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Transcript of
Winthrop Realty Trust
Fourth Quarter and Year-End Earnings Call
March 6, 2014

Participants

Michael I. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Carolyn Tiffany – President – Winthrop Realty Trust
John Garilli – Chief Financial Officer – Winthrop Realty Trust
Amy Grucan – Investor Relations – Winthrop Realty Trust

Analysts

Craig Mailman – Analyst – KeyBanc Capital Markets
Mitchell B. Germain – Analyst – JMP Securities
Charles Frischer – Analyst – LS Partners
Howard Alter – Analyst – Roundview Capital
Brent Weiss – Analyst – Janney Montgomery Scott

Presentation

Operator
Greetings and welcome to the Winthrop Realty Trust Fourth Quarter and Year-End 2013 Earnings call. At this time all participants are in a listen-only mode. A question and answer session will follow the formal presentation. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Miss Amy Grucan from Winthrop's Investor Relations Department. Thank you, Ms. Grucan, you may begin.

Amy Grucan – Investor Relations – Winthrop Realty Trust
Good afternoon, everyone. Welcome to the Winthrop Realty Trust conference call to discuss our Fourth Quarter 2013 Financial Results.

With us today from senior management are Michael Ashner, Chairman and Chief Executive Officer; Carolyn Tiffany, President; John Garilli, Chief Financial Officer and other members of the management team.

This morning, March 6th, we issued a press release and posted on our website supplemental financial information, both of which will be furnished on Form 8-K with the SEC. Both the press release and the supplemental financial information are available on our website at www.winthropreit.com. The press release is in the News

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and Events section and the supplemental financial information is in the Investor Relations section.

Additionally, we are hosting a live webcast of today's call, which you can also access in the website's News and Events section. At this time, management would like to inform you that certain statements made during this conference call, which are not historical, might constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe the expectations reflected in any forward-looking statements, including NAV analysis, are based on reasonable assumptions we can give no assurance that these expectations will be attained.

Factors and risks that could cause actual results to differ materially from those expressed or implied by forward-looking statements are detailed in the press release and from time to time in our filings with the SEC. We do not undertake a duty to update any forward-looking statements. Please note that in the press release we have reconciled all non-GAAP financial measures to the most directly comparable GAAP measures in accordance with Regulation G requirements. This can be found in the FFO Table of the press release. Please note that all per share amounts are on a diluted basis.

I now would like to turn the call over to Carolyn Tiffany.

Carolyn Tiffany – President – Winthrop Realty Trust
Thank you, Amy. Good afternoon, everyone. Thank you all for joining us today. During the first half of 2013 we looked to build our cash reserves, seeing few opportunities that met our investment criteria. During the second half of 2013, however, we made a number of significant new investments, the accretive nature of which will be evident as we move into 2014 and the operations of these properties are reflected for a full period.

In addition to our investing activity we also continue to execute on our strategy to take advantage of the current competitive pricing for stabilized assets. Toward that end, as we reported today, in 2014 we sold a number of assets in our loan portfolio at a price of $43 million, which provided us with a 16% return over the course of the holding period.

During the fourth quarter we also sold the last of our Cedar Realty Trust shares, which liquidated all our holdings in REIT securities. Our overall return on the investment in Cedar shares was 74.6% on an investment of $17.5 million.

In what we refer to as our operating property segment since the third quarter we sold our Newbury Apartment property located in Meriden, Connecticut and our Arboretum Office property located in Lisle, Illinois. We also sold our interest in certain assets we owned with Marc Realty for an aggregate price that was equal to our aggregate net asset value recorded at September 30, 2013.

We took an other than temporary impairment on these equity investments for GAAP purposes during the fourth quarter, which negatively impacted our earnings. This

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impairment related primarily to the suburban Chicago office properties. These assets are located in markets that were hit particularly hard during the 2008 economic crisis. During the fourth quarter this year we determined that in light of the lack of demonstrable near-term recovery in these markets for these particular assets and our unwillingness to invest new capital necessary to address tenant rollover and upgrade the properties because of the poor projected return on this new capital, we decided it was time to exit these investments.

