evidence of such amendment. Notwithstanding the foregoing, the consent of holders of shares in the Trust shall not be required to modify this Declaration to (i) set forth and reflect in the designations, rights, powers, duties, and preferences of the holders of any shares issued by the Trust from and after the date hereof, (ii) to reflect a change that is of an inconsequential nature and does not adversely affect the beneficiaries in any material respect, or (iii) to cure any ambiguity, correct or supplement any provision in this Declaration not inconsistent with law or with other provisions, or make other changes with respect to matters arising under this Declaration that will not be inconsistent with law or with the provisions of this Declaration and (iv) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law.

Notwithstanding the foregoing (and notwithstanding the fact that some lesser percentage may be permitted by Law), the approval of the owners of at least 70% of the outstanding shares of the Trust shall be required to amend or repeal Sections 5.9, 8.1, 8.2, 8.4, 11.14, 12.2 and this Section 10.1 of this Declaration unless at least 70% of the Trustees have voted to amend or repeal such sections, in which event the approval of the owners of only a majority of the outstanding shares shall be required.

ARTICLE XI
Miscellaneous

Section 11.1. Failure to Qualify as Real Estate Investment Trust.

The failure of the Trust to qualify as a “real estate investment trust” under the Internal Revenue Code shall not render the Trustees liable to the Beneficiaries or to any other person or in any manner operate to annul the Trust.

Section 11.2. Laws of Ohio Govern.

This instrument is executed by the Trustees and delivered in the State of Ohio and with reference to the laws thereof, and the rights of all parties and the construction and effect of every provision hereof shall be subject to and construed according to the laws of said State. The Trust will not, in dealing with any Trustee, investment adviser, officer or employee of the Trust enter into any transactions contrary to Ohio law.

Section 11.3. Counterparts.

This Declaration may be simultaneously executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts, together, shall constitute but one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

Section 11.4. Certifications.

Any certificate signed by a person (who according to the records of the Trust appears to be a Trustee hereunder) concerning the number or identity of Trustees or Beneficiaries, showing that the execution of any instrument or writing has been duly authorized, showing the form of any vote passed at a meeting of Trustees or Beneficiaries, the fact that the number of Trustees or Beneficiaries present at any meeting or executing any written instrument satisfied the requirements of this Declaration of Trust, the form of any by-laws adopted by or the identity of any officer appointed by the Trustees or the existence or non-existence of any fact or facts which in any manner relate to the affairs of the Trust shall be conclusive evidence as to the matters so certified in favor of any person dealing with the Trustees, or any one or more of them, and the successors of such person.

Section 11.5. Recording.

This Declaration of Trust, any amendment thereof, evidence of any change of Trustees and of the By-Laws and amendments thereto, and any other matters relating to the Trust or its officers, Trustees or powers may be recorded with the Trust's Transfer Agent or such other bank or trust company as the Trustees shall from time to time designate. Anyone dealing with the Trust may rely conclusively upon such recording and instruments so recorded, and on any certificate of the kind described in Section 11.4 hereof which is signed by a person who according to such recording appears to be a Trustee hereunder.

Section 11.6. Annual Financial Statements.

The Trustees shall cause to be prepared for each fiscal year of the Trust an annual report consisting of a detailed statement of the activities of the Trust during each such fiscal year and a balance sheet and a statement of income and surplus of the Trust, which financial statement shall contain an opinion thereon of an independent certified accountant or independent public accountant based on an examination of the records and books of account of the Trust made in accordance with generally accepted auditing procedures. A copy of such annual report shall be delivered to each Beneficiary hereunder within ninety days after the close of the period covered by the report and prior to the annual meeting of Beneficiaries for the next fiscal year following the close of such period. A manually signed copy of the report shall also be filed with the Trustees. In addition, the Trustees shall cause to be prepared and delivered to Beneficiaries hereunder interim financial reports, at least quarterly containing a current balance sheet which may be unaudited.

Section 11.7. Information on Share Ownership.

Every Beneficiary shall be obligated to furnish to the Trustees upon demand a written statement disclosing the actual and constructive (as the terms "actual" and "constructive" are defined for purposes of the "real estate investment trust" provisions in the Internal Revenue Code and the regulations proposed or in effect thereunder) ownership of the shares registered in the name of such Beneficiary. A list of the Beneficiaries failing or refusing to comply in whole or in part with a demand of the Trustees for such written statement shall be maintained by the Trustees as part of the records of the Trust. The Trustees may establish such requirements as to furnishing of information as to actual or constructive ownership of shares as they may from time to time deem advisable and may, under provision in the By-Laws, condition the issuance of certificates and registration of ownership of shares in the name of any person upon the furnishing of such information and on such information showing that issuance of the certificate and registration of such person as a Beneficiary will not, in the opinion of counsel for the Trust, result in the Trust becoming disqualified for taxation as a real estate investment trust under the Internal Revenue Code.

Section 11.8. Fiscal Year.

The Trustees may establish a fiscal year and from time to time alter or change the same.

Section 11.9. Notices.

Notices delivered or sent by mail to any Beneficiary at his last address of record as shown by the register of the Trust shall be deemed properly delivered and be binding upon all parties.

Section 11.10. Investment Policy.

The Trust shall invest in such assets as the Trustees may from time to time determine, and as are consistent with the purposes of the Trust as set forth in Article I, Section 1.3 of this Declaration.

Section 11.11. Notices on Distributions.

All distributions to beneficiaries shall be accompanied by a written statement advising of the sources of funds or properties so distributed. In case there is any doubt as to such source the communication may so state, and, in such event, a further statement shall be mailed to Beneficiaries not later than sixty (60) days after the close of the fiscal year of the Trust in which the distribution was made. Such statements may be based on the figures shown by the books of account of the Trust.

Section 11.12. Transactions with Interested Parties.

No Trustee, officer or adviser of the Trust, or any person affiliated with any such persons, shall sell any property or assets to the Trust or purchase any property or assets from the Trust, directly or indirectly, nor shall any such person receive any commission or any other remuneration, directly or indirectly, in connection with the purchase or sale of Trust assets, except pursuant to transactions that are fair and reasonable to the Beneficiaries of the Trust or those that relate to: (a) the acquisition by the Trust of federally insured or guaranteed mortgages at prices not exceeding the currently quoted prices at which the Federal National Mortgage Association is purchasing comparable mortgages; (b) the acquisitions of other mortgages on terms no less favorable than similar transactions involving unaffiliated parties; or (c) the acquisition by the Trust of other property at prices not exceeding the fair value thereof as determined by independent appraisal. All such transactions and all other transactions in which any such persons have any direct or indirect interest shall be approved by a majority of the Trustees, including a majority of the independent Trustees.

Section 11.13. Advisers.

