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

FORM 10-K/A

(Amendment No. 1)

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

For the Fiscal Year Ended December 31, 2006
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)

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

Title of Each Class	Name of Exchange on Which Registered
Common Shares of Beneficial Interest, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes ☐ No☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2).
Large Accelerated Filer☐ Accelerated filer ☒ Non-accelerated filer ☐

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

As of March 1, 2007 there were 65,548,106 common shares of beneficial interest outstanding.

At June 30, 2006 the aggregate market value of the common shares of beneficial interest held by non-affiliates was $188,119,586.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Beneficiaries, which is expected to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year ended December 31, 2006, are incorporated by reference into Part III hereof.

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CROSS REFERENCE SHEET PURSUANT TO ITEM G,
GENERAL INSTRUCTIONS TO FORM 10-K/A

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Explanatory Paragraph

This Form 10-K/A is being filed for the purpose of restating the Trust's earnings per Common Share – Basic for 2006 and 2005 and earnings per Common Share-Diluted for 2005 as it relates to the allocation between continuing operations and discontinued operations to apply the provisions of EITF 03-06, "Participating Securities and the Two Class Method under FASB Statement No. 128 Earnings Per Share." In accordance with Rule 12d-15 under the Securities Exchange Act of 1934, this form 10K/A only includes the sections that were affected by the application of EITF 03-06, namely Item 6. Selected Financial Data, Item 7. Management's Discussion and Analysis of Financial Condition, and Item 8. Financial Statements and Supplementary Data, the complete text of which are included in this Form 10-K/A. See Note 21 in the notes to the consolidated financial statements for further information relating to the restatement. This Form 10-K/A has not been updated for events or information subsequent to the date of filing of the original Form 10-K except in connection with the foregoing. Accordingly, this Form 10-K/A should be read in conjunction with the Trust's filings made with the SEC subsequent to the filing of the original Form 10-K..

ITEM 6. SELECTED FINANCIAL DATA.

These Selected Financial Data should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

Operating Results	2006	2005	2004	2003	2002
Revenues	$ 54,487	$ 32,851	$ 5,915	$ 2,427	$ 3,204
Income (loss) from continuing operations	42,820	23,090	1,943	(6,575)	(5,397)
Income from discontinued operations (1)	116	531	1,242	619	365
Gain on sale of real estate	—	—	19,267	54	—
Net income (loss)	42,936	23,621	22,452	(5,902)	(5,032)
Preferred dividends	—	(2,064)	(2,064)	(2,064)	(2,067)
Net income (loss) applicable to Common Shares of Beneficial Interest	$ 42,936	$ 21,557	$ 20,388	$ (7,966)	$ (7,099)
Dividends declared for Common Shares of Beneficial Interest	$ 16,069	$ 3,914	$ —	$ —	$ 6,962
Per Common Share of Beneficial Interest, basic (2)					
Income (loss) from continuing operations, basic	$ 0.74	$ 0.50	$ —	$ (0.28)	$ (0.21)
Income from discontinued operations, basic (1)	—	0.02	0.66	0.02	$ 0.01
Net income (loss) applicable to Common Shares of Beneficial Interest, basic	$ 0.74	$ 0.52	$ 0.66	$ (0.26)	$ (0.20)
Income (loss) per Common Share of Beneficial Interest, diluted	$ 0.71	$ 0.50	$ —	$ (0.28)	$ (0.21)
Income from discontinued operations, diluted	—	0.02	0.66	0.02	0.01
Net income (loss) applicable to Common Shares of Beneficial Interest, diluted	$ 0.71	$ 0.52	$ 0.66	$ (0.26)	$ (0.20)
Dividends declared per Common Share of Beneficial Interest	$ 0.30	$ 0.11	$ —	$ —	$ 0.20

(1) The results of Imperial Parking Limited, VenTek and Park Plaza properties were classified as discontinued operations for 2002, 2003, 2004, 2005 and 2006. The results of the St. Louis property, which was purchased in November 2004, were classified as discontinued operations for 2004, 2005 and 2006.

(2) As restated for the years ended December 31, 2006 and 2005. See Item 8. Financial Statements and Supplementary Data, Note 21.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following management's discussion and analysis gives effect to the restatement discussed in Note 21 to the consolidated financial statements.

We are a real estate investment trust ("REIT") engaged in the business of owning real property and real estate related assets. We operate in three strategic business segments: (i) Operating Properties, (ii) Loans and (iii) Real Estate Securities. We may make investments in each of these segments directly and in strategic alliances and joint ventures with third parties

Our business objective is to maximize long-term shareholder value through a total return value approach to real estate investing. We measure our success in meeting this objective by a number of factors, including increases in diluted per share net income, cash returns generated by our investments, increases in shareholder equity and total return to our shareholders. During 2006, 2005 and 2004, our operating results were as follow:

	2006	2005	2004
Net income applicable to Common Shares	$ 42,936,000	$ 21,557,000	$ 20,388,000
Net income per common share, basic	$ 0.74	$ 0.52	$ 0.66
Net income per common share, diluted	$ 0.71	$ 0.52	$ 0.66
Net cash provided by operating activities	$ 27,687,000	$ 15,870,000	$ 3,987,000
Total assets	$ 851,620,000	$ 658,848,000	$ 289,968,000

With certain self-imposed limitations, we will seek opportunities to invest in or acquire most types of real estate assets or securities. We believe that entering into specific strategic alliances and joint ventures with regional or specialized real estate professionals provides us with a platform to be extremely competitive in markets in which we are not currently located or have a management infrastructure in place. Also, we seek to enter into strategic co-investment joint ventures with institutional and high net worth investors to enhance our total return through acquisitions, asset management and other fees and a promoted economic interest.

In view of the foregoing, our near-term investment strategy will be to identify and invest in discrete real estate investments including investments through joint ventures. As market conditions dictate, we will focus our investment activity in one or more of our business segments and aggressively pursue such opportunities. We intend to fund these investments through one or more of the following: cash reserves, borrowings under our credit facility, property loans, issuance of debt and equity on joint ventures with third parties. For the long-term, as investments mature in value to the point where we are unlikely to achieve better than a market return on their then enhanced value, it is likely we will exit the investment and seek to redeploy the capital to higher yielding opportunities. Therefore, non-recurring items are an important part of our overall earnings. Significant investments, dispositions and financing transactions during 2006 included:

- acquiring three office properties containing approximately 290,000 square feet;
- acquiring in a joint venture, two loans secured by first priority liens on 241,000 square feet of commercial space, an indoor parking structure, the underlying land and unsold condominiums at a property commonly referred to as River City in Chicago, Illinois;
- forming Concord Debt Holdings LLC (f/k/a 111 Debt Holdings LLC) a joint venture with Lexington and investing $91,342,000 to acquire and originate approximately $450,355,000 in loans and originated a collateral debt obligation pool;
- selling all of our 1,755,600 shares in Sizeler Property Investors Inc. for an aggregate sales price of approximately $25,363,000, representing an aggregate gain excluding dividends of $7,843,000;
- obtaining $89,522,000 in first mortgage indebtedness;

- issuing a total of 19,550,000 Common Shares in November 2006 pursuant to an underwritten public offering for a per share price of $6.00 ($5.70 after underwriters discount) resulting in net proceeds of $110,814,000;

- entering into two joint venture relationships with local partners which hold 12 properties containing approximately 472,000 square feet for an aggregate investment of $5,470,000; and

- modification of our mortgage debt encumbering certain of our net lease properties commonly referred to as the Finova Portfolio.

Other significant events for the year ended December 31, 2006 included:

- entered into 18 new leases and renewed 14 leases totaling approximately 576,000 square feet;

- increased average portfolio occupancy to 98%;

- redeeming our Series A Preferred Shares;

- issuing rights to our common and preferred shareholders to subscribe for and purchase up to an aggregate of 5,220,038 of newly-issued Common Shares for a price of $5.25 per common share, which was fully subscribed, raising net proceeds in the second quarter of 2006 of approximately $27,122,000;

- establishing a quarterly dividend of $0.06 per common share retroactive to January 1, 2006; and

- issuing a total of 125,909 Common Shares pursuant to our dividend reinvestment and stock purchase plan for net proceeds of $805,000.

Trends

Competition

We face substantial competition for our targeted investments. Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to implement our investment policy and operating strategies. We compete with numerous other companies for investments, including other REITs, insurance companies, real estate opportunity funds, pension funds and a multitude of private investors. Many of our competitors have greater resources than we do and for this and other reasons, we may not be able to compete successfully for particular investments. We will continue to capitalize on the acquisition and investment opportunities that our advisor brings to us as a result of its acquisition experience as well as our partners in joint ventures which serve as platforms to investments in various geographic areas and particular classes of assets. Through its broad experience, our advisor's senior management team has established a network of contacts and relationships, including relationships with operators, financiers, commercial real estate brokers, potential tenants and other key industry participants. In addition we believe that our advisor's significant real estate management infrastructure gives us economies of scale that provides us with a competitive advantage when bidding on investment opportunities.

Interest Rate Environment

Interest rates can fluctuate. We may utilize a variety of financial instruments, including interest rate swaps, caps, options, floors and other interest rate exchange contracts, in order to limit the potential negative effects of fluctuations in interest rates on our operations. In the past, we entered into the following agreements in order to limit our exposure to interest rate volatility: (i) 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, with an outstanding balance at December 31, 2006 of $69,549,000, secured by certain of our net lease properties, from a floating rate equal to LIBOR plus 1.75% to a fixed LIBOR rate of 4.05% plus 1.75% and (ii) an interest rate swap with a balance guaranty on our Repurchase Agreement with respect to our first mortgage residential whole-pool loan certificates, which bears interest at LIBOR minus 0.003%, effectively fixing our rate at 4.045% on that financing. We do not intend to utilize derivatives for speculative purposes but only for interest rate risk management.

Liquidity and Capital Resources

General

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing 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 both the short-term and long-term. In addition, we anticipate that cash on hand, borrowings under our credit facility and issuance of equity and debt, as well as other alternatives, will provide the necessary capital required for our investment activities. Additionally, to maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT taxable income.

Our primary sources of funds for liquidity consist of:

- cash and cash equivalents;
- operating cash flow derived primarily from rental income received from our Operating Properties;
- debt service received from Loans held;
- dividends received from our ownership of Real Estate Securities; and
- borrowings under our credit facility.

During 2006, we also raised funds through equity offerings and debt financings. We had cash and cash equivalents of $89,463,000 at December 31, 2006, which consisted of $30,795,000 in cash and $58,668,000 in cash equivalents with maturities of less than 90 days. In addition, we had $70,000,000 available under our credit facility. In the future, we may raise additional funds through debt financing and/or equity offerings. Toward that end: (i) in April 2006 we issued 5,220,038 Common Shares in a registered rights offering to our existing holders resulting in net proceeds of $27,122,000; (ii) in August 2006 we instituted a Dividend Reinvestment and Stock Purchase Plan ("DRIP") pursuant to which holders of our Common Shares can reinvest all or a portion of the dividends paid on the Common Shares as well as invest additional sums in our Common Shares; and (iii) In November 2006 we issued 19,550,000 newly issued Common Shares in an underwritten public offering pursuant to an effective shelf registration statement resulting in net proceeds of $110,814,000.

At December 31, 2006, we had an effective registration statement under which we can offer an aggregate of approximately $228,983,000 of additional equity or debt securities. In addition, our UPREIT structure will also enable us to acquire properties by issuing to sellers, as a form of consideration, limited partnership interests in our operating partnership. Although to date we have not issued limited partnership interests in a transaction, we believe that this structure will facilitate our ability to acquire individual properties and portfolios of properties by enabling us to structure transactions which will defer taxes payable by a seller while preserving our available cash for other purposes, including the possible payment of dividends.

Revolving Future Cash Requirements

The following table sets forth the timing of our payment obligations related to our off-balance sheet and contractual obligations, including all fixed and variable rate debt obligations, except as otherwise noted, as of December 31, 2006:

	Payments Due by Period (In thousands)				
Contractual Obligations	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Mortgage Loans Payable (principal and interest)	$ 311,684	$ 30,498	$ 100,376	$ 35,004	$ 145,806
Revolving Line of Credit (principal and interest)	—	—	—	—	—
Loans Payable (principal and interest)	33,233	2,544	30,689	—	—
Repurchase Agreements	111,911	111,911	—	—	—
Ground Lease Obligations (1)	—	—	—	—	—
Advisors' Fee (2)	22,999	1,973	10,513	10,513	- (3)
	$ 479,827	$ 146,926	$ 141,578	$ 45,517	$ 145,806
Off-Balance Sheet Obligations:					
Commitments (4)					
Concord	$ 8,658,000	$ 8,658,000	—	—	—
Vision	$ 1,000,000	$ 1,000,000	—	—	—
Capital and Tenant Improvements (5)	$ 3,234,000	$ 3,234,000	—	—	—

(1) The underlying lease agreements require the tenant to pay the ground rent expense.

(2) Base management fee based upon the terms of the Advisory Agreement and equity and assets in place at December 31, 2006, with no effect given to the additional investments, equity issuances or incentive compensation to FUR Advisors.

(3) No amounts have been included due to the automatic annual renewal provisions of the Advisory Agreement.

(4) Excludes pending acquisitions that are subject to due diligence.

(5) Under the terms of our agreement with Marc Realty, as of December 31, 2006, we were required to loan an additional $3,234,000 to fund capital and tenant improvements.

We carry comprehensive liability and all risk property insurance: (i) fire; (ii) flood; (iii) extended coverage; (iv) "acts of terrorism," as defined in the Terrorism Risk Insurance Act of 2002; and (v) rental loss insurance with respect to our properties where coverage is not provided by our net lease tenants. Under the terms of the net leases, the tenant is obligated to maintain adequate insurance coverage.

Our debt instruments, consisting of mortgage loans secured by our properties (which are generally non-recourse to us) contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage under these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. Further, if lenders insist on greater coverage than we are able to obtain at reasonable costs, it could adversely affect our ability to finance and/or refinance our properties and expand our portfolio.

Cash Flows

Our level of liquidity based upon cash and cash equivalents increased by approximately $70,445,000 during the year ended December 31, 2006. The increase resulted from $27,687,000 of cash provided by operating activities and $155,448,000 of cash provided by our financing activities, which was partially offset by $112,690,000 of cash used in our investing activities.

Cash provided by operating activities of $27,687,000 was comprised of (i) net income of $42,936,000; (ii) net negative adjustments for non-cash items of $9,974,000, and (iii) a net negative change in operating assets and liabilities of $1,452,000. The adjustments for non-cash items were primarily comprised of increases due to (i) depreciation and amortization of $13,404,000; (ii) minority interest expense of $2,764,000; (iii) distributions in excess of equity in earnings of preferred equity investment of $35,000; (iv) loss on early extinguishment of debt of $126,000 and (v) a decrease in interest receivable on loans of $54,000. The decreases in non-cash items were primarily due to (i) gain on sale of exclusivity rights of $9,500,000; (ii) gain on sale of equity investment of $9,285,000; (iii) net gains on sale of securities available for sale of $8,130,000; (iv) the effect of straight-lining of rental income of $1,920,000; (v) equity in earnings of equity investments in excess of distributions of $170,000; (vi) gain on Winn-Dixie settlement of $1,108,000; (vii) interest earned on restricted cash of $45,000 and (viii) bad debt recoveries of $22,000. See "Our Results of Operations" below for additional details on our operations.

Cash provided by investing activities consisted primarily of (i) $34,352,000 of proceeds received from prepayment on whole pool mortgage-backed securities available for sale and (ii) $29,831,000 of proceeds from the sale of various real estate securities owned. The balance related to the $8,589,000 of loans receivable collected and $7,108,000 of proceeds from the sale of preferred equity investments.

The significant components of the cash we used for our investing activities during 2006 were as follows: (i) $23,850,000 for purchases of whole pool mortgage-backed securities available for sale; (ii) $1,843,000 for our preferred equity investment in Marc Realty; (iii) the origination or purchase of loans totaling $22,554,000; (iv) $38,749,000 for building acquisitions and capital improvements to our existing operating properties; (v) $3,776,000 increase in restricted cash; (vi) $4,986,000 for purchases of various real estate securities; (vii) $91,342,000 for our investment in Concord and (vii) $5,470,000 for an investment in our limited partnership.

Cash provided by financing activities was the result of several transactions including: (i) borrowings under repurchase agreements of $23,070,000; (ii) contributions from minority partners of $3,246,000; (iii) $138,741,000 of net proceeds from the issuance of Common Shares; (iv) $89,522,000 of mortgage loan proceeds; and (v) $77,000,000 of proceeds from our revolving line of credit with KeyBank.

We used cash for financing activities including: (i) $516,000 of dividend payments on our Series A Preferred Shares; (ii) $12,139,000 of dividend payments on our Common Shares; (iii) $32,875,000 of repayment of borrowings under repurchase agreements; (iv) $32,281,000 of mortgage loan repayments; (v) $3,486,000 of distributions to minority interests; (vi) $1,813,000 of deferred financing costs; (vii) $93,000,000 of paydowns of our revolving line of credit with KeyBank; and (viii) $21,000 of loan payable repayments.