We currently have signed letters of intent to sell our stabilized Crossroads I and II office properties located in Englewood, Colorado and our Jacksonville, Florida warehouse property. We are marketing for sale our Amherst, New York net leased office property. We expect we will sell these assets during 2014 at prices consistent with our reported net asset values.

Despite these property sales our operating property segment continues to grow. Our $84 million investment in four luxury apartment properties represents a considerable equity investment. We expect that with the favorable leverage we obtained in connection with this acquisition and the potential for improved value on our exit, this investment should yield an attractive current return and superior overall internal rate of return.

Similarly, our equity in 701 Seventh Avenue is a sizable investment, which we expect will be fully funded at $100 million by the end of the second quarter. The development is on target to be completed by 2017. Demolition work is underway and formal groundbreaking is scheduled for April.

As we reported previously, under the terms of our venture, assuming the sale of this property in three years at a price of approximately $1.03 billion the company will receive a return of its capital at a 12% IRR. In addition, for every dollar or sales proceeds in excess of approximately $1.103 billion we are entitled to receive approximately 15.3%.

Our Vintage portfolio continues to perform very well and has an overall occupancy rate of 97%. In the fourth quarter we received a quarterly cash distribution of $1.6 million on our equity investment of approximately $32.25 million. The Tacoma development property is completed, fully leased and expected to convert to its permanent financing later this month. The other development projects in our Vintage Venture, Urban Center and Quilceda, are on schedule and within budget.

Our Sealy venture is down to one property, Northwest Business Park located in Atlanta, having given back the Newmarket property to the lender during the fourth quarter. We carried the Newmarket property on our books and for net asset value purposes at zero. Leasing at the Northwest Business Park has improved this year, going from 70% leased at December 31, 2012 to 77% at December 31, 2013.

Our remaining operating properties are stabilized with an overall occupancy in our consolidated office and retail properties of 91% with no major lease turnover in 2014. This represents a 2% increase from September 30, 2013 reported occupancy of 89% due largely to positive leasing activity at 1515 Market Street in Philadelphia.

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Our remaining long portfolio is performing well. During the first quarter of 2014 our Queensridge loan paid off in full and in addition to the par value we received a yield maintenance payment of $1.8 million. We also expect to receive a payment in excess of par on account of our equity participation feature on our loan secured by an office property located in Playa Vista, California, which is currently being marketed for sale.

Our Concord CDO continued to cash flow and we received distributions of $1.3 million during the fourth quarter. You will note that in our supplemental report we have increased the high end of the range of net asset value attributed to the Concord investment from $14 million at September 30, 2013 to $24.4 million at December 31, 2013. This is due primarily to improved collateral value in certain of the underlying investments giving rise to greater expectation of recovery.

In 2014 we made a new $16 million mezzanine loan secured by Freed Management's interest in entities owning two retail shopping centers in Chicago, Illinois. The loan bears interest at LIBOR plus 12% subject to annual 50 basis point increases. Upon satisfaction of the loan Winthrop will be entitled to a participation interest as described in today's release. As additional collateral to the loan Winthrop acquired a pledge of the interests held by Freed Management and its affiliates in Sullivan Center and Mentor Retail Ventures.

At December 31, 2013 we had unrestricted cash and cash equivalents of $112.5 million.

Finally, our reported range of net asset value per common share increased to $13.80 to $15.83 from our reported range of $12.98 to $15.01 at September 30, 2013. The increase is a result of increased values at a number of our operating properties, including our 1515 Market Street Philadelphia property, which has resulted from increased occupancy discussed earlier, improved occupancy and operations at our Lake Brant and Waterford multi-family properties, as well as our retail property located in Chicago and our Vintage platform.

Complementing these value increases is the increase to the high end range of our Concord investments previously mentioned. Overall we are seeing improved metrics across our portfolio and this is reflected in our reported NAV. Keep in mind that this rise in net asset value gives no significant increase to the value of the luxury residential portfolio or our investment in 701 Seventh Ave, two sizable assets, which we expect will increase in value over time.