Subject to the provisions of this Declaration, the Trustees may employ any person, firm or corporation as adviser. Any such advisory contract shall provide that it may be terminated at any time, without penalty, by the Trustees or by the holders of majority of the outstanding shares of beneficial interest upon not less than 60 days' written notice to the adviser.

Section 11.14. Qualification as a Real Estate Investment Trust.

No Trustee and no Beneficiary shall take any action which would cause the Trust to abandon its purpose of providing an investment vehicle for numerous shareholders with small holdings or which would, in the opinion of counsel for the Trust, furnished prior to such action, prevent the Trust from qualifying or continuing to qualify as a “real estate investment trust” under the Internal Revenue Code and the Regulations (proposed or in effect) thereunder unless at least a majority of the Trustees then in office have approved such action. No Beneficiary shall have any power to control the Trustees or the affairs of this Trust, or to exercise any voting or approval powers, if such powers would at the time in the opinion of counsel for the Trust (a) prevent the Beneficiaries from being free from personal liability for the obligations of the Trust under any applicable law, or (b) cause the Trust to be an illegal or invalid organization under the law of any jurisdiction in which it owns property or does business.

Section 11.15. Purpose of Article and Section Headings.

The Article and Section headings inserted in this Declaration are for convenience of reference and are not to be taken or affect the meaning, construction, or effect of any provision hereof.

Section 11.16. Controlling Effect of Article XI.

The provisions of this Article XI shall be controlling in all respects over any other provisions of this Declaration.

Section 11.17. Trustees’ Power to Incur Indebtedness and Other Obligations - Limitations Thereon.

Notwithstanding anything to the contrary in this Declaration of Trust, the Trustees may issue, assume, incur or secure Indebtedness or shares or other securities of any class or classes which may or may not have preferences or restrictions not applicable to Common Shares or Preferred Shares of the Trust.

Section 11.18. Options Respecting Trust Securities.

Notwithstanding anything to the contrary contained in this Declaration of Trust, the Trust may from time to time grant options, warrants or other rights to purchase securities of the Trust. The Trustees are hereby empowered, whether by amendment to this Section by action of the Trustees or otherwise, to place limitations on the authorizations set forth in the first sentence hereof if in their judgment such limitations are necessary or desirable in connection with the incurring of indebtedness or issuance of securities by the Trust, or in connection with qualification by the Trust to do business in any state. To the extent that this provision is inconsistent with the other terms of this Declaration of Trust, including without limitation Article X (Amendment of Trust), this provision shall prevail.

ARTICLE XII
Duration Of The Trust

Section 12.1. Term of Trust.

This Trust shall continue without limitation of time, except that (a) the Trust is subject to termination pursuant to Sections 2.8 or 12.2 and (b) in the event that Ohio Revised Code, Section 2131.08, or any other statute or rule of law shall provide that the Trust may not continue perpetually, then the Trust shall continue for the longest period of time permitted by law, unless sooner terminated as herein provided, and to the extent that measuring lives in being are required to determine the term of the Trust, such measuring lives in being shall be the following persons living at the time of the execution of this Declaration, and the Trust shall in such event continue until the death of the last survivor of them plus such maximum additional period of years as is permitted by law, unless sooner terminated as herein provided: Robert F. Black, James D. Ireland, Gilbert H. Scribner, Stuart F. Silloway, Russell J. Olderman and the following:

Karen Fredonia Black	Sharon Pendleton Black	Elizabeth Harrison Black
Robert Fager Black III	Michael Frazer Black	Elizabeth Frazer Vehring
Pamela Harrow Vehring	Alexander Todd Vehring	Tracy Leseure Yeomans
Patricia Yeomans	Richard Black Yeomans	Jeanne Carol Olderman
Helen Eaton Scribner	Nancy Van Dyke Scribner II	Wm. Van Dyke Scribner II
William Gilbert Smith	Edith Goodrich Kirk	Nancy V. D. Kirk
William Douglass Kirk, Jr.	Donald Scribner Kirk	Robert D. Judson, Jr.
Gilbert Hilton Judson	Douglas Stahl Judson	Duncan Scribner Judson
Frank Van Dyke Judson	Hunter Romeyn Judson	Carol Yeomans
Jill Francis Olderman	Virgina Kraft Olderman	

Section 12.2. Merger; Sale of Trust Property.

No merger of the Trust into another entity or no consolidation or combination of the Trust with one or more other entities shall be made without the consent of the holders of at least (i) a majority of the outstanding shares if at least 70% of the Trustees have approved such action or (ii) 70% of the outstanding shares if at least a majority but less than 70% of the Trustees have approved such action, in either case given at a meeting of the Beneficiaries held for that purpose; provided that no vote of Beneficiaries shall be required with respect to any merger intended merely to change the Trust from a trust entity to a corporation or other operating entity and provided further that no vote of Beneficiaries shall be required with respect to a merger of the Trust with another entity if the Trust would be the surviving entity and if, after the transaction, no shareholder would be in violation of any limitation on share ownership adopted pursuant to Section 5.9. The Trustees shall have the power to sell, exchange transfer or otherwise dispose of any or all Trust property upon approval of at least a majority of the Trustees.

Section 12.3. Liquidation.

On disposal of the Trust property pursuant to Sections 2.8 or 12.2 and in connection with a plan of liquidation of the Trust adopted by the Trustees, the Trustees shall make provision for the payment of all outstanding obligations, taxes and other liabilities, accrued or contingent, of the Trust, and shall then distribute the remaining assets of the Trust ratably among the holders of the outstanding shares of beneficial interest in accordance with the terms and preferences of such shares. Upon completion of the distribution of such remaining assets, the Trust shall terminate and the Trustees shall be discharged of any and all further liabilities and duties hereunder and the right, title and interest of all parties shall be canceled and discharged; provided, however, that the powers of the Trustees hereunder shall continue until the affairs of the Trust shall have been wound up and all obligations discharged.

IN WITNESS WHEREOF, the undersigned, being all of the Trustees of Winthrop Realty Trust, have hereunto set their hands to this Second Amended and Restated Declaration of Trust this 21st day of May, 2009, and hereby certify that the Trustees amended and restated the Declaration of Trust with the approval of the owners of a majority of the shares of beneficial interest in the Trust on May 21, 2009, and that this Second Amended and Restated Declaration of Trust sets forth each and every provision of this Declaration as amended through May 21, 2009, and further certify that the Trustees named on the first page of this Declaration constitute all the present Trustees of the Trust.

/s/ Michael L. Ashner
Michael L. Ashner

/s/ Arthur Blasberg, Jr.
Arthur Blasberg Jr.