Dividends and Distributions

Series A Preferred

In December 2005, we declared a dividend of $516,000 ($0.525 per share) on our Series A Preferred Shares which was paid on January 31, 2006.

Series B-1 Preferred

In December 2005, we declared a dividend of $1,625,000 ($0.40625 per share) on our Series B-1 Preferred Shares which was paid on January 31, 2006.

In March 2006 we declared a dividend of $1,621,000 ($0.40625 per share) on our Series B-1 Preferred Shares which was paid on April 28, 2006.

In June 2006 we declared a dividend of $1,621,000 ($0.40625 per share) on our Series B-1 Preferred Shares which was paid on July 31, 2006.

In September 2006, we declared a dividend of $1,621,000 ($0.40625 per share) on our Series B-1 Preferred Shares which was paid on October 31, 2006.

In December 2006, we declared a dividend of $1,621,000 ($0.40625 per share) on our Series B-1 Preferred Shares which was paid on January 31, 2007.

In December 2006, we declared a special dividend of $166,000 ($0.04167 per share) on our Series B-1 Preferred Shares which was paid on January 31, 2007.

All dividends accrued on the Series B-1 Preferred Shares are treated as interest expense.

Common Shares

In December 2005, we declared a special dividend of $3,914,000 ($0.11 per share) on our Common Shares which was paid on January 17, 2006 to the holders of record as of December 30, 2005.

In July 2006 we declared a dividend of $5,483,000 ($0.12 per share) on our Common Shares which was paid on August 7, 2006 to holders of record as of July 24, 2006.

In September 2006, we declared a dividend of $2,742,000 ($0.06 per share) on our Common Shares which was paid on October 15, 2006 to holders of record as of September 30, 2006.

In December 2006, we declared a dividend of $3,922,000 ($0.06 per share) on our Common Shares which was paid on January 16, 2007 to holders of record as of December 29, 2006.

In December 2006, we declared a special dividend of $3,922,000 ($0.06 per share) on our Common Shares which was paid on January 16, 2007 to holders of record as of December 29, 2006.

Results of Operations

As discussed earlier, one of the factors used to measure management's performance is net income. We report our operations by each of our three strategic business segments to provide a measurement of our performance in these segments. In addition to our three business segments, we report our non-segment specific income and expenses under Corporate Activities. (See Business Segments - Note 20 to the consolidated financial statements in Item 8.)

Summary of Segment Operating Results

The following tables present a summary of revenues and expenses incurred by our Operating Properties, Loans and Real Estate Securities business segments for the years ended December 31, 2006, 2005 and 2004. We include in Corporate Activities interest on cash reserves, general and administrative expenses and other non-segment specific income and expense items. See a discussion of these amounts by segment in the narratives following the tables.

Business Segments (In thousands)	2006	2005	2004
Operating Properties			
Rents	$ 38,822	$ 25,454	$ 3,387
Less — operating expenses	4,054	1,205	793
Less — real estate taxes	1,879	220	66
Loss on extinguishment of debt	646	—	—
	32,243	24,029	2,528
Loans			
Interest	13,129	3,664	1,292
Equity in earnings of preferred equity investment	6,849	4,066	—
Equity in earnings of Concord Debt Holdings, LLC	1,340	—	—
Loan fee income	—	75	—
	21,318	7,805	1,292
Real Estate Securities			
Dividends	1,073	1,622	139
Gain on sale of real estate securities	8,130	243	1,153
Assignment of exclusivity agreement – net lease assets	9,500	10,500	—
Equity in earnings of Newkirk Realty Trust	7,280	304	—
Gain on exchange of equity investment	9,285	—	—
Equity in loss of Sealy Northwest Atlanta, L.P.	(51)	—	—
	35,217	12,669	1,292
Less — Depreciation and Amortization	11,216	6,994	726
Less — Interest Expense			

Operating properties	14,304	12,475	684
Loans	8,258	2,515	—
Corporate Income (Expense)			
Interest income	1,463	2,111	1,097
General and administrative	(3,399)	(3,289)	(2,677)
Base management fee	719	(2,660)	(1,420)
Interest expense	(8,495)	(5,912)	(13)
Insurance recoveries	—	—	1,254
Legal settlement	—	11,000	—
State and local taxes	(234)	(500)	—
Other	530	—	—
Income from continuing operations before minority interest	45,584	23,269	1,943
Minority interest	(2,764)	(179)	—
Income from continuing operations	42,820	23,090	1,943

Summary of Segment Operating Results (Continued)

Capital Expenditures

Operating Properties	$ 1,483	$ 684	$ 2,018

Identifiable Assets

Operating properties	$ 271,991	244,902	$ 95,540
Loans	363,089	272,094	8,390
Real estate securities	104,392	104,604	14,734
Other*	112,148	37,248	171,304
Total Assets	$ 851,620	$ 658,848	$ 289,968

*Includes cash and cash equivalents.

2006 Versus 2005

Net Earnings

Net income increased by $19,315,000 to $42,936,000 for the year ended December 31, 2006 from $23,621,000 for the year ended December 31, 2005. The increase was due primarily to an increase in revenues of $21,636,000 as a result of our acquisition activity and an increase in other income of $16,029,000. The increase in other income in 2006 was predominantly attributable to the $8,130,000 of gains on the sale of real estate securities, the gain on the exchange of our equity investment in Newkirk of $9,285,000 and an increase in equity in earnings of Newkirk Realty Trust of $6,976,000. These increases were partially offset by an increase in expenses of $15,350,000 primarily from increases in depreciation and amortization expense of $4,222,000, property operating expense of $2,849,000, interest expense of $10,155,000 and real estate taxes of $1,659,000. In 2005, we recognized an $11,000,000 legal settlement.

Income from Continuing Operations

The income from continuing operations increased by $19,730,000 to $42,820,000 for the year ended December 31, 2006, from income of $23,090,000 for the year ended December 31, 2005. As more fully described below, this increase was primarily attributable to an increase in total revenues of $21,636,000 and an increase in other income of $16,029,000 which were partially offset by an increase in total expenses of $15,350,000 and an increase in minority interest expense of $2,585,000.

Operating Properties

- Revenues and expenses increased for the year ended December 31, 2006, as compared to the year ended December 31, 2005, primarily as a result of recording a full year of operating activity related to our acquisitions made during 2005 of the Andover, Massachusetts property, the Burlington, Vermont property and the Chicago, Illinois property (Ontario) as well as the operating activities related to the 2006 acquisition of three Lisle, Illinois properties.

- Rental income increased by $13,368,000 to $38,822,000 for the year ended December 31, 2006 from $25,454,000 for the year ended December 31, 2005. The increase was due to (i) $4,464,000 of rental income relating to properties acquired in 2006, (ii) $8,071,000 of increased rental income relating to properties acquired in 2005 and (iii) an increase of $834,000 from properties held for 12 months in each year.

- Operating expenses from our properties increased by $2,849,000 to $4,054,000 for the year ended December 31, 2006, from $1,205,000 for the year ended December 31, 2005. The increase was due primarily to (i) $481,000 of additional expenses associated with our Jacksonville property as a result of Winn-Dixie rejecting the lease in connection with its bankruptcy resulting in the property changing from net lease to multi-tenant property, (ii) $1,385,000 of additional expenses associated with

properties acquired in 2006 and (iii) $958,000 of increased expenses relating to properties acquired in 2005.

- The $1,659,000 increase in real estate tax expense was due primarily to (i) $688,000 relating to properties acquired in 2006, (ii) $857,000 of additional real estate tax expense relating to properties acquired in 2005 and (iii) $112,000 of real estate tax expense at our Jacksonville property previously paid by Winn-Dixie.
- Interest expense related to our operating properties was $14,304,000 for 2006 compared to $12,475,000 for 2005. The increase of $1,829,000 was due primarily to (i) $1,031,000 relating to 2006 new property financings and (ii) $2,073,000 relating to increased interest expense from 2005 new property financings. The increase was partially offset by decreases of $1,275,000 on previously financed properties.
- Depreciation and amortization expense increased by $4,222,000 to $11,216,000 for the year ended December 31, 2006, compared to $6,994,000 for the year ended December 31, 2005. The increase was primarily due to the depreciation on properties acquired in 2006 of $1,392,000, increases in depreciation on 2005 property acquisitions of $2,284,000, increased depreciation of $321,000 related to leasing costs and tenant improvements at the Jacksonville, Florida property and $237,000 of depreciation on our Sherman, Texas property which was moved from discontinued operations to continuing operations in 2006. The increase was partially offset by a reduction of $12,000 in depreciation expense at our other properties.

Loans

Interest income from our loan investments was $13,129,000 for the year ended December 31, 2006, compared to $3,664,000 for the year ended December 31, 2005. The increase was due primarily to our investment in the Toy Building loan which generated $6,434,000 of interest income during the year ended December 31, 2006, and our investment in whole pool agency mortgage-backed securities, which generated interest income of $4,994,000 during this same period. Equity in earnings in preferred equity investments increased by $2,783,000 to $6,849,000 for the year ended December 31, 2006. The increase was due to our April 2005 origination of 24 mezzanine loans and two second mortgage loans, commonly referred to as the “Marc Realty Portfolio” and the sale in 2006 of four of the properties indirectly securing these loans, which generated a gain of approximately $984,000.

Real Estate Securities

During 2006 we increased income from our investment in real estate securities by $22,548,000, most notably by our investment in Newkirk. The Newkirk investment generated equity earnings from November 7, 2005 through December 31, 2005 of $304,000. During 2006, the Newkirk equity investment generated $7,280,000 of income. In connection with the consummation of the merger of Newkirk into Lexington, shares that were subject to forfeiture and the assignment of the exclusivity rights with respect to net lease assets were vested in Lexington. In addition, as consideration for assignment of our rights with respect to the net lease assets under the exclusivity agreement, we recognized other income of $9,500,000 and $10,500,000 in 2006 and 2005, respectively.

Dividends recognized on real estate securities were $1,073,000 during the year ended December 31, 2006. Also during 2006 we recognized gains aggregating $8,130,000 on the sale of our shares of certain real estate securities. Also as a result of the merger with Lexington, we recognized a gain of $9,285,000.

Corporate Activities

Interest income earned on our cash and cash equivalents during the year ended 2006 was $1,463,000 compared to $2,111,000 for the same period during 2005. The decrease was due primarily to less investment in cash and cash equivalents.

General and administrative expenses increased by $110,000 to $3,399,000 for the year ended December 31, 2006 from $3,289,000 for the year ended December 31, 2005. This increase was primarily the result of increases in dues and subscriptions of $187,000, reporting and news releases of $117,000 and legal fees of $89,000. These were

substantially offset by a decrease in accounting fees of $277,000. The increases to dues and subscriptions and news and reporting fees were a result of the issuance of new shares through the rights offering and the equity raise. The decrease in accounting fees is primarily the result of a reduction in the cost required to comply with Sarbanes-Oxley.

Base management fees increased to $3,681,000 for the year ended December 31, 2006 as compared to $2,660,000 for the year ended December 31, 2005. However, as a result of the $4,400,000 credit we received related to the incentive management fee paid by Newkirk to NKT Advisors, we had a net decrease of $719,000 in base management fee expense.

Interest expense increased by $2,583,000 to $8,495,000 for the year ended December 31, 2006 from $5,912,000 for the year ended December 31, 2005. The increase was the result of an increase of $1,566,000 related to the Series B-1 Preferred Shares and an increase in interest expense of $1,006,000 related to our revolving line of credit.

State Income Taxes

State income taxes of $234,000 for the year ended December 31, 2006, compared to $500,000 for the year ended December 31, 2005. The decrease in state income taxes of $266,000 from the same period in 2005 is due to a larger dividend paid deduction in 2006.

Legal Settlement

In 2005 we settled litigation with the state of California related to flood damage at our Peachtree Mall property. In connection with this settlement we received $11,000,000 in fiscal year 2005.

2005 Versus 2004

Income from Continuing Operations

Income from continuing operations increased by $21,147,000 to $23,090,000 for the year ended December 31, 2005 from income of $1,943,000 for the year ended December 31, 2004. As more fully described below, the increase is attributable to an increase in total revenues of $26,936,000 and an increase in other income of $23,781,000, which were partially offset by an increase in total expenses of $29,391,000.

Operating Properties

- Rental income increased by $22,067,000 to $25,454,000 for the year ended December 31, 2005 from $3,387,000 for the year ended December 31, 2004. The increase was primarily due to the acquisition of properties in late 2004 and 2005.

- Operating expenses from our properties increased by $412,000 to $1,205,000 for the year ended December 31, 2005 from $793,000 for the year ended December 31, 2004. The increase was due primarily to expenses associated with the rejection by Winn Dixie of its lease at our Jacksonville property.

- Interest expense related to our operating properties was $12,475,000 for 2005 compared to $684 for 2004 due primarily to the KeyBank financing which was put in place in November 2004.

- Depreciation and amortization expense increased by $6,268,000 to $6,994,000 for the year ended December 31, 2005 compared to $726,000 for the year ended December 31, 2004. The increase was due to the newly acquired net lease properties.

Loans

Interest income from our loans was $3,664,000 for the year ended December 31, 2005 compared to $1,292,000 for the year ended December 31, 2004. The increase was due primarily to our investment in whole pool agency mortgage-backed securities, which generated interest income in 2005 of $2,448,000. Equity in earnings in preferred equity increased from $0 in 2004 to $4,066,000 in 2005. The increase was due to our 2005 investment in the Marc Realty loans, which generated equity earnings of $4,066,000 in 2005.

Real Estate Securities

During 2005 we significantly increased our investment in real estate securities, most notably by our investment in Newkirk. This investment generated equity earnings from November 7, 2005, through December 31, 2005, of $304,000. In addition, as a result of the assignment of our rights with respect to the net lease assets, we recognized other income of $10,500,000. Dividends recognized on other real estate securities were $1,622,000 during the year ended December 31, 2005. Also during 2005, we recognized gains aggregating $243,000 on the sale of our shares of certain real estate securities. During the year ended December 31, 2004, we received dividends of $139,000 and recognized a $1,153,000 gain on sale of securities available for sale.

Corporate Activities

- Interest income earned on our cash and cash equivalents during the year ended 2005 was $2,111,000 compared to $1,097,000 for the same period in 2004. The increase was due primarily to higher yields on our cash invested.
- General and administrative expenses increased by $1,852,000 to $5,949,000 for the year ended December 31, 2005, from $4,097,000 for the year ended December 31, 2004. The primary cause of this increase was an increase in the advisory fee paid to FUR Advisors of $1,240,000 and expenses of $908,000 incurred in connection with the work performed in order to comply with Sarbanes-Oxley.
- Interest expense represents the amounts accrued on the Series B-1 Preferred Shares.
- The $11,000,000 legal settlement reported in 2005 was received from the State of California in settlement of our claims against the State resulting from the flood at our Peachtree Mall property in 1986.

Discontinued Operations

During 2004 we sold the Park Plaza Mall for a sales price of $77,500,000. We recognized a net gain on disposal of this property of $19,267,000. In addition, during 2004 we ceased our VenTek operations. The sale and operations of these assets were recorded as discontinued operations in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” The 2004 and 2005 discontinued operations represent rent from the St. Louis, Missouri property as a result of the pending condemnation proceedings by the City of St. Louis.

Critical Accounting Policies and Estimates

Our most critical accounting policy relates to the evaluation of the carrying value of real estate, loans and our investments in joint ventures.

We evaluate the need for an impairment loss on a real estate asset when indicators of impairment are present and the projected undiscounted cash flows from the asset are not sufficient to recover the asset’s carrying amount. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. The projection of cash flows used in the impairment evaluation involves significant judgment by management.

The allocation of the purchase price to Operating Properties upon acquisition also involves significant management judgment and has a significant impact on the amount and timing of depreciation and amortization. Upon acquisition of an Operating Property, the fair value of the real estate, which includes the impact of mark-to-market adjustments for assumed mortgage debt related to the property acquired, is allocated to tangible assets, consisting of land, building and improvements, fixtures and equipment and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and the value of tenant relationships, based in each case on management's determination of fair value.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, and identified intangible such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141: *Business Combinations* and SFAS No. 142: *Goodwill and Other Intangible Assets*, and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections and utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. Our properties, including any related intangible assets, are reviewed for impairment if events or circumstances change indicating that the carrying amount of the assets may not be recoverable.

We also invest in mezzanine loans. In connection with these mezzanine loans, we may also acquire an ownership interest in the borrower that allows us to participate in a percentage of the underlying property's cash flow from operations as well as proceeds from a sale or refinancing. At the inception of each such investment, management determines whether such investment should be accounted for as a loan, preferred equity, joint venture or as real estate. This requires management to use judgment in evaluating the substance of the investment and impacts the timing and amount of income recognized from the investment. We currently classify all of our mezzanine loans, where we also acquire an ownership interest in the borrower and receive a preferred return, as preferred equity investments.