Now, I will turn the call over to John Garilli. John?

John Garilli – Chief Financial Officer – Winthrop Realty Trust

Thank you, Carolyn. Good afternoon, everyone. I will provide an overview of Winthrop's results as well as a review of our business segments for the quarter and year ended December 31, 2013.

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For the quarter ended December 31, 2013 we reported a net loss of $8 million or $0.22 per common share compared with a net loss of $4.9 million, or $0.15 per common share for the quarter ended December 31, 2012.

The increase in net loss is due to the impairments taken with respect to certain Marc Realty properties, which I will discuss shortly.

Funds From Operations, or FFO, for the fourth quarter of 2013 was $7.8 million or $0.22 per common share compared with FFO of $5 million or $0.15 per common share for the fourth quarter of 2012.

For the year ended December 31, 2013 we reported net income of $17.3 million or $0.51 per common share compared with net income of $15.3 million or $0.46 per common share for the year ended December 31, 2012.

FFO for the year ended December 31, 2013 was $45.8 million or $1.36 per common share compared with FFO of $46.4 million or $1.40 per common share for the year ended December 31, 2012.

We disposed of certain assets in 2013 and we recognized $11 million in gains from the sale of real estate. These gains are included in income from discontinued operations, but are excluded from the FFO calculation.

As Carolyn mentioned, during the first quarter of 2014 we sold our interests in certain properties we owned with Marc Realty. As a result we recognized $7.7 million of other than temporary impairment charges on these equity investment in the fourth quarter of 2013. These impairments are included in income from continuing operations and while the impact of this is reflected in our overall net income, they do not impact our FFO.

Operating results by business segments from the quarter ended December 31, 2013 were as follows. With respect to our operating properties business segment, operating income was approximately $12 million for the three months ended December 31, 2013 compared with approximately $8.8 million for the three months ended December 31, 2012.

Operating income increased by $2.6 million from our consolidated operating properties and $600,000 from our equity investment operating properties during this period.

With respect to our consolidated operating properties, operating income from our same store properties was $6.2 million for the three months ended December 31, 2013, down approximately $300,000 from the comparable period last year. Our new stores generated operating income of $3.2 million in the quarter. Both revenue and expenses from same store properties remained relatively stable for the three months ended December 31, 2013 as compared to the same period in 2012 with revenue decreasing from $11.1 million to $11 million and operating expenses increasing from $3.5 million to $3.7 million.

The revenue decrease was due primarily to a decrease in revenue at our Amherst, New York property, which resulted from the lease modification signed in Chicago in 2013 that lowered the current rental payments, but extended the term of the lease. This was partially offset by increased revenue at our 450 West 14th Street property in New York, New York.

Our new stores properties, which consist of our office property in Philadelphia Pennsylvania, and our residential properties in Greensboro, North Carolina; Stamford, Connecticut; San Pedro, California; Houston, Texas; Phoenix, Arizona and Oklahoma City, Oklahoma generated revenue of $7.4 million.

New store operating expenses were $3 million for the current period and real estate tax expense was approximately $1.1 million. Net operating income from operating property equity investments was $2.6 million for the three months ended December 31, 2013 compared to net income of $2 million from the three months ended December 31, 2012. The increase was due primarily to the recognition of $1 million of income from our 701 Seventh Avenue Times Square investment, which closed October 16, 2012.

We also recognized a $600,000 decrease in operating loss from our Sealy Newmarket investment primarily as a result of having recognized losses in prior periods that brought our investment balance to zero at December 31, 2012 resulting in the suspension of the recognition of additional losses.

Operating income from our Sullivan Center investment decreased by $600,000 in the quarter as a result of the recognition of our share of operating losses at the property.

Our loan assets and loan securities business segments reported net operating income of $6.5 million for the three months ended December 31, 2013 compared to net operating income of $5.4 million for the three months ended December 31, 2012. This increase in quarter-over-quarter earnings is primarily the result of $1.3 million in earnings recognized in the fourth quarter of 2013 from our Concord equity investments as compared to a $1.7 million loss on these investments in the fourth quarter of 2012.