/s/ Howard Goldberg
Howard Goldberg

/s/ Thomas McWilliams
Thomas McWilliams

/s/ Bradley Scher
Bradley Scher

/s/ Lee Seidler
Lee Seidler

/s/ Carolyn Tiffany
Carolyn Tiffany

/s/ Steven Zalkind
Steven Zalkind

This Agreement ("Agreement") is made and entered into as of the 1st day of July, 2009, by and among GERALD NUDO, an individual with an office at 55 E. Jackson, Suite 500, Chicago, Illinois 60604 ("Nudo"), and LAURENCE WEINER, an individual with an office at 55 E. Jackson, Suite 500, Chicago, Illinois 60604 ("L. Weiner"; Nudo and L. Weiner being collectively referred to as the "MARC Principals"), and WRT REALTY, L.P. (f/k/a First Union Realty L.P.), a Delaware limited partnership ("WRT").

WITNESSETH:

WHEREAS, each of the MARC Principals and WRT entered into that certain Amended and Restated Omnibus Agreement, dated as of March 16, 2005 (the "Omnibus Agreement");

WHEREAS, pursuant to the Omnibus Agreement, FT-Marc Loan LLC (the "WRT Lender"), a wholly-owned subsidiary of WRT, made loans to each of the entities listed on Schedule 1 hereto (each, a "Marc Borrower") pursuant to a Loan Agreement between the WRT Lender and the applicable Marc Borrower (each, a "Loan Agreement" and collectively, the "Loan Agreements"), which loans were evidenced by a Loan Promissory Note made by the applicable Marc Borrower in favor of the WRT Lender (each a "Loan Note" and collectively, the "Loan Notes"), which Loan Notes have a current outstanding principal balance set forth on Schedule 1 hereto under the heading "Current WRT Loan Amount";

WHEREAS, pursuant to the Omnibus Agreement, FT-Marc Class B LLC (the "Class B Member") acquired an interest in each of the Marc Borrowers and, in connection therewith, entered into an Operating Agreement with the MARC Principals and certain of their Affiliates (each, an "Operating Agreement" and collectively, the "Operating Agreements");

WHEREAS, each Operating Agreement establishes a "Class A Member Amount" for the Class A Members (as such term is defined in each Operating Agreement) which Class A Member Amount is set forth on Schedule 1 under the heading "Current Class A Member Amount";

WHEREAS, NW Loan LLC, an Illinois limited liability company ("NW") is an Affiliate of the MARC Principals and has previously made certain TI/CapEx Loans;

WHEREAS, pursuant to the Omnibus Agreement certain other agreements were agreed to by the MARC Principals and WRT with respect to the properties indirectly owned by the Marc Borrowers;

WHEREAS, the parties hereto desire to modify certain provisions of the Omnibus Agreement, the Loan Agreements, the Loan Notes, the Operating Agreements and the other agreements entered into in connection with the Omnibus Agreement and, in that regard, desire to set forth their understanding with respect thereto;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1 . Capitalized Terms. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Omnibus Agreement.

2. Effective Date. Except as otherwise provided herein, this Agreement shall be effective as of July 1, 2009 (the "Effective Date").

3. Schedule 2 Entities. (a) In consideration of the waiver provided for in Section 7 below, respect to the Marc Borrowers listed on Schedule 2 hereto (the "Schedule 2 Entities");

(i) the WRT Lender shall be deemed to have assigned as of May 1, 2009 to NW all of its right, title and interest, in and to the Loan Agreements, the Loan Notes and TI/Cap Ex Loans currently held by the WRT Lender with respect to the Schedule 2 Entities and the properties indirectly held by the Schedule 2 Entities. The outstanding principal amount of such Loan Notes and TI/Cap Ex Loans are set forth on Schedule 2 hereto under the headings of "WRT Loan Amount" and "WRT TI/Cap Ex Loan Amount" respectively; and

(ii) the Class B Member shall be deemed to have assigned as of May 1, 2009 to the applicable Marc Members its entire right, title and interest as a Class B Member in and to each of the Schedule 2 Entities.

(b) With respect to the entity listed on Schedule 2A hereto (the "Schedule 2A Entity"), WRT Realty L.P. (f/k/a First Union REIT, L.P.), an Affiliate of WRT shall be deemed to have assigned as of May 1, 2009 to Nudo, L. Weiner, Elliot Weiner ("E. Weiner") and Anne Voshel its entire right, title and interest as a member in such entity.

(c) As a result of the transactions contemplated by this Section 3, the parties hereto acknowledge that neither WRT, the WRT Lender, the Class B Member nor any of their Affiliates shall have any interest in nor any obligations with respect to, the Schedule 2 Entities, the Schedule 2A Entity or the Properties indirectly held by the Schedule 2 Entities or the Schedule 2A Entity from and after May 1, 2009.

4. Schedule 3 Entities. With respect to the Marc Borrowers listed on Schedule 3 hereto (the "Schedule 3 Entities"), as of the Effective Date:

a. The WRT Lender shall be deemed to have transferred to NW, and NW shall be deemed to have acquired from the WRT Lender, for an acquisition price of \$487,002, that portion of WRT Lender's TI/Cap Ex Loans under the heading "TI/Cap Ex Loan Transfer Amount" on Schedule 3 with respect to the Properties indirectly owned by the Schedule 3 Entities. The parties acknowledge that as a result of the transfer contemplated by this Section 4a, that each of the WRT Lender and NW will hold TI/Cap Ex Loans with respect to the Properties indirectly owned by the Schedule 3 Entities in the amounts set forth on Schedule 3 hereto under the heading of "Post Transfer TI/Cap Ex Loan Amount-WRT" and "Post Transfer TI/Cap Ex Loan Amount-NW", respectively.

b. The Class A Member Amount with respect to each Schedule 3 Entity shall be increased to the respective amounts set forth on Schedule 3 under the heading "New Class A Member Amount."

5. Schedule 4 Entities. With respect to the Marc Borrowers listed on Schedule 4 hereto (the "Schedule 4 Entities"), as of the Effective Date:

a. The WRT Lender shall advance to the applicable Marc Borrower the amounts set forth on Schedule 4 hereto under the heading "Additional Advance" which Additional Advance shall be distributed, as a special distribution to the applicable Marc Members and which special distribution shall be applied against the applicable Class A Member Amount. As a result of the foregoing, the Marc Principals agree and acknowledge that the principal amount outstanding under the Loan Notes and the Class A Member Amounts with respect to such Schedule 4 Entities is as set forth under the applicable heading on Schedule 4 hereto.

b. NW shall sell to the WRT Lender, and the WRT Lender shall acquire from NW, for an acquisition price of \$174,100.15, that portion of NW's TI/Cap Ex Loans under the heading "TI/Cap Ex Loan Transfer Amount" on Schedule 4 with respect to the Properties indirectly owned by the Schedule 4 Entities. The parties acknowledge that as a result of the transfer contemplated by this Section 5b, that each of the WRT Lender and NW will hold TI/Cap Ex Loans with respect to the Properties indirectly owned by the Schedule 4 Entities in the amounts set forth on Schedule 4 hereto under the heading of "Post Transfer TI/Cap Ex Loan Amount-WRT" and "Post Transfer TI/Cap Ex Loan Amount-NW", respectively.