In addition, our loans are periodically evaluated for possible impairment in order to determine whether it is necessary to establish a loan loss reserve. In some instances, if a borrower is experiencing difficulties making loan payments, we may assist the borrower to address the problems, which could include extending the loan term, making additional advances, or reducing required payments. If, in our judgment, it is probable we will not receive all contractually required payments when they are due, the loan is deemed impaired, and a loan loss reserve established. As of December 31, 2006 we have determined that no loan loss reserve is necessary.

Our investments in equity and joint venture investments are reviewed for impairment periodically or if events or circumstances change indicating that the carrying amount of our investments may not be recoverable. The ultimate realization of our equity investments is dependent on a number of factors including the performance of each investment and market conditions. We will record an impairment change if we determine that a decline in value of an investment is other than temporary.

Finally, estimates are used when accounting for the allowance for contingent liabilities and other commitments. All of the estimates and evaluations are susceptible to change and actual results could differ from the estimates and evaluations.

Recently Issued Accounting Standards

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* This Statement provides a "Fair Value Option" under which a company may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. This Fair Value Option will be available on a contract-by-contract basis with changes in fair value recognized in earnings as those changes occur. The effective date for this Statement is the beginning of each reporting entity's first fiscal year end that begins after November 15, 2007. The Statement also allows an entity to early adopt the Statement as of the beginning of an entity's fiscal year that begins on or before November 15, 2007, provided that the entity also adopts the requirement of SFAS No. 157. The Trust is currently assessing whether it will early adopt SFAS No. 159 as of the first quarter of fiscal 2007 as permitted, and is currently evaluating the impact adoption will have on the consolidated financial statements of the Trust.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* This Statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement clarifies that market participant assumptions include assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or risk inherent in the inputs to the valuation technique. This Statement clarifies that market participant assumptions also include assumptions about the effect of a restriction on the sale or use of an asset. This Statement also clarifies that a fair value measurement for a liability reflects its nonperformance risk. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Trust is currently evaluating the impact that the adoption of SFAS No. 157 will have on the Trust's consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140.* This statement (1) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (2) clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133; (3) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (4) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Trust does not believe that the adoption of SFAS No. 155 will have a material effect on the Trust's consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109.* This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. This standard on January 1, 2007 did not have a material impact on the Trust's consolidated financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The adoption of SAB 108 on December 31, 2006 did not have a material effect on the Trust's consolidated financial statements.

Funds From Operations

We compute funds from operations (FFO) as shown in the calculation below. Funds from operations is a non-GAAP financial measure which represents "funds from operations" as defined by NAREIT. NAREIT defines funds from operations as net income, computed in accordance with generally accepted accounting principles or GAAP, excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. We consider FFO a useful additional measure of performance because it can facilitate a comparison of current operating performance among REITs. FFO does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income or cash flow from operating activities as a measure of financial performance or liquidity.

The following presents a reconciliation of our net income to our funds from operations for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 (in thousands, except per share amounts):

	For the Year Ended		
	2006	2005	2004
Net income	$ 42,936	$ 23,621	$ 22,452
Real estate depreciation	5,934	4,386	1,504
Amortization of capitalized leasing costs	5,235	2,546	121
Real estate depreciation and amortization of unconsolidated interests	3,550	529	—
Less: Minority interest share of depreciation and amortization	(2,921)	(2,628)	—
Gain on sale of real estate	—	—	(19,267)
Gain on sale of operating property of unconsolidated interests	(3,446)	—	—
Gain on exchange of Newkirk Realty Trust	(9,285)	—	—
Funds from operations	42,003	28,454	4,810
Series A preferred dividend	—	(2,064)	(2,064)
Funds from operations applicable to common shares	42,003	26,390	2,746
Interest expense on Series B-1 shares	6,635	5,255	—
Series A preferred dividend	—	2,064	—
Funds from operations applicable to common shares plus assumed conversions	$ 48,638	$ 33,709	$ 2,746
Basic weighted-average Common Shares	46,639	32,451	31,059
Convertible Preferred Shares	22,663	22,909	—
Stock options	63	48	—
Diluted weighted-average Common Shares	69,365	55,408	31,059
Funds from operations per share - diluted	$ 0.70	$ 0.61	$ 0.09

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees
and Shareholders of
Winthrop Realty Trust
Boston, Massachusetts

We have audited the accompanying consolidated balance sheets of Winthrop Realty Trust and subsidiaries (the "Trust") (formerly known as First Union Real Estate Equity and Mortgage Investments) as of December 31, 2006 and 2005, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and financial statement schedule are the responsibility of the Trust's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Winthrop Realty Trust and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 21, the accompanying consolidated financial statements for the years ended December 31, 2006 and 2005 have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Trust's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Trust's internal control over financial reporting and an unqualified opinion on the effectiveness of the Trust's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Boston, Massachusetts
March 16, 2007
(October 2, 2007 as to the restatement discussed in Note 21)

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	December 31, 2006	December 31, 2005
ASSETS		
Investments in real estate, at cost		
Land	$ 19,510	$ 12,595
Buildings and improvements	227,891	203,323
	247,401	215,918
Less – accumulated depreciation	(12,932)	(9,267)
Investments in real estate, net	234,469	206,651
Cash and cash equivalents	89,463	19,018
Restricted cash	4,447	626
Mortgage-backed securities available for sale pledged under repurchase agreements	115,810	126,163
Loans receivable	81,415	67,504
Accounts receivable, net of allowance of $1 and $23, respectively	12,412	9,094
Real estate securities available for sale	95,148	34,300
Preferred equity investment	73,127	78,427
Equity investments	98,101	70,304
Lease intangibles, net	36,402	36,735
Deferred financing costs, net	6,354	6,698
Assets of discontinued operations	1,159	1,382
Other assets	3,313	1,946
TOTAL ASSETS	$ 851,620	$ 658,848
LIABILITIES		
Repurchase agreements	$ 111,911	$ 121,716
Mortgage loans payable	232,768	175,118
Series B-1 Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest, $25 per share liquidating preference, 3,990,000 and 4,000,000 shares authorized and outstanding in 2006 and 2005	99,750	100,000
Loans payable	30,004	30,025
Revolving line of credit	—	16,000
Accounts payable and accrued liabilities	10,306	8,698
Dividends payable	7,844	4,430
Below market lease intangibles, net	4,572	4,569
Deferred income	—	9,500
Liabilities of discontinued operations	828	1,659
TOTAL LIABILITIES	497,983	471,715
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	30,051	27,527
SHAREHOLDERS' EQUITY		
Series A Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest, $25 per share liquidating preference, 2,300,000 shares authorized, 0 and 983,082 outstanding in 2006 and 2005	—	23,131
Common shares of beneficial interest, $1 par, unlimited authorized, 65,369,734 and 35,581,479 outstanding in 2006 and 2005, respectively	65,370	35,581
Additional paid-in capital	353,719	221,386
Accumulated other comprehensive income	5,037	6,915
Accumulated distributions in excess of net income	(100,540)	(127,407)
Total Shareholders' Equity	323,586	159,606

TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS’ EQUITY	$ 851,620	$ 658,848

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share data)

	Years Ended December 31,		
	2006	2005	2004
Revenues			
Rents	$ 38,822	$ 25,454	$ 3,387
Interest and dividends	15,665	7,397	2,528
	54,487	32,851	5,915
Expenses			
Property operating	4,054	1,205	793
Real estate taxes	1,879	220	66
Depreciation and amortization	11,216	6,994	726
Interest	31,057	20,902	697
State and local taxes	234	500	—
General and administrative	3,399	3,289	2,677
Base management fee	(719)	2,660	1,420
	51,120	35,770	6,379
Other income (loss)			
Legal settlement	—	11,000	—
Assignment of exclusivity agreement – net lease assets	9,500	10,500	—
Equity in earnings of preferred equity investment	6,849	4,066	—
Equity in earnings of equity investments	8,569	304	—
Gain on exchange of equity investment	9,285	—	—
Other income	530	75	—
Insurance recoveries	—	—	1,254
Gain on sale of real estate securities available for sale	8,130	243	1,153
Loss on early extinguishment of debt	(646)	—	—
	42,217	26,188	2,407
Income from continuing operations before minority interest	45,584	23,269	1,943
Minority interest	2,764	179	—
Income from continuing operations	42,820	23,090	1,943
Discontinued operations			
Income from discontinued operations	116	531	1,242
Gain on sale of real estate	—	—	19,267
Income from discontinued operations	116	531	20,509
Net income	42,936	23,621	22,452
Preferred dividend	—	(2,064)	(2,064)
Net income applicable to Common Shares of Beneficial Interest	$ 42,936	$ 21,557	$ 20,388

Continued on next page.

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In thousands, except per share data)

Continued from previous page

	Years Ended December 31,		
	2006	2005	2004
Comprehensive income			
Net income	$ 42,936	$ 23,621	$ 22,452
Change in unrealized gain on real estate securities available for sale arising during the period	6,115	3,254	4,512
Change in unrealized gain (loss) on mortgage-backed securities available for sale arising during the period	406	(1,393)	—
Change in unrealized gain (loss) on interest rate derivative arising during the period	(269)	2,263	(325)
Less reclassification adjustment from gains included in net income	(8,130)	(243)	(1,153)
Comprehensive income	$ 41,058	$ 27,502	$ 25,486
Per Common Share Data – Basic[(1)]:			
Income from continuing operations	$ 0.74	$ 0.50	$ —
Income from discontinued operations	—	0.02	0.66
Net income	$ 0.74	$ 0.52	$ 0.66
Per Common Share Data – Diluted:			
Income from continuing operations	$ 0.71	$ 0.50	$ —
Income from discontinued operations	—	0.02	0.66
Net income	$ 0.71	$ 0.52	$ 0.66
Basic Weighted-Average Common Shares	46,639	32,451	31,059
Diluted Weighted-Average Common Shares	69,365	32,499	31,059

(1) As restated for the years ended December 31, 2006 and 2005. See Note 21.

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

(In thousands, except per share amounts)

	Series A Preferred Shares of Beneficial Interest		Common Shares of Beneficial Interest					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2003	983	$ 23,131	31,059	$ 31,059	$ 207,968	$ (165,438)	$ —	96,720
Net income	—	—	—	—	—	22,452	—	22,452
Dividends paid or accrued on preferred shares ($2.10 per share)	—	—	—	—	—	(2,064)	—	(2,064)
Change in unrealized gain on real estate securities available for sale, net of reclassification adjustments for amounts included in net income	—	—	—	—	—	—	3,359	3,359
Change in unrealized loss on interest rate derivatives	—	—	—	—	—	—	(325)	(325)
Balance, December 31, 2004	983	23,131	31,059	31,059	207,968	(145,050)	3,034	120,142
Net income	—	—	—	—	—	23,621	—	23,621
Dividends paid or accrued on Series A preferred shares ($2.10 per share)	—	—	—	—	—	(2,064)	—	(2,064)
Dividends accrued on common shares ($.11 per share)	—	—	—	—	—	(3,914)	—	(3,914)
Change in unrealized gain on real estate securities available for sale, net of reclassification adjustments for amounts included in net income	—	—	—	—	—	—	3,011	3,011
Change in unrealized loss on mortgage-backed securities available for sale	—	—	—	—	—	—	(1,393)	(1,393)
Change in unrealized gain on interest rate derivatives	—	—	—	—	—	—	2,263	2,263
Issuance of common shares	—	—	4,522	4,522	13,418	—	—	17,940
Balance, December 31, 2005	983	23,131	35,581	35,581	221,386	(127,407)	6,915	159,606
Net income	—	—	—	—	—	42,936	—	42,936
Dividends paid or accrued on common shares of beneficial interest ($0.30 per share)	—	—	—	—	—	(16,069)	—	(16,069)
Change in unrealized loss on real estate securities available for sale, net of reclassification adjustments for amounts included in net income	—	—	—	—	—	—	(2,015)	(2,015)
Change in unrealized loss on mortgage backed securities available for sale	—	—	—	—	—	—	406	406
Change in unrealized gain on interest rate derivatives	—	—	—	—	—	—	(269)	(269)
Redemption of Series A-1 preferred shares for common shares	(983)	(23,131)	4,837	4,837	18,294	—	—	—
Conversion of Series B-1 preferred shares to common shares	—	—	56	56	194	—	—	250
Issuance of common shares through rights offering	—	—	5,220	5,220	21,902	—	—	27,122
Issuance of common shares	—	—	19,550	19,550	91,264	—	—	110,814
Reinvestment of dividend proceeds	—	—	126	126	679	—	—	805
Balance, December 31, 2006	—	$ —	65,370	$ 65,370	$ 353,719	$ (100,540)	$ 5,037	$ 323,586

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2006	2005	2004
Cash flows from operating activities			
Net income	$ 42,936	$ 23,621	$ 22,452
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization (including amortization of deferred financing costs)	7,809	5,598	1,636
Amortization of lease intangibles	5,595	2,562	153
Straight-lining of rental income	(1,920)	(1,436)	(780)
Equity in earnings of preferred equity investment in (excess) deficit of distributions	35	(490)	—
Equity in earnings of equity investments in excess of distributions	(170)	(304)	—
Interest earned on restricted cash	(45)	—	—
Minority interest	2,764	179	—
Gain on assignment of exclusivity agreement	(9,500)	(10,500)	—
Gain on sale of real estate	—	—	(19,267)
Gain on sale of real estate securities available for sale	(8,130)	(243)	—
Gain on sale of equity investment	(9,285)	—	—
Winn-Dixie legal settlement income	(1,108)	—	—
Loss on early extinguishment of debt	126	—	—
Decrease in deferred income	—	(68)	(359)
Bad debt (recovery) expense	(22)	99	90
Interest receivable on loans	54	(806)	—
Net changes in other operating assets and liabilities	(1,452)	(2,342)	62
Net cash provided by operating activities	27,687	15,870	3,987
Cash flows from investing activities			
Investments in real estate	(38,749)	(67,453)	(63,944)
Purchase of mortgage-backed securities available for sale	(23,850)	(149,134)	—
Proceeds from repayments of mortgage-backed securities available for sale	34,352	21,463	—
Investment in equity investments	(96,812)	(50,000)	—
Investment in preferred equity investment	(1,843)	(77,937)	—
Proceeds from preferred equity investment	7,108	—	—
Purchase of real estate securities available for sale	(4,986)	(17,965)	(23,094)
Proceeds from investments held to maturity	—	—	68,900
Proceeds from sale of real estate securities available for sale	29,831	1,654	11,806
Proceeds from sale of real estate	—	—	33,635
(Increase) decrease in restricted cash	(3,776)	(626)	2,818
Issuance and acquisition of loans receivable	(22,554)	(63,888)	(24,540)
Collection of loans receivable	8,589	5,580	16,150
Purchase of real estate held for syndication	—	—	(7,613)
Net proceeds from sale of parking business and other assets	—	—	15
Net cash (used in) provided by investing activities	(112,690)	(398,306)	14,133

(Continued on next page)

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Continued)

	Years Ended December 31,		
	2006	2005	2004
Cash flows from financing activities			
Borrowings under repurchase agreements	23,070	144,161	—
Repayment of borrowings under repurchase agreements	(32,875)	(22,445)	—
Proceeds from mortgage loans payable	89,522	22,600	53,000
Proceeds from loans payable	—	30,000	—
Payments of loans payable	(21)	(19)	(20)
Proceeds from revolving line of credit	77,000	16,000	—
Payment of revolving line of credit	(93,000)	—	—
Deferred financing costs	(1,813)	(6,594)	(1,196)
Contribution by minority interests	3,246	27,347	—
Distribution to minority interests	(3,486)	—	—
Principal payments of mortgage loans payable	(32,281)	(8,031)	(205)
Issuance of Common Shares	110,814	17,940	—
Issuance of Common Shares through rights offering	27,122	—	—
Issuance of Series B-1 Cumulative Convertible Redeemable Preferred Shares	—	100,000	—
Dividends paid on Series A Preferred Shares	(516)	(2,064)	(2,064)
Dividends paid on Common Shares	(12,139)	—	—
Reinvestment of dividend proceeds	805	—	—
Net cash provided by financing activities	155,448	318,895	49,515
Net increase (decrease) increase in cash and cash equivalents	70,445	(63,541)	67,635
Cash and cash equivalents at beginning of period	19,018	82,559	14,924
Cash and cash equivalents at end of period	$ 89,463	$ 19,018	$ 82,559
Supplemental Disclosure of Cash Flow Information			
Interest paid	$ 28,886	$ 19,133	$ 2,043
Taxes paid	$ 667	$ 162	$ 55
Supplemental Disclosure on Non-Cash Investing and Financing Activities			
Dividends accrued on Common Shares	$ 7,844	$ 3,914	$ —
Dividends accrued on Preferred Shares	—	516	516
Stock received for assignment of exclusivity rights - net lease assets	—	(20,000)	—
Mortgage loan and interest payable assumed in acquisition	—	—	32,401
Mortgage loan assumed by purchaser of property	—	—	(41,313)
Liabilities of real estate held for syndication assumed in acquisition	—	—	76,762
Redemption of Class A-1 Preferred Shares to Common Shares	23,131	—	—

See Notes to Consolidated Financial Statements.