This increase was partially offset by a $700,000 decrease in interest income and discount accretion as a result of loan sales and payoffs throughout the year, a $600,000 gain on the sale of loan securities recognized in the fourth quarter of 2012 and a $350,000 loan loss reserve recorded in the fourth quarter of 2013 on our Rockwell loan receivable, which was in default as of December of 2013.

Turning to our REIT securities business segment operating income was $500,000 for three months ended December 31, 2013 compared with an operating loss of $200,000 for the three months ended December 31, 2012. The increase in REIT securities operating income for the comparable period was primarily due to an $875,000 gain on the sale of our remaining holdings of Cedar Realty Trust shares in the fourth quarter.

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As Carolyn mentioned, we had fully divested all of our holdings of REIT securities as of December 31, 2013.

And, lastly, at December 31st we had cash and cash equivalents of $112.5 million compared to a balance of $97.7 million at December 31, 2012.

Now, I'll turn the call over to Michael Ashner. Michael?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust

Thank you, John, for that scintillating discussion. I would like to touch briefly on a few of the matters described by Carolyn from my perspective.

Acquisition investment activity during the last quarter of 2013 and into the first quarter of 2014 reflected, from my standpoint, a number of factors. First, was the hanging around the hoops factor as seen in the ST Residential acquisition, which is often the case with us. We made a fair bid for the entire portfolio and were rejected when higher bids were received. We continued to monitor the process closely and ultimately when the bids fell apart, as market interest rates rose, we ended up acquiring four of the 11 assets five months later at our initial bid price.

Follow-on investing played an equally prominent role as the company increased its investment in Times Square from $36 million as of the end of the third quarter to $89 million presently and expanded it to include the 452 room hotel component. Parenthetically I believe the agreement to open a Marriott Ian Schrager Edition hotel will be a huge boost for this venture.

Similarly, with our first quarter investment to Freed Management relating to its Chicago shopping center holdings can be considered as follow-on, first to Sullivan Center and then to their Mentor building investments we made with the Freed organization.

Of primary concern to us, however, is the impact to real estate and real estate related investment opportunities in the substantial flow of investment capital into this sector, which in our view, has both compressed equity capitalization rates and subordinate loan yields to presently unattractive levels on a risk-adjusted basis.

Apart from follow-on transactions or those with structural complexity or those with borrower issues, we are finding it increasingly difficult to source new satisfactory opportunities.

Nevertheless, a frothy capital market does have certain benefits. First, debt capital is extremely inexpensive based on historical trends. Consequently, we have taken advantage of a low interest rate environment to finance and refinance our assets wherever possible.

Most notably we refinanced our $246 million acquisition of the ST Residential portfolio with a new $150 million LIBOR plus 200 basis point facility and refinanced our $111 million LIBOR plus 11% Sullivan Center loan with a new $113 million fixed rate 3.95%

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loan. This is the least expensive debt capital I've ever experienced in my 33 years of real estate investing and we want the company to take advantage of as much of it as it can utilize.

Separately, we are enjoying strong leasing activity at substantially all of our post-2009 office and multi-family acquisitions. How much of this is due to our low cost basis relevant to our competitors rather than real economic growth in our office assets is hard for us to say.

The other side of the coin to a frothy investment environment is a rise in real estate asset pricing from a sales perspective. We're jumping on this wholeheartedly. As Carolyn mentioned, during the first quarter we sold a substantial portion of our subordinated debt portfolio at a blended yield to maturity of 10% creating a 16% IRR on the investment to the company.

We also closed the sale of Newbury Apartments during the first quarter at the NAV price. We have recently marketed and accepted bids on our Crossroads I and II and Jacksonville properties at very favorable pricing and are currently marketing our Amherst, New York property, which we recently entered into a long-term lease extension and modification with the tenant. We expect all of these properties to be sold by year-end at pricing comporting with our published NAV range.

Finally, we have this quarter exited three of our four legacy Marc Realty assets within our published NAV range, although at a loss to our historic basis. Subject to a REIT holding period limitations, it is our intention to sell as much of our mature stabilized assets into this market as possible.