6. Schedule 5 Entities. With respect to the Marc Borrowers listed on Schedule 5 hereto (the "Schedule 5 Entities"), as of the Effective Date the WRT Lender shall be deemed to have made an additional advance to each Schedule 5 Entity in the amount set forth on Schedule 5 under the heading "Additional Loan Advance", which advance shall be deemed to increase the amount outstanding under the applicable Loan Agreement and Loan Note to the amount set forth under the heading "New Loan Amount" on Schedule 5 hereto. The MARC Principals, and WRT further acknowledge that as of the Effective Date, the Class A Member Amount with respect to the Schedule 5 Entities is set forth in Schedule 5 under the heading of "Class A Member Amount".

7. Class A Shortfall. The Marc Principals on behalf of themselves and their Affiliates hereby waive any and all right they may have with respect to any existing Class A Shortfall (as such term is defined in the each of the Operating Agreements) with respect to the Schedule 3 Entities, the Schedule 4 Entities and the Schedule 5 Entities and agree that as of the Effective Date, the Class A Shortfall shall be deemed to be zero.

8. WRT Loans/Class A Member Amount Return.

(a) From and after the Effective Date, the term "Interest Rate" under each Loan Agreement with respect to the Schedule 3 Entities, the Schedule 4 Entities and the Schedule 5 Entities shall be deemed to be 9% per annum and the "Loan Maturity Date" shall be extended to April 17, 2016.

(b) From and after the Effective Date, the interest rate on the Class A Member Amount shall be deemed to be 9% and not 7.65%.

(c) With respect to the Schedule 3 Entities, the Schedule 4 Entities and the Schedule 5 Entities, the applicable Marc Borrower shall cause all accrued interest due and owing under the applicable Loan through June 30, 2009 to be satisfied.

(d) Notwithstanding anything in the Loan Agreements or the Loan Notes to the contrary, from and after the Effective Date the WRT Lender acknowledges and agrees that payments on account of the Loan Notes shall only be made to the extent there is sufficient Operating Cash Flow and/or Capital Proceeds (as such terms are defined in the Operating Agreements) with respect to the applicable Marc Borrower to be applied towards the amounts outstanding on the applicable Loan Note in accordance with the order of priority as set forth on Exhibit A hereto (the "Waterfall").

(e) Each Loan Agreement shall be deemed modified as provided for in Exhibit D hereto.

9. TI/Cap Ex Loans.

(a) From and after the Effective Date and after giving effect to the transactions contemplated hereby, existing TI/Cap Ex Loans made with respect to the Schedule 3 Entities, the Schedule 4 Entities and the Schedule 5 Entities which are set forth on Schedule 6 hereto under the heading "Existing TI/Cap Ex Loans" shall bear interest at a rate of 10% (the "Existing TI/Cap Ex Loans").

(b) The MARC Principals and WRT Lender agree that, except as provided in Section 10 below, they shall be obligated to make additional TI/Cap Ex Loans (the "New TI/Cap Ex Loans") in an amount up to an aggregate of \$16 million, collectively, to be advanced equally by the Marc Principals, or their Affiliate, on the one hand, and WRT Lender, or its Affiliate, on the other hand. The New TI/Cap Ex Loans shall be on terms identical to that of the Existing TI/Cap Ex Loans including bearing interest at a rate of 10% per annum; provided, however, if either the MARC Principals or the WRT Lender fails to make an otherwise required New TI/Cap Ex Loan, the TI/Cap Ex Loan Rate applicable to the New TI/Cap Ex Loan made by the party that has not failed to make the required New TI/Cap Ex Loan (the "Unfunded TI/Cap Ex Loan") shall be 15% per annum, 3% of which shall accrue and be payable as provided in Section 12 hereof.

(c) By no later than July 31, 2009, the WRT Lender and the Marc Principals shall make New TI/Cap Ex Loans in the amounts set forth on Schedule 6 hereto under the heading of "New TI/Cap Ex Loans".

(d) The TI/Cap Ex Loan Maturity Date for the Existing TI/Cap Ex Loans shall be deemed to be May 1, 2016.

10. Covered Loans. From and after the Effective Date, to the extent that a Covered Loan is required, any loan so made by the MARC Principals and/or the WRT Lender shall be deemed a "New TI/Cap Ex Loan" and shall bear interest at the rates set forth in Section 9(b) above. Notwithstanding the foregoing, (i) neither of the MARC Principals nor the WRT Lender shall be required to make any Covered Loans; (ii) unless otherwise agreed by the parties, any Covered Loans made by the respective parties shall not be deemed to be part of the \$16,000,000.00 commitment provided for in Section 9(b) above and (iii) subject to the notice requirements set forth in the Omnibus Agreement, either the MARC Principals or the WRT Lender shall be permitted to make a Covered Loan for the purposes set forth in the Omnibus Agreement without the consent of the other party.

11. Reposition Loans. The obligation or right of the Marc Principals and WRT, and their Affiliates, to make a Reposition Loan shall be eliminated and neither the Marc Principals, WRT nor their respective Affiliates shall be permitted to make a Reposition Loan without the consent of the other party.

12. Application of Operating Cash Flow and Capital Transactions. Notwithstanding anything in the Omnibus Agreement, the Loan Agreements, the Operating Agreements or the Post-Conversion Operating Agreement, Operating Cash Flow and Capital Proceeds (as such terms are defined in the Operating Agreements) shall be allocated as set forth in the Waterfall.

13. Management Agreements. (a) The term of each property management agreement with respect to the Properties indirectly owned the Schedule 3 Entities, the Schedule 4 Entities and the Schedule 5 Entities (the "Management Agreements") shall terminate on the date set forth opposite such Schedule 3 Entities, the Schedule 4 Entities, and the Schedule 5 Entities on Schedule 7 hereto. Notwithstanding the foregoing, WRT shall have the right to cause the Management Agreements to be terminated if at least 2 of Nudo, L. Weiner and E. Weiner are not then actively involved in the management of the Property.

14. Purchasing Fee and Asset Management Fee. Sections 12.2.6, 12.2.7 and 12.3 of the Omnibus Agreement shall be deleted and no party shall have any right to receive the fees contemplated thereby.