1. Business

Winthrop Realty Trust (formerly known as First Union Real Estate Equity and Mortgage Investments) 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 December 31, 2005, which has as its stated principal business activity the ownership and management of, and lending to, real estate and related investments.

Effective January 1, 2005, the Trust conducts its business through WRT Realty L.P. (formerly First Union REIT L.P.), a Delaware limited partnership (the "Operating Partnership"). The Trust 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 Trust's assets and liabilities to the Operating Partnership had no effect on the Trust's financial statements. All references to the "Trust" refer to Winthrop Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

The Trust operates in three business segments: (i) ownership of real estate operating properties, (ii) ownership of loans receivable and (iii) ownership of real estate securities. The Trust makes investments in each of these segments directly and in strategic alliances and joint ventures with third parties. At December 31, 2006, the Trust owned directly or indirectly:

- Operating Properties containing 8,209,000 square feet of space including the properties underlying the Sealy and Marc Realty portfolio (see Notes 5 and 7).
- Loans having an aggregate principal amount of $152,140,000 together with a 50% ownership interest in Concord Debt Holdings LLC (see Notes 5 and 8 - *Concord Debt Holdings LLC*).
- Real Estate Securities with a market value of $95,148,000.

2. Summary of Significant Accounting Policies

Consolidation and Basis of Presentation

The consolidated financial statements represent the consolidated results of Winthrop Realty Trust, its wholly-owned taxable REIT subsidiary, WRT-TRS Management Corp. (formerly known as First Union Management, Inc.) ("FUMI"), the Operating Partnership, and 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. Under a trust agreement, all of the outstanding shares of stock of FUMI were held for the benefit of the shareholders of the Trust. Effective July 1, 2005, the Trust consummated a business combination with FUMI pursuant to which FUMI became a wholly owned subsidiary of the Trust. FUMI's sole asset is a 0.2% ownership interest in the Operating Partnership.

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates that are particularly susceptible to change relate to management's estimate of the impairment of real estate, loans and investments in joint ventures and whether there have been other-than-temporary impairments to the value of the Trust's real estate securities for sale and mortgage-backed securities available for sale. In addition, estimates are used when accounting for the allowance for doubtful accounts. All of the estimates and evaluations are susceptible to change and actual results could differ from the estimates and evaluations.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation due to the reporting of discontinued operations for assets classified as held for sale in accordance with SFAS No. 144.

2. Summary of Significant Accounting Policies (Continued)

Investments in Real Estate

Real estate assets are stated at historical cost. Expenditures for repairs and maintenance are expensed as incurred. Significant renovations that extend the useful life of the properties are capitalized. Depreciation for financial reporting purposes is computed using the straight-line method. Buildings are depreciated over their estimated useful lives of 10 to 40 years, based on the property's age, overall physical condition, type of construction materials and intended use. Improvements to the buildings are depreciated over the shorter of the estimated useful life of the improvement or the remaining useful life of the building at the time the improvement is completed. Tenant improvements are depreciated over the life of the lease of the tenant. The Trust reviews its portfolio of properties for any impairment losses if events or changes in circumstances indicate that the carrying value of the real estate may not be recoverable. The Trust records impairment losses when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the asset's carrying amount. The impairment loss is measured by comparing the fair value of the asset to its carrying amount.

Upon the acquisition of real estate, we assess the fair value of acquired assets (including land, buildings and improvements, and identified intangible such as above and below market leases and acquired in-place leases and customer relationships) and acquired liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141: *Business Combinations* and SFAS No. 142: *Goodwill and Other Intangible Assets*, and we allocate purchase price based on these assessments. We assess fair value based on estimated cash flow projections and utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known trends, and market/economic conditions that may affect the property. Our properties, including any related intangible assets, are reviewed for impairment if events or circumstances change indicating that the carrying amount of the assets may not be recoverable.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with maturities of three months or less.

Restricted Cash

Restricted cash in escrow accounts and deposits securing a loan payable includes cash reserves for tenant improvements, leasing commissions, real estate taxes and other expenses pursuant to the loan agreements.

2. Summary of Significant Accounting Policies (Continued)

Mortgage-Backed Securities

All of the Trust's mortgage-backed securities are designated as available-for-sale and are carried at their estimated fair value with unrealized gains and temporary losses excluded from earnings and reported in other comprehensive income or loss, a component of shareholders' equity. Charges for other than temporary impairments are included in net income.

The Trust's mortgage-backed securities consist of a portfolio of whole pool adjustable rate mortgage-backed securities issued by Federal National Mortgage Association ("Fannie Mae"). All of the Trust's mortgage-backed securities are pledged as collateral under the Trust's repurchase agreements.

Interest income is accrued based on the outstanding principal balance of the investment securities and their contractual terms. Premiums and discounts associated with the purchase of investment securities are amortized and recorded in interest income over the life of such securities using the effective yield method, adjusted for actual prepayment activity. Realized gains and losses and charges for other than temporary impairments are included in net income. Sales of securities are recorded on the trade date and gains or losses are determined on the specific identification method.

Loans Receivable

The Trust's policy is to record loans receivable at cost. The Trust evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether it is impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Trust will be unable to collect all amounts due according to the existing contractual terms. When a loan is considered to be impaired, the amount of the loss accrual is calculated by comparing the recorded investment to either the value determined by discounting the expected future cash flows at the loan's effective interest rate or to the value of the collateral if the loan is collateral dependent. Interest income is recognized on an accrual basis.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Trust's best estimate of the amount of probable credit losses in the Trust's existing accounts receivable. The Trust reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Trust does not have any off-balance sheet credit exposure related to its tenants.

Real Estate Securities Available for Sale

The Trust classifies investments in real estate equity securities with readily determinable fair values on the balance sheet as available for sale because these securities are held principally for investment purposes and not for sale in the short term. Accordingly, the Trust records these investments at fair value and unrealized gains and losses are recognized through shareholders' equity, as a component of other comprehensive income. Realized gains and losses and charges for other than temporary impairments are included in net income. Sales of securities are recorded on the trade date and gains or losses are determined on the specific identification method.

Preferred Equity Investment

The Trust invests in mezzanine loans in which the Trust also holds an ownership interest in the borrower that allows the Trust to participate in a percentage of the proceeds from a sale or refinancing of the underlying property. At the inception of each such investment, management must determine whether such investment should be accounted for as a loan, preferred equity, joint venture or as real estate. The Trust classifies all of its current portfolio of mezzanine loans where the Trust acquires an ownership interest in the borrower entity and a preferred return as preferred equity investments and they are accounted for using the equity method because the Trust has the ability to significantly influence, but not control, the entity's operating and financial policies.

2. Summary of Significant Accounting Policies (Continued)

Equity Investments

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. Factors that are considered in determining whether or not the Trust exercises control include (i) the right to remove the general partner in situations where the Trust is the general partner, and (ii) substantive participating rights of partners in significant business decisions including: dispositions and acquisitions of assets, financing, operations and capital budgets and other contractual rights. If the Trust is deemed to control these entities, these entities are consolidated. Determination is made on a case-by-case basis. Under the equity method, the investment, originally recorded at cost, is adjusted to recognize the Trust's share of net earnings or losses as they occur and for additional contributions made or distributions received. Equity investments are evaluated for other-than-temporary impairment if the fair value of the Trust's investment declines below its carrying amount.

Lease Intangibles

In allocating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the difference between the current in-place lease rent and a management estimate of current market rents. Below-market lease intangibles are recorded as part of deferred revenue and amortized into rental revenue over the non-cancelable periods of the respective leases. Above-market leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable portion of the respective leases.

Deferred Financing Costs

Direct financing costs are deferred and amortized over the terms of the related agreements as a component of interest expense.

Variable Interest Entities

Financial Accounting Standards Board ("FASB") Interpretation No. 46 (Revised) - *Consolidation of Variable Interest Entities* ("FIN 46R") requires a variable interest entity ("VIE") to be consolidated by its primary beneficiary. The primary beneficiary is the party that incurs a majority of the VIE's anticipated losses and/or a majority of the expected returns.

The Trust has evaluated its loans and investments to determine whether they are variable interests in a VIE. This evaluation resulted in the Trust determining that certain of its loans, preferred equity investments and other investments were potentially variable interests in VIEs. For each of these investments, the Trust has evaluated (1) the sufficiency of the applicable entity's equity investments at risk to absorb expected losses, (2) whether as a group the holders of the equity investments at risk have (a) the direct or indirect ability through voting rights to make decisions about the entity's significant activities, (b) the obligation to absorb the expected losses of the entity and whether their obligations are protected directly or indirectly, and (c) the right to receive the expected residual return of the entity without a cap on the return, (3) whether the voting rights of these investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected returns of the equity or both, and (4) whether substantially all of the entity's activities involve or are conducted on behalf of an investor that has disproportionately few voting rights. As of December 31, 2006, the Trust has identified the loan acquired by WRT-Marc RC LLC (See Note 5) to be a variable interest in a VIE. However, the Trust has determined that it is not the primary beneficiary and therefore accounts for this investment as a loan receivable. The Trust's maximum exposure to loss related to this VIE is limited to the amount of its investment.

Fair Value of Financial Instruments

Financial instruments held by the Trust include cash and cash equivalents, restricted cash, mortgage-backed securities available for sale, real estate securities available for sale, loans receivable, interest rate swap agreements, accounts receivable, revolving line of credit, accounts payable, long term debt and repurchase agreements. The fair value of the cash and cash equivalents, restricted cash, mortgage-backed securities available for sale, real estate securities available for sale, interest rate swap agreements, accounts receivable, accounts payable and repurchase agreements approximate their current carrying amounts. The fair value of the Trust's mortgage loans payable, loans payable and revolving line of credit exceeds their current carrying amounts by $1,283,000 and $0 at December 31, 2006 and 2005, respectively.

2. Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments

The Trust accounts for its interest rate swap agreements in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted. In accordance with SFAS No. 133, all interest rate swap agreements are carried on the balance sheet at their fair value, as an asset if their fair value is positive, or as a liability if their fair value is negative. Since the Trust's derivatives are designated as "cash flow hedges," the change in the fair value of any such derivative is recorded in other comprehensive income or loss for hedges that qualify as effective and the change in the fair value is transferred from other comprehensive income or loss to earnings as the hedged liability affects earnings. The ineffective amount of all interest rate swap agreements, if any, is recognized in earnings each quarter. To date, the Trust has not recognized any change in the value of its interest rate swap agreements in earnings as a result of the hedge or a portion thereof being ineffective. Accordingly, changes in value are recorded through other comprehensive income. The fair value of the Trust's interest rate swaps are approximately $1,669,000 and $1,938,000 at December 31, 2006 and 2005, respectively, and are included in other assets at December 31, 2006 and 2005. Such fair value estimates are not necessarily indicative of the amounts that would be recognized upon disposition of the Trust's financial instruments. The Trust estimates that during the year ended December 31, 2007, it will reclassify $504,000 from other comprehensive income to earnings as a decrease in interest expense.

Upon entering into hedging transactions, the Trust documents the relationship between the interest rate swap agreements and the hedged liability. The Trust also documents its risk management policies, including objectives and strategies, as they relate to its hedging activities. The Trust assesses, both at inception of a hedge and on an on-going basis, whether or not the hedge is highly "effective," as defined by SFAS No. 133. The Trust discontinues hedge accounting on a prospective basis with changes in the estimated fair value reflected in earnings when: (i) it is determined that the derivative is no longer effective in offsetting cash flows of a hedged item (including forecasted transactions); (ii) it is no longer probable that the forecasted transaction will occur; or (iii) it is determined that designating the derivative as an interest rate swap agreement is no longer appropriate. To date, the Trust has not discontinued hedge accounting for any of its interest rate swap agreements. The Trust utilizes interest rate swap agreements to manage interest rate risk and does not intend to enter into derivative transactions for speculative or trading purposes.

Repurchase Agreements

The Trust finances the acquisitions of its mortgage-backed securities through the use of repurchase agreements. Although structured as a sale and repurchase obligation, a repurchase agreement operates as a financing under which the Trust pledges its securities as collateral to secure a loan which is equal in value to a specified percentage of the estimated fair value of the pledged collateral, while the Trust retains beneficial ownership of the pledged collateral. At the maturity of a repurchase agreement, the Trust is required to repay the loan and concurrently receives back its pledged collateral from the lender or, with the consent of the lender, the Trust may renew such agreement at the then prevailing financing rate. Margin calls, whereby the lender requires the Trust to pledge additional collateral to secure borrowings under its repurchase agreement with the lender, may be experienced by the Trust as the current face value of its mortgage-backed securities declines due to scheduled monthly amortization and prepayments of principal on such mortgage-backed securities. In addition, margin calls may also occur when the fair value of the mortgage-backed securities pledged as collateral declines due to increases in market interest rates or other market conditions.

The original term to maturity of the Trust's repurchase agreements is one month. Should the counterparty decide not to renew a repurchase agreement at maturity, the Trust must either refinance it elsewhere or satisfy the obligation, which might require the Trust to liquidate a portion or all of its investment in mortgage-backed securities.

2. Summary of Significant Accounting Policies (Continued)

Repurchase Agreements (Continued)

The FASB has announced plans to re-write SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, which may affect the treatment of transactions where mortgage-backed securities purchased from a particular counterparty are financed by a repurchase agreement with the same counterparty. At December 31, 2006 and December 31, 2005, the Trust recorded such assets and the related financing gross on its balance sheet and the corresponding interest income and interest expense gross on its income statement. Any changes in fair value of the security was reported through other comprehensive income under SFAS No. 115, because the security was classified as "available for sale." However, in a transaction by the Trust where the mortgage-backed securities are acquired from and financed under a purchase agreement with the same counterparty, under the revision being considered by FASB, the acquisition may not qualify as a sale from the seller's perspective under the provision of SFAS No. 140. In such cases, the seller of the mortgage-backed securities would be required to continue to consolidate the assets sold to the Trust, based on their continuing involvement with such investments. Depending on the ultimate outcome of the FASB re-write of SFAS No. 140, the Trust, to the extent it has securities acquired from and financed with the same counterparty, may be precluded from presenting the asset and liabilities gross on its balance sheet and may instead treat its net investment in such assets as a derivative.

This potential change in accounting treatment would not affect the economics of the transactions but would only affect how the transactions would be reported in the Trust's financial statements. The Trust's cash flows, its liquidity and its ability to pay dividends would be unchanged. The Trust does not believe its taxable income, REIT status or net equity would be materially affected.

Stock Options

There were no stock option grants during the years ended December 31, 2006 and 2005 and all previously issued options are fully vested.

Revenue Recognition

The Trust accounts for its leases with tenants as operating leases with rental revenue recognized on a straight-line basis over the lease term. Accordingly, deferred rental income is recorded from tenants for the amount that is expected to be collected over the lease term rather than currently. When a property is acquired, the term of existing leases is considered to commence as of the acquisition date.

Tenant leases that are not net leases generally provide for (i) billings of fixed minimum rental and (ii) billings of certain operating costs. The Trust accrues the recovery of operating costs based on actual costs incurred. These amounts are included in accounts receivable at December 31, 2006 and 2005.

Income Taxes

The Trust operates in a manner intended to enable it to continue to qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code. In order to qualify as a REIT, the Trust is generally required each year to distribute to its shareholders at least 90% of its taxable income (excluding any net capital gains). There is also a separate requirement to distribute net capital gains or pay a corporate level tax. The Trust intends to comply with the foregoing minimum distribution requirements.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Effective July 1, 2005, the Trust consummated a business combination with FUMI pursuant to which FUMI became a wholly-owned subsidiary of the Trust. In connection with the business combination, FUMI elected to be treated for Federal income tax purposes as a taxable REIT subsidiary. In order for the Trust to continue to qualify as a REIT, the value of the FUMI stock cannot exceed 20% of the value of the Trust's total assets. At December 31, 2006, FUMI did not exceed 20% of the value of the Trust's total assets. The net income of FUMI is taxable at regular corporate tax rates. Current income taxes are recognized during the period in which transactions enter into the determination of financial statement income, with deferred income taxes being provided for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and such values as determined by income tax laws. Changes in deferred income taxes attributable to these temporary differences are included in the determination of income. The Trust and FUMI do not file consolidated tax returns.