15. Acquisition, Disposition and Financing Fees. Section 12.2.2 of the Omnibus Agreement shall be amended and restated to read in its entirety as follows:

The MARC Principals or their Affiliates shall be entitled to receive (i) an acquisition fee of 1% the gross purchase price of all After-Acquired Property acquisitions other than an acquisition from a MARC Principal, a MARC Entity or an Affiliate thereof or WRT or its Affiliate; (ii) a disposition fee of 1% of the gross sales price of all Property and Other Property dispositions, and (iii) a fee of 1% of the gross loan amount for all loans obtained from a Third Party Lender by a Property Owner or the owner of an Other Property not in connection with an acquisition for which the MARC Principals or their Affiliates provide mortgage brokerage services; provided, however, in no event shall all MARC Entities be entitled to receive fees with respect to clause (i) and (iii) of this Section 12.2.2 in excess of \$600,000 in any calendar year. As used herein, the term "Other Property" shall mean the properties listed on Schedule 8 hereto and each other After-Acquired Property.

16. Conversion.

(a) Notwithstanding anything to the contrary contained in a Loan Agreement, (i) prior to or on December 31, 2010, the Marc Borrowers shall have the sole right to convert all, but not less than all, of the Loans to a preferred equity interest in the applicable Marc Borrower pursuant to Article 3 of the applicable Loan Agreement; provided, however, the Marc Borrowers shall not be permitted to exercise such right during the last month of a calendar quarter without the consent of the WRT Lender, (ii) from January 1, 2011 through December 31, 2012 neither the applicable Marc Borrower nor the WRT Lender shall have the right to convert a Loan to an equity interest in the applicable Marc Borrower pursuant to Article 3 of the applicable Loan Agreement or otherwise without the prior written consent of the other party, which consent may be granted or withheld in such parties sole and absolute discretion; provided, however, in the event of a sale of the Property indirectly owned by such Marc Borrower, not earlier than 30 days prior, nor later than 1 day prior, to the sale of such Property, the applicable Marc Borrower shall have the right without the consent of the WRT Lender to convert a Loan to a common equity interest in the applicable Marc Borrower pursuant to Article 3 of the applicable Loan Agreement regardless of whether an Event of Default shall then exist, in which event all distributions payable by the applicable Marc Borrower to its members shall be made as set forth on Exhibit B hereto and (iii) from and after January 1, 2013 (x) the WRT Lender shall have the right to convert any or all Loans to a common equity interest in the applicable Marc Borrower or (y) the applicable Marc Borrower shall have the right to convert any or all Loans to a preferred equity interest in the applicable Marc Borrower pursuant to Article 3 of the applicable Loan Agreement (without regard to the requirement that all Loans be converted); provided, however, if the WRT Lender is the party causing the conversion the WRT Lender or its applicable Affiliate shall simultaneously exercise the buy/sell right (without compliance with Section 12.1(d) of the Post-Conversion Operating Agreement) with respect to the Loan(s) being converted by the WRT Lender, which buy/sell shall otherwise comply with Article 12 of the applicable Post-Conversion Operating Agreement; provided, further, however, if such conversion is to take place in the last month of a calendar quarter, the consent of the non-converting party shall be required. The parties hereto acknowledge that Section 9.4(a)(i) and (ii) of the Post-Conversion Operating Agreement shall be deemed modified as set forth on Exhibit A hereto.

(b) From and after the conversion of a Loan to a preferred equity as contemplated by Section 16(a) hereof (the "Initial Conversion"), the Marc Members shall have the further right to convert WRT's preferred equity interest following such Initial Conversion to a common equity interest in which case all distributions payable by the applicable Marc Borrower to its members shall be made as set forth on Exhibit B hereto; provided, however, if the Marc Members exercise such right, either the Marc Members or WRT shall have the immediate right to exercise the buy/sell provisions (without compliance with Section 12.1(d) of the Post-Conversion Operating Agreement) with respect to the Marc Borrower for which such conversion has occurred unless the Property indirectly held by a Marc Borrower is then subject to a purchase agreement, in which case such buy/sell provision may not be exercised, if at all, until such purchase agreement is terminated.

17. Put/Call Agreement. Effective as of the Effective Date, that certain Put/Call Option Agreement, dated as of April 15, 2005, among the WRT Lender and each of the Persons listed on Schedule 1 thereto shall be deemed terminated.

18. Accounting. The Marc Members acknowledge and agree that at such time, if at all, as WRT is required for GAAP purposes to account for its Loan or its equity interest in the Marc Borrower as common equity, the provisions set forth on Exhibit C shall apply.

19. Further Assurances. Each of the parties hereto shall and shall cause their respective Affiliates to execute and deliver to the other party such documents, instruments, certificates, assignments and other writings, and do such other acts, necessary or desirable in the reasonable judgment of the parties hereto, to further evidence the agreements set forth herein including, without limitation, amendments to the Omnibus Agreement, Loan Agreements, Loan Notes and Operating Agreements and to take all and such further lawful acts, conveyances and assurances as the parties may reasonably require for the better and more effective carrying out of the intents and purposes of this Agreement.

20. Parties Bound. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement is a contract by and among the parties hereto for their mutual benefit, and no third person shall have any right, claim or interest against any of them by virtue of any provision hereof.

21. Governing Law. THIS AGREEMENT WAS NEGOTIATED IN THE STATE OF ILLINOIS, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY, AND IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF ILLINOIS APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE AND ANY APPLICABLE LAW OF THE UNITED STATES OF AMERICA.

22. Counterparts. This Agreement may be executed in several counterparts, each of which when executed and delivered is an original, but all of which together shall constitute one instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart which is executed by the party against whom enforcement of this Agreement is sought.

23. Board Consent. The effectiveness of this Agreement is subject to WRT obtaining the requisite consent of its Board of Trustees prior to July 31, 2009.

IN WITNESS WHEREOF this Agreement has been duly executed and delivered as of the date first written above.

WRT REALTY L.P.