Earnings Per Share

The Trust has calculated earnings per share in accordance with SFAS 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. The reconciliation of shares outstanding for the basic and diluted earnings per share calculation is as follows (in thousands, except per-share data):

	2006	2005	2004
Basic			
Income from continuing operations	$ 42,820	$ 23,090	$ 1,943
Preferred dividend	—	(2,064)	(2,064)
Income from continuing operations, net of preferred dividend	42,820	21,026	(121)
Income from discontinued operations	116	531	20,509
Allocation of undistributed earnings to Series B-1 Preferred Shares	(8,655)	(4,837)	—
Net income applicable to Common Shares for earnings per share purposes	$ 34,281	$ 16,720	$ 20,388
Basic weighted-average Common Shares	46,639	32,451	31,059
Income from continuing operations, net of preferred dividend(1)	$ 0.74	$ 0.50	$ —
Income from discontinued operations	—	0.02	0.66
Net income per Common Share	$ 0.74	$ 0.52	$ 0.66
Diluted			
Income from continuing operations	$ 42,820	$ 23,090	$ 1,943
Preferred dividend of Series A Preferred Shares	—	(2,064)	(2,064)
Preferred dividend of Series B-1 Preferred Shares	6,635	—	—
Income from continuing operations, net of preferred dividend	49,455	21,026	(121)
Allocation of undistributed earnings to Series B-1 Preferred Shares	—	(4,837)	—
Income from discontinued operations	116	531	20,509
Net income applicable to Common Shares for earnings per share purposes	$ 49,571	$ 16,720	$ 20,388
Basic weighted-average Common Shares	46,639	32,451	31,059
Convertible Preferred Shares	22,663	—	—
Stock Options	63	48	—
Diluted weighted-average Common Shares	69,365	32,499	31,059
Income from continuing operations, net of preferred dividend	$ 0.71	$ 0.50	$ —
Income from discontinued operations	—	0.02	0.66
Net income per Common Share	$ 0.71	$ 0.52	$ 0.66

(1) As restated for the years ended December 31, 2006 and 2005.

2. Summary of Significant Accounting Policies (Continued)

Earnings Per Share (Continued)

The Trust's Series A Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest ("Series A Shares") and Series B-1 Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest ("Series B-1 Preferred Shares") are antidilutive for the years ended December 31, 2005 and 2004 and accordingly, are not included in the weighted average shares outstanding for the diluted earnings per share. The Series A Preferred Shares, which were redeemed for the Trust's common shares of beneficial interest ("Common Shares") on February 7, 2006, and Series B-1 Preferred Shares were dilutive for the year ended December 31, 2006.

Recently Issued Accounting Standards

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This Statement provides a "Fair Value Option" under which a company may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. This Fair Value Option will be available on a contract-by-contract basis with changes in fair value recognized in earnings as those changes occur. The effective date for this Statement is the beginning of each reporting entity's first fiscal year end that begins on or before November 15, 2007. The Statement also allows an entity to early adopt the Statement as of the beginning of an entity's fiscal year that begins after the issuance of this Statement, provided that the entity also adopts the requirement of SFAS No. 157. The Trust is currently assessing whether it will early adopt SFAS No. 159 as of the first quarter of fiscal 2007 as permitted, and is currently evaluating the impact adoption will have on the consolidated financial statements of the Trust.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement clarifies that market participant assumptions include assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or risk inherent in the inputs to the valuation technique. This Statement clarifies that market participant assumptions also include assumptions about the effect of a restriction on the sale or use of an asset. This Statement also clarifies that a fair value measurement for a liability reflects its nonperformance risk. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Trust is currently evaluating the impact that the adoption of SFAS No. 157 will have on the Trust's consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140.* This statement (1) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (2) clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133; (3) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (4) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (5) amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Trust does not believe that the adoption of SFAS No. 155 will have a material effect on the Trust's consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109*. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. This standard adopted on January 1, 2007 did not have a material impact on the Trust's consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards (Continued)

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 did not have a material effect on the Trust's consolidated financial statements as of December 31, 2006.

3. Real Estate Investments

At December 31, 2006, real estate assets were comprised of 20 net lease retail, office and industrial properties, four multi-tenanted office properties and one warehouse property that had been net leased to Winn-Dixie Stores, Inc. ("Winn-Dixie") and is now 83% leased as a multi-tenant property. At December 31, 2006, one office property was vacant.

In November 2005, Winn-Dixie, the tenant at the Trust's Jacksonville, Florida property, elected to reject its lease in connection with its proceeding under Chapter 11 of the United States Bankruptcy Code. In December 2006, the Trust settled a claim for past due rent and real estate taxes with Winn-Dixie and received 76,975 common shares of Winn-Dixie which were then valued at approximately $1,108,000. In addition, under the terms of its lease Winn-Dixie was responsible for the remediation of petroleum related contamination encountered in the ground water during its removal of underground storage tanks. Given the extent and nature of the contamination at the Jacksonville property and because a substantial portion of the costs associated with the remediation are covered by a state sponsored plan, the Trust does not believe the costs to be borne by the Trust will be material.

Acquisitions

Amherst, New York Property

On May 25, 2005, the Trust acquired two adjacent office building properties in Amherst, New York that are net leased to and serve as the east coast headquarters of Ingram Micro, Inc. The properties contain an aggregate of 200,000 square feet of office space and were acquired for an aggregate purchase price of $22,055,000.

Ontario Property

On October 28, 2005, the Trust entered into a joint venture agreement with Marc Ontario LLC, an affiliate of Marc Realty LLC ("Marc Realty") (see Note 7). FT-Ontario Holdings LLC ("FT-Ontario"), a Delaware limited liability company, was formed for the purpose of acquiring 128,000 square feet of retail and office space consisting of the first six floors in a mixed-use building together with 208 parking spaces located at One East Erie, Chicago, Illinois (the "Ontario Property"). Pursuant to the terms of the joint venture agreement, the Trust and Marc Ontario LLC contributed approximately $5,526,000 and $1,282,000, respectively, to the capital of FT-Ontario. The Ontario Property was acquired for an aggregate purchase price of approximately $26,536,000 including approximately $252,000 in closing costs. The purchase price was funded through the capital contribution made to FT-Ontario, with the balance being provided by a loan from the Trust in the amount of $19,903,000 secured by the Ontario Property. This loan was repaid in February 2006. The Trust is the managing member of FT-Ontario and holds an 80% interest in FT-Ontario. At such time as each of the members of FT-Ontario receives aggregate distributions equal to their invested capital plus a 9% cumulative return thereon, the Trust's interest in FT-Ontario decreases to 75%.

FT-Ontario is consolidated with the Trust at December 31, 2006 and 2005.

3. Real Estate Investments (Continued)

Acquisitions (Continued)

Verizon Properties

On December 29, 2005, the Trust acquired (i) an approximately 92,500 square foot office building in Andover, Massachusetts and a leasehold interest in the land on which it is situated for a purchase price of $12,750,000, and (ii) an approximately 56,000 square foot office building located in Burlington, Vermont and a leasehold interest in the land on which it is situated for a purchase price of $5,250,000. These properties are leased by the Trust to Verizon of New England, Inc. ("Verizon") pursuant to two separate lease agreements on a net basis, whereby, Verizon is responsible for all costs associated with the properties (taxes, insurance, maintenance, etc.) while the applicable lease agreements are in effect.

Corporetum Properties

On February 16, 2006, the Trust acquired from an unaffiliated third party three office buildings located at 550-650, 701 and 1050 Warrenville Road, Lisle, Illinois, a Chicago suburb. The gross purchase price for the 550-650 and 701 properties (the "Wholly-Owned Properties") was $31,750,000 and the purchase price for the 1050 property was $3,500,000, which was acquired in a joint venture owned 60% by the Trust and 40% by the principals of Marc Realty, who are not affiliates of the Trust. The Wholly-Owned Properties, which contain approximately 236,000 square feet, are 97% occupied and the 1050 property, which contains approximately 54,000 square feet of office space, is vacant. In January 2007, a lease for 100% of the property was entered into with a tenant commencing in May 2007 and expiring in April 2018.

Future Minimum Lease Payments

Future minimum lease payments scheduled to be received under non-cancellable operating leases are as follows (amounts in thousands):

2007	$	32,791
2008		32,594
2009		31,925
2010		28,697
2011		20,018
Thereafter		132,530
	$	278,555

Tenant Concentration

Three tenants contributed approximately 44% of the base rental revenues of the Trust for the year ended December 31, 2006. Five tenants accounted for approximately 82% of the base rental revenues of the Trust in 2005.

4. Mortgage-Backed Securities Pledged Under Repurchase Agreements

At December 31, 2006 and 2005, all of the Trust's mortgage-backed securities, consisting of Fannie Mae whole pool certificates, were classified as available-for-sale and, as such, were carried at their estimated fair value based on prices obtained from a third party.

The following table presents the amortized cost and fair value of the Trust's whole pool agency mortgage-backed securities at December 31, 2006 and 2005 (in thousands):

	December 31, 2006	December 31, 2005
Cost	$ 115,726	$ 126,236
Unrealized loss	(987)	(1,393)
Interest payment receivable	463	455
Unamortized premium	608	865
Carrying value/estimated fair value	$ 115,810	$ 126,163

The unrealized losses are a result of changes in interest rates and principal prepayments subsequent to the acquisition of the securities. The impact of the principal repayments is to accelerate the amortization of the premium. All the securities are performing according to their terms. Although not rated, whole pool agency mortgage-backed securities carry an implied AAA rating and are guaranteed as to principal and interest by Fannie Mae. Furthermore, the Trust intends to, and has the ability to, hold these securities to maturity or at least until such time as the Trust has recovered its investments. Accordingly, although the period of continuous unrealized loss position is more than twelve months, the Trust has determined that these impairments are temporary.

The mortgage-backed securities bear interest at a weighted average interest rate of 4.684% based on balances outstanding at December 31, 2006. The mortgage-backed securities have a weighted average life of 30.75 years.

5. Loans Receivable

On March 29, 2006, the Trust through two consolidated joint ventures, in which the Trust holds a 60% interest and an entity owned by the principals of Marc Realty owns the remaining 40% interest, acquired (i) a loan with a principal balance of $11,750,000 which is secured by a first leasehold mortgage on approximately 241,000 square feet of commercial space and an indoor parking garage with 133 spaces located at 800 South Wells, Chicago, Illinois and commonly referred to as River City (the "Commercial Loan"), and (ii) a loan with a principal balance of $5,915,000 which is secured by a first priority mortgage on both the land underlying the River City property and the unsold residential condominium units at the River City property (the "Land Loan"). The Commercial Loan was in default at the time of acquisition and WRT-Marc RC LLC, the entity that acquired the Commercial Loan, has commenced foreclosure proceedings on the Commercial Loan, and it is expected that the foreclosure sale will occur during the first quarter of 2007. In connection with the acquisition and modification of the Commercial Loan, WRT-Marc RC LLC entered into an option agreement with an unaffiliated third party pursuant to which the third party has an option to acquire the indoor parking structure should WRT-Marc RC LLC acquire title to the commercial space and the indoor parking secured by the Commercial Loan. As consideration for entering into the option agreement, WRT-Marc RC LLC received a deed for the land underlying the River City property, which deed is to be held in escrow until such time, if at all, as WRT-Marc RC LLC acquires title to the commercial space. If exercised, the option price will be equal to $1,900,000 plus 10% interest per annum plus any additional expenses incurred by WRT-Marc RC LLC in connection with acquiring and operating the commercial space less any payments of interest received on account of the Commercial Loan.

The Trust has determined that the Commercial Loan is a variable interest in a VIE under FIN 46R. Since the Trust has determined that it is not the primary beneficiary, the Trust accounts for this investment as a loan receivable.

5. Loans Receivable (Continued)

The maturity date for the Land Loan was April 16, 2005. The entity from which the Land Loan was acquired had previously agreed to forbear from exercising any remedies on the Land Loan until April 16, 2006. WRT-Marc RC Land LLC, the entity that acquired the Land Loan, entered into a modification agreement with the borrowers to extend the forbearance period to December 31, 2007 and reduced the interest rate to 10% per annum.

The following table summarizes the Trust's loans receivable at December 31, 2006 and 2005 (in thousands):

				Carrying Amount December 31,	
Property	Location	Interest Rate	Maturity	2006	2005
Toy Building (1)	New York , NY	LIBOR plus 5.6% (9.72%)	April 2008	$ 59,816	$ 60,250
River City – Commercial (2)	Chicago , IL	9.75%	February 2006	12,082	—
River City – Land (2)	Chicago , IL	10%	December 2007	4,117	—
Various (3) (4)	Chicago , IL	8.5%	(3)	4,148	995
Vision Property Services	Partnership Interests	15%	December 2011	1,252	—
Ridgebrook Office Plaza (5)	Northbrook , IL	Prime (7%)	April 2006	—	3,520
Wingate Inn (6)	Clearwater , FL	10%	February 2007	—	2,739
TOTAL				$ 81,415	$ 67,504

The carrying amount includes accrued interest of $834 and $888 at December 31, 2006 and 2005, respectively. All of the loans, except River City – Commercial which was in default at the time of acquisition, are performing according to their terms. The Trust believes that the full amount of the non-performing River City - Commercial loan is recoverable and accordingly, no impairment has been recorded.

(1) Secured by ownership interests in the property owner. The Trust owns a one-third interest in a joint venture which owns a 99% participating interest in the loan. The joint venture is consolidated with the Trust's financial statements.
(2) Secured by a first mortgage.
(3) Tenant improvement and capital expenditure loans with respect to certain of the properties in the Marc Realty portfolio which mature from July 2012 to November 2013.
(4) Secured by a subordinate mortgage or the ownership interests in the property owner.
(5) This loan was satisfied on February 21, 2006.
(6) This loan was satisfied on June 19, 2006.

5. Loans Receivable (Continued)

Activity related to mortgage loans is as follows (in thousands):

	2006	2005
Balance at January 1	$ 67,504	$ 8,390
Purchases and advances made	22,554	65,493
Interest (received) accrued, net	(54)	806
Repayments	(8,589)	(7,185)
Balance at December 31	$ 81,415	$ 67,504

6. Real Estate Securities Available for Sale

Real estate securities available for sale as of December 31, 2006 are as follows (in thousands):

Name	Date Purchased	Cost at December 31, 2006	Unrealized Gain (Loss) at December 31, 2006	Balance at December 31, 2006
America First Apartment Investors, Inc.	Various	$ 9,951	$ 4,453	$ 14,404
Lexington Realty Trust (1)	12/31/06	78,470	—	78,470
Other real estate securities	12/6/06	1,264	(29)	1,235
Winn-Dixie Stores, Inc.	12/21/06 (2)	1,108	(69)	1,039
		$ 90,793	$ 4,355	$ 95,148

(1) See Note 8 for description of the Lexington transaction.
(2) Issued in connection with Winn-Dixie's plan of reorganization (see Note 3).

The detail of real estate securities available for sale as of December 31, 2005 are as follows (in thousands):

Name	Date Purchased	Cost at December 31, 2005	Unrealized Gain at December 31, 2005	Balance at December 31, 2005
America First Apartment Investors, Inc.	Various	$ 7,576	$ 1,150	$ 8,726
Sizeler Property Investor, Inc.	Various	17,520	5,039	22,559
Other real estate securities	Various	2,834	181	3,015
		$ 27,930	$ 6,370	$ 34,300

7. Preferred Equity Investment

At December 31, 2006, the Trust held two participating second mortgage loans and 21 convertible mezzanine loans together with an equity investment in each mezzanine borrower in the aggregate amount of approximately $71,560,000. Each of the borrowers is owned primarily by the principals of Marc Realty. Each loan is secured 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 other than with respect to one property, in which the borrower holds a 75% interest in the Property Owner. Each loan bears interest at 7.65%, matures on April 18, 2012 and requires monthly payments of interest only. The amounts advanced under each loan together with the equity investment in the applicable borrower, as described below, was equal to 49% of the difference between the agreed value of the property owned by the applicable Property Owner and the existing debt encumbering such property at the time of each respective loan.

In connection with the making of these loans, the Trust acquired an equity interest in each of the borrowers. The equity interest entitles the Trust to participate in capital proceeds derived from the sale or refinancing of the applicable property to the extent such proceeds generate amounts in excess of that required to fully satisfy all of the debt encumbering that property, including the respective loan and a return to the borrower of its deemed equity (the agreed value of the applicable property less all debt encumbering that property including the loan made by us) plus a 7.65% return thereon.

During 2006, four of the properties underlying the mezzanine loans were sold and a fifth property underlying a mezzanine loan was sold on February 14, 2007 (see Note 22). Upon the sale of these five properties, exclusive of interest, the Trust received an aggregate of $18,055,000 on its original investment of $12,055,000. The Trust has committed to advance approximately $7,350,000 to cover the costs of tenant improvements and capital expenditures at each of the remaining 23 properties. At December 31, 2006, the Trust had advanced $4,116,000 pursuant to this commitment.

7. Preferred Equity Investment (Continued)

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

	December 31, 2006	December 31, 2005
Condensed Balance Sheets		
Investment in real estate, net	$ 147,166	$ 151,202
Prepaid expenses and deposits in escrow	15,569	5,999
Cash and cash equivalents	2,451	3,175
Receivables and other assets	27,568	26,186
Total Assets	$ 192,754	$ 186,562
Nonrecourse mortgage debt	$ 259,547	$ 266,306
Other liabilities	23,039	21,272
Total liabilities	282,586	287,578
Partners' Deficit	(89,832)	(101,016)
Total Liabilities and Partners' Deficit	$ 192,754	$ 186,562
On the Trust's Consolidated Balance Sheet:		
Preferred Equity Investment (1)	$ 73,127	$ 78,427

(1) Includes capitalized acquisition costs of $1,169 and $1,192 at December 31, 2006 and 2005.