By: Winthrop Realty Trust, its General Partner

By

Michael L. Ashner
Chief Executive Officer

GERALD NUDO

LAURENCE WEINER

MARC BORROWER/LOAN NOTE BALANCE/CURRENT CLASS A MEMBER AMOUNT/
AS OF JUNE 30, 2009

	Marc Borrower	Current WRT Loan Amount	Current Class A Member Amount
1	Marc 29 E. Madison LLC	\$ 6,514,611	\$ 6,780,513
2	Marc Michigan 30 LLC	\$ 5,527,314	\$ 5,752,919
3	Marc 8 S. Michigan LLC	\$ 5,207,142	\$ 5,419,678
4	Marc Brooks Building LLC	\$ 5,506,716	\$ 5,731,480
5	Marc 11 E. Adams LLC	\$ 2,731,870	\$ 3,965,359
6	Marc River Road LLC	\$ 3,313,962	\$ 3,449,226
7	Marc Highpoint Plaza LLC	\$ 4,904,869	\$ 5,105,068
8	Marc Euclid Center LLC	\$ 1,254,181	\$ 1,305,372
9	Marc 1701 E. Woodfield Road LLC	\$ 3,278,342	\$ 3,995,334
10	Marc Salt Creek LLC	\$ 434,369	\$ 452,098
11	Marc 3701 Algonquin Road LLC	\$ 1,857,520	\$ 1,238,347
12	North Star Trust Company, not personally but as Trustee under the provisions of that certain Trust Agreement dated December 30, 2004, and known as Trust Number 04-7869 (the "Trust")	\$ 1,600,127	\$ 1,066,751
13	WRT-Marc 180 North Wacker LLC	\$ 1,050,000	\$ 1,050,000
15	Ridgebrook	\$ 1,483,525	\$ 1,000,229
16	Marc 2860 River LLC	\$ 360,000	\$ 240,000

SCHEDULE 2 ENTITIES
AS OF APRIL 30, 2009

	Marc Borrower	WRT Loan Amount	WRT TI/Cap Ex Loan Amount
8	Marc Euclid Center LLC	\$ 1,254,181	\$ 527,480
13	WRT-Marc 180 North Wacker LLC	\$ 1,050,000	-
16	Marc 2860 River LLC	\$ 360,000	\$ 690,622

8750 STONY ISLAND LLC

SCHEDULE 3 ENTITIES
AS OF JULY 1, 2009

	Marc Borrower	TI/Cap Ex Loan Transfer Amount	Post Transfer TI/Cap Ex Loan Amount-NW	Post Transfer TI/Cap Ex Loan Amount-WRT	New Class A Member Amount
11	Marc 3701 Algonquin Road LLC	\$ 259,986.56	\$ 1,474,128.52	\$ 1,474,128.52	\$ 1,857,520
12	The Trust - 2205-2255 Enterprise Dr.	\$ 296,309.72	\$ 1,907,195.55	\$ 1,907,195.55	\$ 1,600,127
15	Ridgebrook	\$ 128,099.10	\$ 640,495.48	\$ 640,495.48	\$ 1,483,525

SCHEDULE 4 ENTITIES
AS OF JULY 1, 2009

	<u>Marc Borrower</u>	<u>Additional Advance</u>	<u>Class A Member Amount</u>	<u>WRT Loan Amount</u>
1	Marc 29 E. Madison LLC	\$ 132,951.00	\$ 6,647,562.00	\$ 6,647,562.00
2	Marc Michigan 30 LLC	\$ 112,802.33	\$ 5,640,116.50	\$ 5,640,116.50
3	Marc 8 S. Michigan LLC	\$ 106,268.20	\$ 5,313,410.00	\$ 5,313,410.00
4	Marc Brooks Building LLC	\$ 112,381.96	\$ 5,619,098.00	\$ 5,619,098.00
5	Marc 11 E. Adams LLC	\$ -	\$ 3,965,359.00	\$ 2,731,870.00

	<u>Marc Borrower</u>	<u>TI/Cap Ex Loan Transfer Amount</u>	<u>Post Transfer TI/Cap Ex Loan Amount-NW</u>	<u>Post Transfer TI/Cap Ex Loan Amount-WRT</u>
1	Marc 29 E. Madison LLC	\$ 11,854.47	\$ 592,722.85	\$ 592,722.85
2	Marc Michigan 30 LLC	\$ 107,401.32	\$ 5,370,066.19	\$ 5,370,066.19
3	Marc 8 S. Michigan LLC	\$ 29,747.52	\$ 1,487,376.06	\$ 1,487,376.06
4	Marc Brooks Building LLC	\$ 25,096.84	\$ 1,254,842.21	\$ 1,254,842.21
5	Marc 11 E. Adams LLC	\$ -	\$ -	\$ -

SCHEDULE 5 ENTITIES
AS OF JULY 1, 2009

	<u>Marc Borrower</u>	<u>Additional Loan Advance</u>	<u>New WRT Loan Amount</u>	<u>Class A Member Amount</u>
6	Marc River Road LLC	\$ 135,264	\$ 3,449,226	\$ 3,449,226
7	Marc Highpoint Plaza LLC	\$ 200,199	\$ 5,105,068	\$ 5,105,068
9	Marc 1701 E. Woodfield Road LLC	\$ 133,810	\$ 3,412,152	\$ 3,995,334
10	Marc Salt Creek LLC	\$ 17,729	\$ 452,098	\$ 452,098

TI/CAP EX LOANS

	<u>Marc Borrower</u>	<u>Existing TI/Cap Ex Loans</u>		<u>New TI/Cap Ex Loans</u>	
		<u>WRT Lender</u>	<u>NW</u>	<u>WRT Lender</u>	<u>NW</u>
1	Marc 29 E. Madison LLC	\$ 592,722.85	\$ 592,722.85		
2	Marc Michigan 30 LLC	\$ 5,370,066.19	\$ 5,370,066.19	\$ 66,745.47	\$ 69,469.78
3	Marc 8 S. Michigan LLC	\$ 1,487,376.06	\$ 1,487,376.06	\$ -	\$ -
4	Marc Brooks Building LLC	\$ 1,254,842.21	\$ 1,254,842.21	\$ 230,881.45	\$ 240,305.18
5	Marc 11 E. Adams LLC	\$ -	\$ -	\$ -	\$ -
6	Marc River Road LLC	\$ 578,678	\$ 602,298	\$ -	\$ -
7	Marc Highpoint Plaza LLC	\$ 711,097	\$ 740,121	\$ 29,400.01	\$ 30,599.99
9	Marc 1701 E. Woodfield Road LLC	\$ 617,994	\$ 643,219	\$ 79,281.43	\$ 82,517.43
10	Marc Salt Creek LLC	\$ 1,170,355	\$ 1,218,124	\$ 33,498.95	\$ 34,866.25
11	Marc 3701 Algonquin Road LLC	\$ 1,474,128.52	\$ 1,474,128.52	\$ 14,211.56	\$ 9,474.37
12	The Trust 2205-2255 Enterprise D	\$ 1,907,195.55	\$ 1,907,195.55	\$ 159,000.00	\$ 106,000.00
15	900 Ridgebrook LLC	\$ 640,496	\$ 640,495		

MANAGEMENT AGREEMENTS

1	Marc 29 E. Madison LLC	April 19, 2015
2	Marc Michigan 30 LLC	April 19, 2015
3	Marc 8 S. Michigan LLC	April 19, 2015
4	Marc Brooks Building LLC	April 19, 2015
5	Marc 11 E. Adams LLC	April 19, 2015
6	Marc River Road LLC	April 19, 2015
7	Marc Highpoint Plaza LLC	April 19, 2015
9	Marc 1701 E. Woodfield Road LLC	April 19, 2015
10	Marc Salt Creek LLC	April 19, 2015
11	Marc 3701 Algonquin Road LLC	April 25, 2015
12	North Star Trust Company, not personally but as Trustee under the provisions of that certain Trust Agreement dated December 30, 2004, and known as Trust Number 04-7869 (the "Trust")	December 31, 2014
15	Ridgebrook	December 31, 2015