	Year Ended December 31, 2006	The Period April 20, 2005 (Date of Acquisition) to December 31, 2005
Condensed Statements of Operations		
Revenues	$ 68,281	$ 48,610
Operating expense	(33,376)	(21,310)
Interest expense	(18,984)	(12,300)
Real estate taxes	(11,640)	(7,503)
Depreciation and amortization	(13,906)	(9,795)
Other expenses, net	(3,000)	(2,899)
Gain on sale of properties	23,939	—
Net income (loss)	$ 11,314	$ (5,197)
On the Trust's Consolidated		
Statement of Operations and Comprehensive Income:		
Equity in earnings of Preferred equity investment	$ 6,849	$ 4,066

8. Equity Investments

The Trust's equity investments at December 31, 2005 and 2006 are summarized as follows (in thousands):

	Newkirk Realty Trust	Concord Debt Holdings, LLC	Sealy Northwest Atlanta, LP	Total
Investments	$ 70,000	$ —	$ —	$ 70,000
Equity in earnings	304	—	—	304
Equity investments at December 31, 2005	70,304	—	—	70,304
Investments	—	91,342	5,470	96,812
Distributions received	(8,399)	—	—	(8,399)
Equity in earnings (loss)	7,280	1,340	(51)	8,569
Gain on exchange	9,285	—	—	9,285
Conversion to real estate securities	(78,470)	—	—	(78,470)
Equity investments, December 31, 2006	$ —	$ 92,682	$ 5,419	$ 98,101

Newkirk Realty Trust

On November 7, 2005, the Trust acquired 3,125,000 shares of common stock in Newkirk Realty Trust, Inc. ("Newkirk") for a per share purchase price of $16.00, for a total purchase price of $50,000,000. In addition, the Trust assigned to Newkirk all of its rights under an Exclusivity Services Agreement with Michael Ashner, its Chief Executive Officer, relating to business opportunities generated by or offered to Mr. Ashner relating to net lease assets, as defined. In consideration for the assignment of these rights, Newkirk issued to the Trust 1,250,000 shares of Newkirk's common stock (the "Exclusivity Shares") valued at $16.00 per share for a total consideration of $20,000,000 and a participation in any incentive fee earned and paid to NKT Advisors LLC ("NKT"), the external advisor of Newkirk and an entity owned in part and controlled by Michael Ashner and other executive officers of the Trust and FUR Advisors. The Trust also entered into a Registration Rights Agreement with Newkirk pursuant to which the Trust had certain rights to demand that all the shares acquired be registered pursuant to a registration statement or statements filed by Newkirk with the Securities and Exchange Commission.

The foregoing transactions were consummated in connection with the closing of Newkirk's initial public offering, resulting in the Trust owning approximately 22.58% of Newkirk's outstanding common shares (6.8% on a fully diluted basis).

At the time of issuance of the Exclusivity Shares, 625,000 of the 1,250,000 shares were subject to forfeiture (reducing by 17,361 shares per month) upon the occurrence of certain events. In addition, all of the Trust's shares in Newkirk were subject to a lock-up agreement pursuant to which the Trust agreed not to sell, transfer, pledge, redeem or otherwise dispose of its shares of common stock in Newkirk for a period equal to the earlier of (i) November 7, 2008 or (ii) at such time as NKT was no longer providing advisory services to Newkirk; provided, however, in no event would such period terminate prior to November 7, 2006.

Effective December 31, 2006, Newkirk was merged into Lexington Corporate Properties Trust (the "Merger") and the name of the surviving entity was changed to Lexington Realty Trust ("Lexington"). As result of the Merger, among other things, the Trust's 4,375,000 shares in Newkirk were converted into 3,500,000 common shares in Lexington or an approximately 5% interest in Lexington.

8. Equity Investments

Newkirk Realty Trust (Continued)

Upon consummation of the Merger, (i) the Exclusivity Shares became no longer subject to forfeiture, (ii) the assignment of the exclusivity rights with respect to net lease assets were vested in Lexington, (iii) the lock-up restrictions on the Newkirk common stock were terminated and (iv) Lexington assumed all of the obligations of Newkirk under the Registration Rights Agreement.

Also in connection with the Merger, Michael Ashner became a trustee and executive officer of Lexington pursuant to the terms of an employment agreement between Mr. Ashner and Lexington. The Trust entered into an agreement with Mr. Ashner which provides that in the event Lexington makes a real estate investment other than in a net lease asset, Mr. Ashner is obligated to terminate his employment and other positions with Lexington, unless a majority of the Trust’s independent trustees consent to his remaining with Lexington. Further, Mr. Ashner is not permitted to agree to certain amendments to his employment agreement without the consent of a majority of the Trust’s independent trustees.

The Trust’s investment in Newkirk was accounted for using the equity method during 2005 and through December 31, 2006. The Trust accounts for investments on the equity method when the requirements for consolidation are not met, and we have significant influence over the operations of the investment. At December 31, 2006, as a result of the Merger, the Trust’s investment in Lexington is accounted for as an available for sale real estate security as the Trust believes it does not exercise significant influence over Lexington. In connection with the Merger, the Trust recognized a gain of approximately $9,300,000 resulting from the exchange of all Newkirk common stock held by the Trust for common stock in Lexington, based on the fair value of the Lexington common stock received as compared with the carrying amount of the Newkirk investment.

During the fourth quarter of 2005, Newkirk declared a quarterly cash dividend of $0.27 per share of common stock resulting in the receipt by the Trust of $1,180,000 in January 2006. During each of the first three quarters of 2006, Newkirk declared a quarterly cash dividend of $0.40 per share of common stock resulting in the receipt by the Trust of $1,750,000 in April, July and October 2006. In December 2006, Newkirk declared a quarterly cash dividend of $0.40 per share and a special dividend of $0.05 per share which was paid on January 17, 2007. The total dividend amount of $1,969,000 reduced the carrying amount of the Trust’s equity investment in Newkirk prior to the consummation of the merger between Newkirk and Lexington on December 31, 2006.

8. Equity Investments (Continued)

Newkirk Realty Trust (Continued)

Summary financial information of Newkirk is as follows (in thousands):

	December 31, 2005
Condensed Balance Sheet	
Real estate investments, net	$ 943,992
Cash and cash equivalents	174,816
Other assets	226,276
Total Assets	$ 1,345,084
Note payable	$ 593,463
Other liabilities	241,049
Total liabilities	834,512
Minority Interests	334,531
Shareholders' Equity	176,041
Total Liabilities, Minority Interests and Shareholders' Equity	$ 1,345,084
On the Trust's Consolidated Balance Sheet:	
Equity Investment	$ 70,304

	Year Ended December 31, 2006	For the Period November 7 to December 31, 2005
Condensed Statement of Operations		
Revenues	218,093	35,308
Interest expense	(55,248)	(8,683)
General and administrative	(23,644)	(1,274)
Compensation expense	(9,500)	(10,500)
Depreciation and amortization	(38,763)	(7,236)
Other expenses	(43,517)	(2,917)
Income from discontinued operations	19,725	
Minority interest	(35,176)	(3,349)
Net income	$ 31,970	$ 1,349
On the Trust's Consolidated Statement of Operations and Comprehensive Income:		
Equity in earnings of equity investment	$ 7,280	$ 304

8. Equity Investments (Continued)

Concord Debt Holdings, LLC

On March 31, 2006, Lexington and the Trust entered into a joint venture to acquire and originate loans secured, directly and indirectly, by real estate assets through Concord Debt Holdings LLC (f/k/a 111 Debt Holdings LLC) (“Concord”). The joint venture is now owned equally by Lexington and the Trust. The Trust and Newkirk initially committed to invest up to $50,000,000 each in the joint venture. In addition, the joint venture has entered into a $300,000,000 repurchase agreement with Column Financial Inc., a subsidiary of Credit Suisse First Boston, pursuant to which the joint venture leverages the assets held in the joint venture. In May 2006, the joint venture entered into a second repurchase agreement with Bear Stearns International Ltd. providing for an additional $200,000,000 in leverage. Effective October 13, 2006, each of the Trust and Newkirk agreed to commit an additional $50,000,000 ($100,000,000 in the aggregate) to the joint venture. At December 31, 2006 the Trust is committed to fund $8,658,000 of its $100,000,000 total commitment.

On December 21, 2006, Concord consummated the formation of its first collateralized debt obligation (“CDO”), Concord Real Estate CDO 2006-1, Ltd. (“CDO-1”) which issued an aggregate of approximately $377,000,000 of investment grade debt. Concord retained an equity and debt interest in the portfolio with a notional amount of $88,000,000.

Concord has an investment committee which consists of two members appointed by each of Lexington and the Trust with one additional member being appointed by the common management of Lexington and the Trust. All decisions requiring the consent of the investment committee require the affirmative vote by three of the four members appointed by Lexington and the Trust. Pursuant to the terms of the joint venture, certain material actions to be taken by Concord, including investments in excess of $20,000,000, require the consent of the investment committee. However the consent of both Lexington and the Trust is required for the merger or consolidation of Concord, the admission of additional members, the taking of any action that, if taken directly by the Trust or Lexington, would require consent of the Trust’s Conflicts Committee or Lexington’s independent directors, as well as entering into of any agreement with FUR Advisors or the amendment of the joint venture agreement.

The Trust accounts for this investment using the equity method.

8. Equity Investments (Continued)

Concord Debt Holdings, LLC (Continued)

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

	December 31, 2006
Condensed Balance Sheet	
Cash and restricted cash	$ 148,261
Investment in debt securities	450,870
Other assets	10,744
Total assets	$ 609,875
Accounts payable and other liabilities	2,347
Collateralized debt obligations	376,650
Repurchase agreements	43,893
Members' equity	186,985
Total liabilities and members' equity	$ 609,875
On the Trust's Consolidated Balance Sheet:	
Equity investment in joint venture	$ 92,682

	For the Period March 31 to December 31, 2006
Condensed Statement of Operations	
Interest income	$ 12,714
Loss from change in fair market value of interest rate derivatives	(2,137)
Interest expense	(6,156)
General and administrative	(1,741)
Net income	$ 2,680
On the Trust's Consolidated Statement of Operations and Comprehensive Income:	
Equity in earnings of equity investment	$ 1,340

8. Equity Investments (Continued)

Sealy Northwest Atlanta, L.P.

On December 12, 2006, the Trust acquired a 60% limited partnership interest in Sealy Northwest Atlanta, L.P. to acquire 12 flex properties containing an aggregate of 472,000 square feet of space located in Atlanta, Georgia for a gross purchase price of $35,845,000. The Trust invested approximately $5,470,000, and its partner, an affiliate of Sealy and Company, Inc. invested $3,647,000 for their 40% interest in the joint venture. The Trust accounts for this investment on the equity basis and recorded a net equity loss of $51,000 for the period from acquisition through December 31, 2006.

9. Repurchase Agreements

Information pertaining to the repurchase agreements as of December 31, 2006 and 2005 is as follows (dollars in thousands):

	December 31 ,2006		December 31, 2005	
	Debt Carrying Value	Collateral Carrying Value	Debt Carrying Value	Collateral Carrying Value
Repurchase agreement with Bear Stearns & Co., Inc. as counter-party, expiration January 25, 2007, renewable monthly, interest is variable based on one-month LIBOR minus 3 basis points	$ 72,545	$ 75,029	$ 95,798	$ 99,339
Repurchase agreement with Bear Stearns & Co., Inc. as counter-party, expiration January 25, 2007, renewable monthly, interest is variable based on one-month LIBOR minus 3 basis points	16,296	16,893	25,918	26,824
Repurchase agreement with Bear Stearns & Co., Inc. as counter-party, expiration January 25, 2007, renewable monthly, interest is variable based on one-month LIBOR minus 3 basis points	23,070	23,888	—	—
	$ 111,911	$ 115,810	$ 121,716	$ 126,163

As of December 31, 2006 and 2005, the borrowing rate on the Trust’s repurchase agreements was LIBOR minus 3 basis points (5.33% and 3.61%, respectively) and is renewable monthly.

Cumulatively through December 31, 2006 and 2005, the Trust paid down $2,625,000 and $1,124,000, respectively, on its repurchase agreements in connection with margin calls.

10. Debt

The Trust had outstanding mortgage loans payable of $232,768,000 and $175,118,000 at December 31, 2006 and 2005, respectively. The mortgage loan payments of principal and interest are generally due monthly, quarterly or semi-annually. The mortgage loans payable are collateralized by applicable real estate of the Trust.

The Trust's mortgage loans payable at December 31, 2006 and 2005 are summarized as follows (in thousands):

	Maturity	Spread Over LIBOR/ Prime	Interest Rate as of December 31, 2006	Balance as of December 31, 2006	Balance as of December 31, 2005
Mortgage Loans Payable:					
Fixed Interest Rate:					
Plantation, FL (1)	March 2010	—	—	—	$ 10,644
Kroger Properties (1)	November 2010	—	—	—	9,613
Jacksonville, FL (1)	July 2011	—	—	—	6,488
Amherst, NY	October 2013	—	5.65%	17,622	17,948
Indianapolis, IN	April 2015	—	5.82%	4,508	4,564
Houston, TX	April 2016	—	6.66%	72,270	74,444
Andover, MA	February 2011	—	6.60%	6,610	—
S. Burlington, VT	February 2011	—	6.60%	2,833	—
Chicago, IL	March 2016	—	5.75%	21,600	—
Lisle, IL	June 2016	—	6.26%	24,600	—
Variable Interest Rate:					
Various	June 2009	LIBOR + 1.75%	(2)	69,549	51,417
Chicago, IL	March 2007	Prime + 0.50%	8.75%	9,500	—
Chicago, IL	March 2007	Prime + 0.50%	8.75%	3,676	—
Total Mortgage Debt				$ 232,768	$ 175,118
Loans Payable:					
Secured by joint venture participation in the Toy Building Loan	April 2008	LIBOR + 3.00%	8.35%	$ 30,000	$ 30,000
Miscellaneous	February 2007	—	7.50%	4	25
				$ 30,004	$ 30,025
Revolving Line of Credit:					
$70,000,000 revolving line of credit	December 2008	LIBOR + 2.25%		$ —	$ 16,000

(1) During March and April 2006, the Trust satisfied the three first mortgage notes secured by the Jacksonville, Florida property. Through March 2006, the Trust satisfied two first mortgage notes for approximately $3,414,000 and recognized a $165,000 gain on the early extinguishment of debt, and in April 2006, it satisfied the remaining first mortgage note for approximately $2,500,000 and recognized a gain on the early extinguishment of debt of $249,000.

(2) On June 30, 2006, the Trust modified its existing mortgage loan from KeyBank secured by certain of the Trust's net lease properties, commonly referred to as the FINOVA portfolio. The loan which had a principal balance outstanding of $51,022,000 at June 30, 2006, was modified to (a) reduce the interest rate from LIBOR plus 4.50% to LIBOR plus 1.75%, (b) extend the maturity of the loan to June 30, 2009, subject to two one-year extensions and (c) eliminate the requirement for principal payments equal to 50% of cash flow (as defined) and replaced this requirement with quarterly principal payments of approximately $306,000, beginning April 1, 2007. In connection with the foregoing modifications, the Trust incurred a fee of $730,000 and recognized a loss on the early extinguishment of debt of $525,000.

10. Debt (Continued)

The lender also agreed to advance an additional amount up to $22,000,000 to be used to refinance the Trust's existing first mortgage debt secured by its properties leased to The Kroger Co. and Bell South Communications, Inc. An additional draw of approximately $9,331,000 was made in August 2006 to satisfy the first mortgage debt secured by the properties leased to the Kroger Co. An additional draw of approximately $8,885,000 was made in September 2006 to satisfy the first mortgage debt secured by the property leased to Bell South Communications, Inc. A final draw of approximately $778,000 was made in October 2006 to cover costs associated with the loan modification. The additional draws which total $18,994,000 are subject to the same terms as the modified loan and also require that the Trust make in 2006 additional principal payments equal to what would have been paid under the existing first mortgage debt encumbering these properties. In connection with the satisfaction of the first mortgage debt, the Trust recognized a loss on the early extinguishment of debt of $543,000 in 2006.

As of December 31, 2006 the principal repayments required for the next five years and thereafter are as follows (in thousands):

2007	$	17,121
2008		5,076
2009		71,754
2010		4,796
2011		13,849
Thereafter		120,172
Total	$	232,768

Loans Payable

Loans payable consist primarily of a $30,000,000 loan which bears interest at LIBOR plus 300 basis points, 8.35% at December 31, 2006, matures on April 9, 2008, is subject to a one-year extension, and requires monthly payments of interest only. The loan is secured by a joint venture participation interest in the Toy Building Loan (Note 5). The loan may be prepaid at any time without premium or penalty.

11. Revolving Line of Credit

On December 16, 2005, the Trust entered into a Revolving Loan Agreement with KeyBank National Association ("KeyBank") pursuant to which the Trust can borrow on a revolving basis up to $50,000,000, subject to increase up to $100,000,000. The revolving credit line matures December 16, 2008 with the option on the part of the Trust to extend the term for an additional year. Amounts borrowed under the revolving credit line bear interest at rates based on the Trust's leverage ratio and range from LIBOR plus 1.5% to LIBOR plus 2.25%. In addition, to the extent the Trust maintains cash balances at KeyBank in excess of a certain threshold, the interest rate is reduced to LIBOR plus 1.35%. The Trust is required to pay a 15 or 25 basis point fee on the unused portion of the line.

On July 10, 2006, the Trust increased the revolving line of credit from $50,000,000 to $70,000,000. In connection with this increase, the Trust paid a fee of $200,000.

The revolving credit line requires monthly payments of interest only. To the extent that the amounts outstanding under the revolving credit line are in excess of the borrowing base (as calculated), the Trust is required to make a principal payment to the extent of such excess. The Trust may prepay from time to time without premium or penalty and reborrow amounts prepaid under the credit line. The revolving credit line is secured by substantially all of the Trust's assets.

11. Revolving Line of Credit (Continued)

The revolving line of credit requires the Trust to maintain a (i) minimum consolidated debt service coverage ratio, (ii) maximum leverage ratio, (iii) liquid assets of $10,000,000, and (iv) a minimum net worth. The Trust is in compliance with these requirements at December 31, 2006.

At December 31, 2006 and 2005, there were $0 and $16,000,000, respectively, outstanding under the credit line.

12. Hedge Instruments

In connection with the Trust's interest rate risk management, the Trust periodically hedges a portion of its interest rate risk by entering into derivative financial instrument contracts such as interest rate swaps, which in effect modify the repricing characteristics of the Trust's repurchase agreements and floating rate mortgage debt agreements. The use of interest rate swaps results in adjustments to cash flows for such liabilities. However, hedging instruments create exposure to potential losses if the counterparties to these instruments fail to perform their obligations under the contracts. In the event of a default by the counterparty, the Trust would not receive payments provided for under the terms of the hedging instrument and could have difficulty taking possession of assets pledged by the Trust as collateral for the interest rate swaps. The Trust, however, does not anticipate default by its counterparty.

The Trust entered into the following agreements in order to limit its exposure to interest rate volatility: (i) an interest rate swap with a $40,000,000 notional amount that effectively converted the interest rate on that portion of principal of the Trust's mortgage note payable to KeyBank, with an outstanding balance at December 31, 2006 of $69,549,000, from a floating rate equal to LIBOR plus 1.75% to a fixed rate of 5.80%. The remaining principal amount of $29,549,000 remains variable at LIBOR plus 1.75%; (ii) an interest rate swap on its repurchase agreements, which bears interest at LIBOR minus 0.003%, effectively fixing the rate at 4.045% on that financing.

The table below presents information about the Trust's interest rate swaps at December 31, 2006 (dollars in thousands):

Active Period Through	Swap Rate	Notional Amount of Hedged Liability	Cost of Hedge	Estimated Fair Value/Carrying Value	Gross Unrealized Loss for the Year Ended December 31, 2006
November 2007	5.800%	$ 40,000	$ -	$ 995	$ (13)
January 2008	4.045%	$ 72,545	$ -	$ 674	$ (256)

No hedge ineffectiveness on cash flow hedges was recognized for the years ended December 31, 2006 and 2005.

13. Convertible Preferred Shares of Beneficial Interest

Series A Preferred Shares

On February 7, 2006, in accordance with the terms of the Certificate of Designations for the Trust's Series A Preferred Shares, the Trust converted all of the Series A Preferred Shares into Common Shares at a rate of 4.92 Common Shares for each Series A Preferred Share. In connection with this conversion, the Trust issued approximately 4,836,763 Common Shares and made payments totaling $65 for fractional shares otherwise issuable as a result of the conversion to holders of the Trust's Series A Preferred Shares.

Series B-1Preferred Shares

On February 28, 2005 and June 20, 2005, the Trust sold an aggregate of 4,000,000 shares of the Trust's Series B-1 Preferred Shares to a number of institutional buyers for $100,000,000. The Trust incurred underwriting, placement, agent and legal fees to unaffiliated third parties of $5,836,000 in connection with the issuance of the Series B-1 Preferred Shares. The sales of the Series B-1 Preferred Shares was effected pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. In connection with the issuance of the Series B-1 Preferred Shares, the Trust entered into an Investor Rights Agreement (the "Rights Agreement") which grants purchasers preemptive rights with respect to certain future issuances of securities by the Trust, a co-investment right enabling them to participate in certain future investments by the Trust, tag-along rights, drag-along rights in the event of a sale of substantially all the Trust's securities, and certain other rights. The Trust has registered the resale of the Common Shares issuable upon conversion of the Series B-1 Preferred Shares.

The Trust is required to redeem all outstanding Series B-1 Preferred Shares at the liquidating preference price of $25.00 per Series B-1 Preferred Share on or before February 28, 2012. Accordingly, the Trust accounts for the Series B-1 Preferred Shares as a liability and the associated issuance costs as deferred financing costs, and dividends accrued on the Series B-1 Preferred Shares are included in interest expense.

The Series B-1 Preferred Shares entitle the holders to cumulative dividends at a minimum rate of 6.5% and can be converted into Common Shares at a conversion price of $4.50, subject to anti-dilution adjustments. In addition, the holders of the Series B-1 Preferred Shares have the right to elect one trustee to the Board of Trustees as long as 910,000 Series B-1 Preferred Shares are outstanding. Commencing February 28, 2008, the Trust may convert all of the Series B-1 Preferred Shares if (i) the closing price for the Common Shares for any 20 consecutive trading days within the 25 day period commencing on the date of mailing of the conversion notice exceeds 125% of the then conversion price and (ii) an effective registration statement has been filed with the Securities and Exchange Commission to cover the resale of the Common Shares issuable upon conversion. The conversion price at December 31, 2006 was $4.55.

The Trust has determined that the provisions of EITF 03-06, with respect to dividend participation rights of the Series B-1 Preferred Shares, need to be applied and that the net income per Common Share of Beneficial Interest should be determined using the two class method described in this pronouncement. See Note 21.

On February 2, 2006, a holder of the Series B-1 Preferred Shares exercised its right to convert 10,000 of Series B-1 Preferred Shares into Common Shares. In accordance with the terms of the Certificate of Designations, on February 14, 2006 the Trust issued 55,556 Common Shares (5.56 Common Shares per Series B-1 Preferred Share) and made a payment of $65 for the fractional shares otherwise issuable as a result of this conversion.

14. Sale of Common Shares of Beneficial Interest

Private Offerings

On February 17, 2005, the Trust sold to Kimco Realty Corporation, through a private placement, 1,000,000 of its Common Shares for an aggregate purchase price of $4,000,000. The Trust incurred a total of $23,000 in legal fees in connection with this transaction. The Trust has registered the resale of these shares.

On November 7, 2005, the Trust sold to Vornado Investments L.L.C., an affiliate of Vornado Realty Trust (“Vornado”), 3,522,566 Common Shares (the “Vornado Shares”) at $4.00 per share totaling $14,090,264. The Vornado Shares were registered pursuant to the Trust’s effective shelf registration. In connection with the sale, the Trust entered into a Registration Rights Agreement with Vornado which grants, subject to certain restrictions, Vornado the right to request on one occasion registration of the Vornado Shares in the event that a further registration is required by securities law to enable Vornado to sell the Vornado Shares free of restriction. Further, Vornado may only request such registration if Vornado then owns (i) all of the Vornado Shares and (ii) pays all of the Trust’s out-of-pocket costs associated with such registration statement and sale.

Rights Offering

On March 29, 2006, the Trust issued non-transferable subscription rights to purchase its Common Shares at $5.25 per share to holders of record at the close of business on March 22, 2006. Each holder of Common Shares received one basic subscription right for every twelve Common Shares owned, or in the case of Series B-1 Preferred Shares, one basic subscription right for every twelve Common Shares issuable upon conversion of such Series B-1 Preferred Shares. Holders who exercised their rights in full were also entitled to purchase additional Common Shares, subject to availability.

In connection with this offering, certain existing shareholders of the Trust agreed, subject to certain conditions, to purchase all unsubscribed Common Shares at the subscription price. At the April 27, 2006 expiration of this offering, the Trust received basic and oversubscriptions for all 5,220,038 Common Shares. Upon issuance of the shares in May 2006, the Trust received net proceeds of $27,122,000.

Dividend Reinvestment Plan

On August 24, 2006, the Trust filed a registration statement to register up to 2,500,000 Common Shares to be issued pursuant to its Dividend Reinvestment and Stock Purchase Plan (“DRIP”). Under the DRIP, holders of Common Shares can reinvest all or a portion of the dividends received on the Common Shares as well as purchase additional Common Shares. Any Common Shares issued in connection with the DRIP are sold at a price equal to 98% of the average of the high and low trading prices on the day the applicable dividend is paid. On October 16, 2006, pursuant to the DRIP, the Trust received $805,129 and issued a total of 125,909 Common Shares.

Public Offering of 19,550,000 Common Shares

On November 3, 2006, the Trust sold 19,550,000 Common Shares pursuant to an underwritten public offering at $6.00 per share ($5.70 after underwriters discount) resulting in net proceeds to the Trust of $110,814,000.

15. Warrants and Share Options to Purchase Shares of Beneficial Interest

In November 1998, the Trust issued warrants to a third party to purchase 500,000 Common Shares as part of the consideration for various services provided to the Trust. The current exercise price of the warrants is $8.37 per Common Share. The warrants expire in November 2008.

The Trust had the following share option plans for key personnel and Trustees:

Long-Term Incentive Ownership Plan

In December 2003, the then members of the Board of Trustees granted 100,000 options under the Long Term Incentive Performance Plan to a trustee of the Trust who was also the Interim Chief Executive Officer and Interim Chief Financial Officer. Each option has an exercise price of $2.23 and an expiration date of December 16, 2013. None of the options have been exercised. There were no other options granted, cancelled or expired during 2004 and 2005. In March 2005 the trustees cancelled the plan.

Trustee Share Option Plan

In 1999 the shareholders approved a share option plan for members of the Board of Trustees. This plan provides compensation in the form of Common Shares and options to acquire Common Shares for trustees who were not employees of the Trust. A total of 500,000 Common Shares were authorized under this plan and 8,000 options were issued. In March 2005 the plan was cancelled and, on December 31, 2005, the 8,000 options with a weighted-average unit price of $8.49 expired.

16. Discontinued Operations

On December 1, 2004, VenTek International, Inc. (“VenTek”), an entity owned by FUMI, ceased all of its operations and transferred its remaining assets to VenTek Transit, Inc. (“Transit”), an entity owned by VenTek’s former employees. Under the agreement, Transit agreed to make a nominal payment to VenTek and is obligated to pay VenTek a royalty equal to 5% of its annual gross revenues for each of the next five years. It is not expected that such payments will be material to the Trust’s operations.

On June 22, 2004, the Trust sold the Park Plaza Mall property located in Little Rock, Arkansas for a gross sales price of $77,500,000 to a subsidiary of CBL & Associates Properties, Inc., an unaffiliated third party. In connection with this transaction, the purchaser assumed the existing indebtedness encumbering the property of approximately $41,313,000. Accordingly, net proceeds received by the Trust after giving effect to the loan assumption and closing costs were approximately $33,480,000. The Trust used the proceeds for a portfolio acquisition in connection with a “like kind” exchange pursuant to Section 1031 of the Code. The Trust recognized a gain for financial reporting purposes of $19,267,000.

At December 31, 2005, the tenant for the Trust’s Sherman, Texas property had exercised its purchase option under its lease to acquire the property effective May 1, 2005 for a gross sale price of approximately $2,018,000. However, due to negotiations between the tenant and the land owner, the consummation of this sale did not occur. During the third quarter of 2006, the Sherman, Texas property which had previously been treated as discontinued operations was placed back in service due to the determination that the potential purchase by the tenant is unlikely. The operating results of this property are now included in continuing operations for all periods presented in the financial statements.

16. Discontinued Operations (Continued)

The City of St. Louis has commenced a condemnation proceeding with respect to the Trust's property in St. Louis, Missouri. The property, which is currently vacant, is leased to The Kroger Company pursuant to a net lease with a term scheduled to expire October 31, 2010 and annual rent of $233,000. The City is seeking to take the property as part of an area-wide redevelopment program. Pursuant to the terms of the lease, the tenant is required to make a revocable offer to purchase the property at a scheduled price at such time, if at all, as a condemnation occurs. The scheduled price, which decreases over time, is in excess of the existing principal balance due on the loan secured by the property. The Trust believes the City will be successful in its efforts to take the property and classified the property as discontinued operations during the fourth quarter of 2006. It is presently expected that the condemnation will occur during 2007.

The Trust classifies as discontinued operations in its consolidated statement of operations and comprehensive income the income and expenses of properties which became held for sale subsequent to December 31, 2003. In addition, the Trust classifies as discontinued operations on its consolidated balance sheets assets and liabilities related to such properties as real estate held for sale and liabilities of real estate held for sale.

At December 31, 2006, assets of discontinued operations consist of the St. Louis, Missouri property.

Liabilities of discontinued operations at December 31, 2006 and 2005 are summarized as follows (in thousands):

	2006	2005
Mortgage loan payable	$ —	$ 822
Accounts payable and accrued expenses	828	837
	$ 828	$ 1,659

The combined results related to discontinued operations for the years ended December 31, 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
Total revenues	$ 214	$ 672	$ 9,280
Total expenses	98	141	8,038
Income from discontinued operations	$ 116	$ 531	$ 1,242

17. Federal and State Income Taxes

The Trust has made no provision for regular current or deferred federal income taxes and no deferred state income taxes have been provided for on the basis that the Trust operates in a manner intended to enable it to continue to qualify as a real estate investment trust under Sections 856-860 of the Code. In order to qualify as a REIT, the Trust is generally required each year to distribute to its shareholders at least 90% of its taxable income (excluding any net capital gain). The Trust currently intends to comply with the foregoing minimum distributions requirements. As of December 31, 2006, the Trust has net operating loss carryforwards of $40,539,000 after utilizing $6,784,000 to offset 2006 taxable income, which will expire from 2019 through 2023. As a result of the February 28, 2005 issuance of the Series B-1 Shares (see Note 13), the Trust's net operating loss carryforwards are subject to annual limitations pursuant to Section 382 of the Code. The Trust also had capital loss carryforwards of $1,695,430, which will be fully utilized as of December 31, 2006. The Trust treats certain items of income and expense differently in determining net income reported for financial and tax purposes. Such items resulted in a net decrease in income for tax reporting purposes of approximately $42,936,000 in 2006, a net decrease in income of $23,621,000 in 2005, and a net decrease of $19,700,000 in 2004.

The Trust has offset a portion of its federal taxable income by utilizing capital loss carryforwards. However, the capital loss carryforwards are not available in certain states and localities where the Trust has an obligation to pay income taxes. In addition, certain states and localities disallow state income taxes as a deduction and exclude interest income from United States obligations when calculating taxable income. Federal and state tax calculations can differ due to differing recognition of net operating losses. In 2006 the disallowance of capital loss carryforward deductions and other state modifications resulted in the Trust having an income tax liability in certain states and localities. Accordingly, the Trust has recorded $234,000 and $500,000 in state and local taxes for the years ended December 31, 2006 and 2005, respectively.

As of December 31, 2006, net investment in real estate and lease intangibles for federal tax reporting after accumulated depreciation and amortization was approximately $172,537,000 as compared to approximately $271,991,000 for financial reporting.

The 2006, 2005 and 2004 cash dividends per Series A Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 20% Rate	Unrecaptured Section 1250 Gain (25% Rate)	Nontaxable Distribution	Total Dividends Paid
2006	$ —	$ —	$ —	$ —	$ —
2005	2.10	—	—	—	2.10
2004	2.10	—	—	—	2.10

The 2006, 2005 and 2004 cash dividends per Series B-1 share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 20% Rate	Unrecaptured Section 1250 Gain (25% Rate)	Nontaxable Distribution	Total Dividends Paid
2006	$ 1.13	$ 0.54	$ —	$ —	$ 1.67
2005	1.63	—	—	—	1.63
2004	—	—	—	—	—

17. Federal and State Income Taxes (Continued)

The 2006, 2005 and 2004 cash dividends per Common Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 20% Rate	Unrecaptured Section 1250 Gain (25% Rate)	Nontaxable Distribution	Total Dividends Paid
2006	$ 0.20	$ 0.10	$ —	$ —	$ 0.30
2005	0.11	—	—	—	0.11
2004	—	—	—	—	—

18. Legal Proceedings

Peach Tree Mall Litigation

The Trust, as one plaintiff in a consolidated action composed of numerous businesses and individuals, pursued legal action against the State of California associated with the 1986 flood of Sutter Buttes Center, formerly Peach Tree Mall. On March 4, 2005 the court approved the settlement of this matter pursuant to which the State of California agreed to pay the Trust $11,000,000. In September 2005 the State of California appropriated funding of the $11,000,000 award to the Trust. The funds were received in October 2005 and the $11,000,000 was recorded as legal settlement income. In connection with the settlement, the parties exchanged mutual releases.