OTHER PROPERTIES

180 N. Wacker, Chicago, Illinois
900-910 Skokie Boulevard, Northbrook, Illinois
2860 River Road, Chicago, Illinois
180 N. Michigan, Chicago, Illinois
800 South Wells, Chicago, Illinois
One East Erie, Chicago, Illinois

WATERFALL

Operating Cash Flow1. Pre-Conversion¹

First, to all amounts then due on a Senior Loan;

Second, to the Guarantors in an amount necessary to pay any accrued guaranty fee;

Third, to the payment of accrued interest on any Unfunded TI/Cap Ex Loans, pro rata at the 12% rate;

Fourth, to the payment of accrued interest on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Fifth, to the payment of accrued interest on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Sixth, to the payment of accrued interest on the WRT Loan and accrued return on the Class A Member Amount pro rata based on principal balance of WRT Loan and the Class A Member Amount;

Seventh, to the payment of principal on Unfunded TI/Cap Ex Loans pro rata to each of the lender thereof;

Eighth, to the payment of principal on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Ninth, to the payment of principal on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Thereafter, to the Class A Members (to be allocated among them based on their respective Percentage Interests) and to the Class B Member, pro rata, based on their respective interests. For purposes hereof, (i) the Class A Members' aggregate interest shall be deemed to equal, expressed as a percentage, a fraction, the numerator of which is the Class A Member Amount and the denominator of which is the sum of the Class A Member Amount and the principal balance of WRT Loan and (ii) the Class B Member's aggregate interest shall be deemed to equal, expressed as a percentage, a fraction, the numerator of which is the principal balance of the WRT Loan and the denominator of which is the sum of the Class A Member Amount and the principal balance of the WRT Loan.

¹ Any reference to Unfunded TI/Cap Ex Loans or New TI/Cap Ex Loans shall include any Covered Loan made from and after July 1, 2009

2. Post-Conversion to Preferred Equity¹

First, to all amounts then due on a Senior Loan;

Second, to the Guarantors in an amount necessary to pay any accrued guaranty fee;

Third, payment of accrued interest on any Unfunded TI/Cap Ex Loans, pro rata at the 12% rate;

Fourth, to the payment of accrued interest on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Fifth, to the payment of accrued interest on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Sixth, to the MARC Members until they have received an aggregate amount equal to the MARC Shortfall in accordance with their respective Percentage Interests;

Seventh, to the payment of principal on Unfunded TI/Cap Ex Loans pro rata to each of the lender thereof;

Eighth, to the payment of principal on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Ninth, to the payment of principal on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Tenth, to the Members in accordance with their respective Percentage Interests.

Capital Proceeds¹

1. Pre-Conversion

First, to all amounts then due on a Senior Loan;

Second, to the Guarantors in an amount necessary to pay any accrued guaranty fee;

Third, in an amount sufficient to fully satisfy all amounts due on any outstanding Unfunded TI/Cap Ex Loans¹ pro rata to the lenders thereof or to the sole lender thereof which shall be applied first to accrued and unpaid interest and then to principal together with an amount, to the extent required, to provide the sole lender of any Unfunded TI/Cap Ex Loan with its 15% return thereon;

¹ Any reference to Unfunded TI/Cap Ex Loans or New TI/Cap Ex Loans shall include any Covered Loan made from and after July 1, 2009

Fourth, to the payment of accrued interest first and then principal on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Fifth, to the payment of accrued interest and principal on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof

Sixth, to the payment of unpaid interest on the WRT Loan and the unpaid return on the Class A Member Amount pro rata until such amounts are reduced to zero;

Seventh, either (x) if such Capital Proceeds are derived from a financing or refinancing, to the payment of principal of the WRT Loan and the unpaid Class A Member Amount pro rata until such amounts are reduced to zero or (y) if such Capital Proceeds are derived from a sale or other disposition of the Property, to the payment of principal of the WRT Loan until it is reduced to zero and then to the payment of the unpaid Class A Member Amount until it is reduced to zero;

Eighth, to the Marc Members until it receives the Marc Shortfall;

Thereafter, 55% to the Class A Members (to be allocated among them based on their respective Percentage Interests) and 45% to the Class B Member

2. Post-Conversion to Preferred Equity¹

First, to all amounts then due on a Senior Loan;

Second, to the Guarantors in an amount necessary to pay any accrued guaranty fee;

Third, in an amount sufficient to fully satisfy all amounts due on any outstanding Unfunded TI/Cap Ex Loans pro rata to the lenders thereof or to the sole lender thereof which shall be applied first to accrued and unpaid interest and then to principal together with an amount, to the extent required, to provide the sole lender of any Unfunded TI/Cap Ex Loan with its 15% return thereon;

Fourth, to the payment of accrued interest first and then principal on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Fifth, to the payment of accrued interest first and then principal on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

¹ Any reference to Unfunded TI/Cap Ex Loans or New TI/Cap Ex Loans shall include any Covered Loan made from and after July 1, 2009.

Sixth, to the Class B Member and the Marc Members pro rata until such time as they have received an overall return from and after July 1, 2009 of 9% on their capital contributions;

Seventh, either (x) if such Capital Proceeds are derived from a financing or refinancing, to the Class B Member and the Class A Member pro rata until their capital contributions are reduced to zero or (y) if such Capital Proceeds are derived from a sale or other disposition of the Property, to the Class B Member until its capital account is reduced to zero and then to the Marc Members (to be allocated among them based on their respective Percentage Interests) until their capital accounts are reduced to zero;

Eighth, to the Marc Members until it receives the Marc Shortfall;

Thereafter, 55% to the Marc Members (to be allocated among them based on their respective Percentage Interests) and 45% to the Class B Member.

Exhibit B

COMMON EQUITY CONVERSION WATERFALL

Operating Cash Flow¹

First, to all amounts then due on a Senior Loan;

Second, to the Guarantors in an amount necessary to pay any accrued guaranty fee;

Third, payment of accrued interest on any Unfunded TI/Cap Ex Loans, pro rata at the 12% rate;

Fourth, to the payment of accrued interest on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Fifth, to the payment of accrued interest on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Sixth, to the MARC Members until they have received an aggregate amount equal to the MARC Shortfall in accordance with their respective Percentage Interests;

Seventh, to the payment of principal on Unfunded TI/Cap Ex Loans pro rata to each of the lender thereof;

Eighth, to the payment of principal on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Ninth, to the payment of principal on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Tenth, to the Members in accordance with their respective Percentage Interests.