Contingencies

In January 2005, William Ackman, a former trustee of the Trust, made demand on the Trust for indemnification for approximately $1.5 million of expenses incurred by him in his capacity as a trustee in connection with the litigation matters relating to the aborted merger of the Trust with Gotham Golf Corp., an entity controlled by Mr. Ackman.

The Trust has forwarded this demand to its insurance carrier. Both the Trust's insurance carrier and the Trust have denied Mr. Ackman's demand based on the lack of adequate documentation submitted to date. No reserve for any liability attributable to this matter has been accrued as of December 31, 2006.

19. Related-Party Transactions

The affairs 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, which agreement was entered into in connection with the acquisition by FUR Investors LLC of its interest in the Trust and the other transactions entered into in connection therewith. 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. Effective as of January 1, 2005, the terms of the Advisory Agreement were modified to provide that the quarterly base management fee payable to FUR Advisors for providing such services would equal the lesser of an asset based fee or a fee based on outstanding equity. In general, the asset based fee was the original fee set forth in the Advisory Agreement which is calculated as follows: 1% of the gross asset value of the Trust up to $100,000,000, 0.75% of the gross asset value of the Trust between $100,000,000 and $250,000,000, 0.625% of the gross asset value of the Trust between $250,000,000 and $500,000,000 and 0.50% of the gross asset value of the Trust in excess of $500,000,000 (in light of the net lease nature of the 16 net lease properties, FUR Advisors agreed to reduce its fee for these properties to 0.25% of the gross asset value for the portion of that portfolio that is subject to leverage). Prior to the amendment to the Advisory Agreement on January 1, 2005, the asset based fee included a loan servicing fee not exceeding commercially reasonable rates approved by a majority of the independent trustees, for providing administrative and clerical services with respect to loans made by the Trust to third parties.

The equity based fee is calculated as follows: (i) 1.5% of the issued and outstanding equity securities of the Trust plus (ii) .25% of any equity contribution by a third party to a joint venture managed by the Trust. For purposes of the equity based calculation, the 31,058,913 Common Shares outstanding at January 1, 2005 are to be valued as follows: $2.30 (FUR Investors LLC's tender offer price in its December 2003 tender offer) with respect to 26,058,913 Common Shares and $2.60 (the purchase price paid by FUR Investors LLC) with respect to the 5,000,000 Common Shares acquired on December 31, 2003. The Trust's Series A Shares were valued at their liquidation preference amount of $25 per share until their conversion into Common Shares on February 7, 2006, at which time the Common Shares issued in connection therewith are valued at $5.0825 per Common Share. All Preferred and Common Shares issued subsequent to January 1, 2005 are to be valued at the net issuance price including any Common Shares issued in connection with the conversion of the Preferred Shares.

In addition to the foregoing modification, regardless of whether the asset based or equity based methodology is used, the reimbursement to FUR Advisors of up to $100,000 per annum for the costs associated with the employment of one or more asset managers has been eliminated.

In connection with the Newkirk/Lexington merger, the advisory agreement between NKT Advisors and Newkirk was terminated, and NKT Advisors received a payment of $5,500,000 attributable to its incentive fee. As a result of the incentive fee being paid by Newkirk and in accordance with the Advisory Agreement between the Trust and FUR Advisors, the Trust received a $4,400,000 credit (80% of total fee paid) to be utilized on a go forward basis in offsetting the quarterly advisory fees payable under the Advisory Agreement or in cash if the credit is not fully utilized. The Trust utilized $1,159,000 of this amount to offset the base management fee payable for the quarter ended December 31, 2006.

FUR Advisors is entitled under both the asset based fee and the equity based fee to receive (i) property and construction management fees at commercially reasonable rates as determined by the independent trustees and (ii) an 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) $71,300,000, increased by the net issuance price of all Common Shares, with an adjustment for Preferred Shares converted, issued after December 31, 2003, and decreased by the redemption price of all Common Shares redeemed after December 31, 2003, 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.

19. Related-Party Transactions (Continued)

At December 31, 2006, the Threshold Amount was $349,929,000. If the Trust were to liquidate or sell all or a substantial portion of its assets, the amount payable to FUR Advisors as incentive compensation could be significant.

Effective February 1, 2004, Winthrop Management L.P. (formerly known as Kestrel Management L.P.), an affiliate of FUR Advisors and the Trust's executive officers, assumed property management responsibilities for Circle Tower. Pursuant to the terms of the property management agreement, Winthrop Management L.P. receives a fee equal to 3% of the monthly revenues of Circle Tower, which fee has been approved by the independent trustees, and is less than the amount paid to the prior property management company.

The following table sets forth the fees and reimbursements paid by the Trust for the years ended December 31, 2006 and 2005 to FUR Advisors and Winthrop Management L.P. (in thousands):

	2006	2005
Asset Management (1)	$ 3,681(3) (4)	$ 2,660(3)
Loan Servicing Fee (1)	—	—
Property Management (2)	217	44
Reimbursement (1)	—	—
Incentive Fee	—	—

(1) Payable to FUR Advisors
(2) Payable to Winthrop Management L.P.
(3) Determined using the equity based method
(4) Before credit of $4,400 in fourth quarter 2006

In connection with the issuance of the Trust's Series B-1 Preferred Shares in February 2005, the Trust sold to affiliates of Fairholme Capital Management, LLC, an entity in which Bruce Berkowitz, one of the Trust's trustees, is the managing member, 400,000 Series B-1 Preferred Shares. In addition, the Trust sold to Halcyon Structured Opportunities Fund, L.P., and Halcyon Fund L.P. an aggregate of 880,000 Series B-1 Preferred Shares and an additional 56,000 Series B-1 Preferred Shares in June 2005 to Halcyon Structured Opportunities L.P. Steven Mandis, one of the Trust's trustees, is the Vice Chairman and Chief Investment Officer of the investment advisor to each of the Halcyon partnerships.

During the year ended December 31, 2006, the Concord joint venture agreement provided that Concord would pay to such person, including a member of Concord or its affiliate, a fee in the amount not to exceed 50 basis points of the face value of any loan acquired. In lieu of paying the full 50 basis point fee, Concord paid to an affiliate of FUR Advisors, a total fee of approximately $1,066,000 which represented the costs of the employees dedicated to Concord's business and equaled approximately 21 basis points of the face value of the loans acquired. The compensation arrangement was modified effective January 1, 2007, (See Note 22 - Subsequent Events).

The Trust paid fees of $0, $28,000 and $209,000 for the years ended December 31, 2006, 2005 and 2004, respectively, to the Real Estate Systems Implementations Group, LLC ("RE Systems") for financial reporting and advisory services. The managing member of that firm assumed the position of Interim Chief Financial Officer of the Trust on August 18, 2000, and Interim Chief Executive Officer in January 2003. In addition, he became a trustee of the Trust in June 2003. He resigned as Interim Chief Executive Officer and Interim Chief Financial Officer on December 31, 2003 and resigned as trustee on April 15, 2004.

Radiant Partners, LLC ("Radiant") provided asset management services to the Trust. For the years ended December 31, 2006, 2005 and 2004, the Trust paid fees to Radiant of $0, $0 and $150,000, respectively. The principals of Radiant were formerly executive officers of the Trust. Effective February 4, 2004, the Trust entered into a termination agreement with Radiant pursuant to which Radiant ceased providing asset management services, but provided transition services through April 30, 2004.

20. Business Segments

The following tables present a summary of revenues and expenses from the Operating Properties, Loans and Real Estate Securities incurred by each segment for the years ended December 31, 2006, 2005 and 2004, respectively. The Trust includes in Corporate Activities interest on cash reserves, general and administrative expenses and other non-segment specific income and expense items.

Business Segments (In thousands)	2006	2005	2004
Operating Properties			
Rents	$ 38,822	$ 25,454	$ 3,387
Less - operating expenses	4,054	1,205	793
Less - real estate taxes	1,879	220	66
Loss on extinguishment of debt	646	—	—
	32,243	24,029	2,528
Loans			
Interest	13,129	3,664	1,292
Equity in earnings of preferred equity investment	6,849	4,066	—
Equity in earnings of Concord Debt Holdings, LLC	1,340	—	—
Loan fee income	—	75	—
	21,318	7,805	1,292
Real Estate Securities			
Dividends	1,073	1,622	139
Gain on sale of real estate securities	8,130	243	1,153
Assignment of exclusivity agreement – net lease assets	9,500	10,500	—
Equity in earnings of Newkirk Realty Trust	7,280	304	—
Gain on sale of equity investment	9,285	—	—
Equity in loss of Sealy Northwest Atlanta, L.P.	(51)	—	—
	35,217	12,669	1,292
Less - Depreciation and Amortization	11,216	6,994	726
Less - Interest Expense			
Operating properties	14,304	12,475	684
Loans	8,258	2,515	—
Corporate Income (Expense)			
Interest income	1,463	2,111	1,097
General and administrative	(3,399)	(3,289)	(2,677)
Base management fee	719	(2,660)	(1,420)
Interest expense	(8,495)	(5,912)	(13)
Insurance recoveries	—	—	1,254
Legal settlement	—	11,000	—
State and local taxes	(234)	(500)	—
Other	530	—	—
Income from continuing operations before minority interest	45,584	23,269	1,943
Minority interest	(2,764)	(179)	—
Income from continuing operations	$ 42,820	$ 23,090	$ 1,943
Capital Expenditures			
Operating Properties	$ 1,483	$ 684	$ 2,018

20. Business Segments (Continued)

Identifiable Assets			
Operating properties	$ 271,991	$ 244,902	$ 95,540
Loans	363,089	272,094	8,390
Real estate securities	104,392	104,604	14,734
Other	112,148	37,248	171,304
Total Assets	$ 851,620	$ 658,848	$ 289,968

(1) The results of VenTek, the Park Plaza property and the St. Louis, Missouri property have been classified as discontinued operations.

21. Restatement

On August 7, 2007, subsequent to the filing of the December 31, 2006 financial statements, the Trust concluded that it needed to correct the Trust's previously reported net income per Common Share of Beneficial Interest – basic for the years ended December 31, 2006 and 2005 and for certain interim periods within those years. The Trust determined that its prior calculations of basic net income per common share had not appropriately considered the provisions of EITF 03-06 with respect to the dividend participation rights of the Series B-1 preferred shares, and that net income per Common Share of Beneficial Interest – basic should have been determined using the two-class method described in that pronouncement. The error in the calculation of net income per Common Share of Beneficial Interest – basic has no impact on the Trust's consolidated net income or comprehensive income, net income per Common Share of Beneficial Interest - diluted, consolidated balance sheet, consolidated statements of shareholders' equity and consolidated statements of cash flows, nor does it impact cash available for distribution or its debt covenants under its loan facility. For the year ended December 31, 2005, the error did affect the allocation of net income per Common Share of Beneficial Interest – diluted between continuing operations and discontinued operations.

The following summarizes the effects of the restatement:

Statement of Operations for the Year Ended December 31, 2006	As Previously Reported	As Restated
Net income	$ 42,936	$ 42,936
Allocation of undistributed earnings to Series B-1 Preferred Shares	$ —	$ 8,655
Net income applicable to Common Shares for earnings per share purposes	$ 42,936	$ 34,281
Earnings per share – Basic	$ 0.92	$ 0.74

Statement of Operations for the Year Ended December 31, 2005	As Previously Reported	As Restated
Net income	$ 23,621	$ 23,621
Allocation of undistributed earnings to Series B-1 Preferred Shares	$ —	$ 4,837
Net income applicable to Common Shares for earnings per share purposes	$ 21,557	$ 16,720
Earnings per share – Basic	$ 0.66	$ 0.52
Earnings per share, continuing operations – Diluted	$ 0.51	$ 0.50
Earnings per share, discontinued operations – Diluted	$ 0.01	$ 0.02
Earnings per share – Diluted	$ 0.52	$ 0.52
Diluted weighted average shares	55,408	32,499

22. Quarterly Results of Operations (Unaudited)

The following is an unaudited condensed summary of the results of operations by quarter for the years ended December 31, 2006 and 2005. The Trust believes all adjustments (consisting of normal recurring accruals) necessary to present fairly such interim combined results in conformity with accounting principles generally accepted in the United States of America have been included.

	Quarters Ended			
(In thousands, except per-share data)	**March 31**	**June 30**	**September 30**	**December 31**
2006				
Revenues	$ 12,027	$ 13,497	$ 13,465	$ 15,498
Net income	$ 10,163	$ 3,441	$ 5,186	$ 24,146
Net income applicable to Common Shares	$ 7,475	$ 3,441	$ 4,583	$ 19,025
Per share				

Net income applicable to Common Shares, basic – previously reported	$ 0.26	$ 0.08	$ 0.11	$ 0.41
Net income applicable to Common Shares, basic - as restated	$ 0.19	$ 0.08	$ 0.10	$ 0.32

2005

Revenues	$ 4,896	$ 5,159	$ 8,766	$ 14,030
Net income	$ 901	$ 393	$ 11,427	$ 10,900
Net income (loss) applicable to Common Shares	$ 385	$ (123)	$ 7,078	$ 7,057
Per share				
Net income applicable to Common Shares, basic – previously reported	$ 0.01	$ 0.00	$ 0.34	$ 0.31
Net income (loss) applicable to Common Shares, basic - as restated	$ 0.01	$ 0.00	$ 0.22	$ 0.21
Net income applicable to Common Shares, diluted – previously reported	$ 0.01	$ 0.00	$ 0.22	$ 0.29
Net income (loss) applicable to Common Shares, diluted - as restated	$ 0.01	$ 0.00	$ 0.22	$ 0.21

23. Subsequent Events

Effective January 1, 2007, WRP Sub-Management LLC ("WRP Sub-Management"), an affiliate of FUR Advisors, was retained to provide accounting, collateral management and loan brokerage services to Concord and its subsidiaries, including Concord Real Estate CDO 2006-1, Ltd. For providing these services, WRP Sub-Management is entitled to receive certain compensation based on the assets acquired by Concord and the gross amount of each collateral debt obligation or collateral mortgage-backed securities offering made by Concord or its subsidiaries. In addition, WRP Sub-Management is entitled to receive an incentive fee which is effectively equal to 25% of net profits of Concord and WRP Sub-Management after a 10.5% cumulative annual compounding return on the then equity invested in Concord for such period by the Trust and Lexington. In turn, WRP Sub-Management is required to pay substantially all of these amounts to its employees who are dedicated exclusively to Concord and to cover certain expenses incurred by WRP Sub-Management in providing such services. A portion of the amounts paid to WRP Sub-Management are paid to an affiliate of FUR Advisors to reimburse such affiliate 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, the Trust is entitled to receive a credit against the advisory fee payable to FUR Advisors equal to 50% of the Affiliate Amount.

On February 14, 2007, the property located at 427 South LaSalle, Chicago, Illinois which secured a 7.65% convertible mezzanine loan in its Marc Realty portfolio and in which the Trust held a participating interest was sold to an unaffiliated third party. The Trust received $10,339,000, exclusive of interest, and will recognize a gain of approximately $4,919,000 in connection with the sale.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Trust has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		WINTHROP REALTY TRUST
Dated: January 7, 2008	By:	/s/ Michael L. Ashner
		Michael L. Ashner Chief Executive Officer
Dated: January 7, 2008	By:	/s/ Thomas Staples
		Thomas Staples Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Page
23	Consent of Independent Registered Public Accounting Firm	*
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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement Nos. 333-125987 and 333-131595, and 333-136869 each on Form S-3 of our reports dated March 16, 2007, (October 2, 2007 as to the effects of the restatement discussed in Note 21), relating to the consolidated financial statements and financial statement schedule of Winthrop Realty Trust (formerly First Union Real Estate Equity and Mortgage Investment) and management's report on the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10K/A (Amendment 1) of Winthrop Realty Trust for the year ended December 31, 2006.

/s/ DELOITTE & TOUCHE LLP
Boston, Massachusetts

January 7, 2008

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)
FORM 10-K/A FOR THE YEAR ENDED DECEMBER 31, 2006

CERTIFICATIONS

I, Michael L. Ashner, certify that:

1. I have reviewed this annual report on Form 10-K/A 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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 function):

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: January 7, 2008

/s/ Michael L. Ashner

Michael L. Ashner
Chief Executive Officer

WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS) FORM 10-K/A FOR THE YEAR ENDED DECEMBER 31, 2006

CERTIFICATIONS

I, Thomas Staples, certify that:

1. I have reviewed this annual report on Form 10-K/A 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) 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 function):

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: January 7, 2008

/s/ Thomas Staples

Thomas Staples
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Winthrop Realty Trust (formerly known as First Union Real Estate Equity and Mortgage Investments (the “Company”) on Form 10-K/A for the annual period ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the date indicated below, hereby certifies 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 and 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.

Date: January 7, 2008

/s/ Michael L. Ashner

Michael L. Ashner
Chief Executive Officer

Date: January 7, 2008

/s/ Thomas Staples

Thomas Staples
Chief Financial Officer