Capital Proceeds¹

First, to all amounts then due on a Senior Loan;

Second, to the Guarantors in an amount necessary to pay any accrued guaranty fee;

¹ Any reference to Unfunded TI/Cap Ex Loans or New TI/Cap Ex Loans shall include any Covered Loan made from and after July 1, 2009.

Third, in an amount sufficient to fully satisfy all amounts due on any outstanding Unfunded TI/Cap Ex Loans pro rata to the lenders thereof or to the sole lender thereof which shall be applied first to accrued and unpaid interest and then to principal together with an amount, to the extent required, to provide the sole lender of any Unfunded TI/Cap Ex Loan with its 15% return thereon;

Fourth, to the payment of accrued interest first and then principal on the New TI/Cap Ex Loans pro rata to each of the lenders thereof;

Fifth, to the payment of accrued interest first and then principal on the Existing TI/Cap Ex Loans pro rata to each of the lenders thereof;

Sixth, to the Class B Member and the Marc Members pro rata until such time as they have received an overall return from and after July 1, 2009 of 9% on their capital contributions;

Seventh, to the Class B Member and the Class A Member pro rata until their capital contributions are reduced to zero;

Eighth, to the Marc Members until it receives the Marc Shortfall;

Thereafter, 55% to the Marc Members (to be allocated among them based on their respective Percentage Interests) and 45% to the Class B Member.

Exhibit C

ACCOUNTING PROVISION

The Manager/Managing Member shall cause to be provided to WRT by no later than the 11th day of each month, or if such day is not a Business Day, the next succeeding Business Day, monthly financial information relating to the Property which shall include (i) electronic and paper copies of a detailed general ledger and trial balance and (ii) paper copies of a balance sheet, income statement, statement of cash flow and supporting schedules for each including bank statements with reconciliations, fixed asset schedules with depreciation (BNA), CIP support, detailed A/R schedule with explanations for outstanding amounts, prepaid expense schedules, deferred lease and mortgage cost schedules with amortization (BNA), other assets support (if applicable), mortgage statement from lender, system generated open payables listing, accrued expense schedule, security deposit reconciliation, real estate taxes prepaid and accrued, other liabilities support (if applicable) and capital transaction support (if applicable) (collectively, the "Monthly Financial Package"). In addition Manager shall provide to WRT on a timely basis such other information as WRT shall reasonably request in order for WRT to satisfy its filing obligations with the Securities and Exchange Commission on a timely basis. Manager and WRT acknowledge that that monthly financial package provided by Manager or its Affiliate for the month of May 2009 with respect to the property located at 800 South Wells, Chicago, Illinois contains the information required for the Monthly Financial Package.

If Manager/Managing Member fails to provide the Monthly Financial Package in form and substance required above and the Manager/Managing Member fails to satisfy such deficiency within two Business Days of written notice from WRT, WRT shall have the right to immediately cause such person or persons as it deems necessary to review the financial reports of the applicable Marc Borrower (the "Initial Reviewers"), which Initial Reviewers shall assist the Manager/Managing Member with the preparation of the current and all subsequent Monthly Financial Packages until the Manager/Managing Member retains such person or persons (the "Permanent Employees") with such experience as WRT deems necessary to timely provide the Monthly Financial Package in form and substance required by the terms hereof, which retention of such person or persons shall be subject to the consent of WRT which shall not be unreasonably withheld.

All remuneration, costs, reimbursements, perquisites and other expenses of the Initial Reviewers and the Permanent Employees shall borne solely by the Manager/Managing Member.

Exhibit D

1. Sections 9.1.1 and 9.1.2 of each Loan Agreement shall be deemed deleted in their entirety and the following substituted in place:

Section 9.1.1 – Failure to Apply Operating Cash Flow and Capital Proceeds. The failure by the Borrower to apply Operating Cash Flow and Capital Proceeds in accordance with the provisions of the Loan Agreement.

Section 9.1.2. Intentionally Deleted.

2. Article 10 of each Loan Agreement shall be deemed deleted and the following substituted in lieu thereof:

10.1 Remedies. Upon the occurrence and during the continuance of an Event of Default, whether or not the indebtedness evidenced by the Loan Note and secured by the Security Documents shall be due and payable or the First Union Lender shall have instituted any foreclosure or other action for the enforcement of the Security Documents or the Loan Note and in lieu of any other remedies available to the First Union Lender, the First Union Lender shall have the following remedies:

10.1.1 Accelerate Debt. So long as the Event of Default is due to a default under Sections 9.1.1, 9.1.7 or a default caused by a breach of Sections 7.11, 8.6 or 8.18, secured by the applicable Security Documents immediately due and payable (provided that in the case of a voluntary petition in bankruptcy or an involuntary petition in bankruptcy (after expiration of the grace period, if any, set forth in Section 9.1.7), such acceleration shall be automatic).

10.1.2 Pursue Remedies. So long as the Event of Default is due to a default under Sections 9.1.1, 9.1.7 or default caused by a breach of Sections 7.11, 8.6 or 8.18, the First Union Lender's sole remedies against the Borrower shall be those provided for under the Pledge Agreement or to pursue a civil action for monetary damages.

10.1.3 Monetary Damages. With respect to an Event of Default under any Section other than (i) Sections 9.1.1, 9.1.7 or (ii) a default caused by a breach of Sections 7.11, 8.6 or 8.18, then the First Union Lender's sole remedy shall be to bring a civil action for monetary damages.

10.2 Written Waivers. If a Default or an Event of Default is waived by the First Union Lender, in its sole discretion, pursuant to a specific written instrument executed by an authorized officer of the First Union Lender, the Default or Event of Default so waived shall be deemed to have never occurred."

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

Exhibit 31.1

CERTIFICATION

I, Michael L. Ashner, certify that:

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

Date: August 10, 2009

/s/ Michael L. Ashner

Michael L. Ashner
Chief Executive Officer

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

Exhibit 31.2

CERTIFICATION

I, Thomas C. Staples, certify that:

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

Date: August 10, 2009

/s/Thomas C. Staples
Thomas C. Staples
Chief Financial Officer

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Winthrop Realty Trust ("the Company") for the six months ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael L. Ashner, Chief Executive Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ Michael L. Ashner
Name: Michael L. Ashner
Chief Executive Officer

August 10, 2009

WINTHROP REALTY TRUST
FORM 10-Q JUNE 30, 2009

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Winthrop Realty Trust ("the Company") for the six months ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas C. Staples, Chief Financial Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/Thomas C. Staples
Name: Thomas C. Staples
Chief Financial Officer

August 10, 2009