On the sales side we certainly like these pricing levels and will use it to build our near-term cash reserves. We continue to harbor some strong concerns, however.

As I mentioned already, the availability of new replacement investments, which satisfy our risk/return hurdles, currently appears limited. On reflection, the recession of 2009 to 2012 was a much easier investing environment for this company than the present.

Building our cash resources is also of vital concern so we can avoid or minimize equity dilution if and when future opportunities arise.

Finally, and most importantly, bringing our stock price more in line with our reported NAV continues to be a central focus of ours and we will continue to pursue any and all alternatives to remedy this issue.

These are our concerns, this is our focus. Now, let's open the call to questions.

Operator
Thank you. Our first question is from Craig Mailman of KeyBanc. Please go ahead.

<Q>: Good afternoon, guys. Michael, maybe just staying on your last theme here about finding it easier to monetize assets rather than redeploy that capital given the fact that you guys have $112 million of cash on the balance sheet, just maybe your

thoughts on where that cash balance trend and potentially what the time frame could be on redeployment, what maybe needs to change in the environment for you guys to get more comfortable redeploying that or is it something where you do a special dividend at some point to return some of that to shareholders?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Well, it's a multi-pronged question you asked. A lot of it depends on the macroeconomic environment. Right now the lessons that we learned in 2005 and 2011 for us was that it's better to have cash if you think the environment is too expensive to invest than not to have cash because as a result you find very often that there are market opportunities that are created when the market does a sudden downturn.

So, for the near-term it's accumulate cash, looking to take advantage of any change to the macroeconomic environment as it affects real estate. If that were not to change, that is to say if we were to determine that there is a mid-term or long-term environment in which we don't see opportunities for one reason or another, then, of course, we would consider returning that capital to investors at some point.

<Q>: Okay, that's helpful. Carolyn, how much could you sell for the balance of this year and not run up against safe harbor issues?

Carolyn Tiffany – President – Winthrop Realty Trust
Obviously, that's something that we monitor. It depends, part of it, I mean we do still have a little bit of room. We can do seven sales, if we sell at, for instance, the loan portfolio that we just sold we sold a number of assets that it was considered one sale because it was sold as a portfolio. So, we're monitoring that.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
I think I'll add to that that pretty much everything that we own other than ST Residential and 701, one can be structured to sell; pretty much when we buy something, when we acquire something, we structure it so that we can dispose of it once it becomes mature and stabilized. The difficulty with the question is simply what to aggregate assets for sale in any given 12-month period.

Carolyn Tiffany – President – Winthrop Realty Trust
The two-year safe harbor, a number of assets that stabilized, for instance, Waterford Apartments in Memphis, those are assets that we might consider selling, but we have to wait until the two-year safe harbor is up.

<Q>: So, I mean at this point you have between Crossroads, Jacksonville, Amherst, that's like another cost $55 million on top of what you guys have done year-to-date, so you could potentially get to that kind of 175 of assets or loan sales this year?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
We could.

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<Q>: And then, Michael, maybe just your high level thoughts, obviously, none of us can predict the future, but what do you think from your standpoint opens up the log jam a little bit, gives you guys better opportunity set?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
I think the most likely source of opportunities is a rise in interest rates. The ST Residential transaction basically came to us because when it was bid by everyone in April or May, we entered and we lost it. The high bidder bid $100 million more than us. Interest rates popped, as we all recall, in June and pretty much all the bids fell apart. We were the only ones that were still at the table.

So, I would say that if I had to look at near term, I can't predict events throughout the world, whether the Ukraine lobs a nuclear missile at the Soviet Union or the Israelis bomb Iran, but I would say the one event that I would think would create the most opportunity is, that I can take some comfort in predicting, is a rise in interest rates. And that's why we like that cash.

<Q>: Great. Thank you, guys.

Operator
Our next question comes from Mitch Germain of JMP Securities. Please go ahead.

<Q>: Good afternoon. Michael, I think a couple of quarters ago you had said your pipeline, you were feeling really good about the deals you had underwriting. It seems like you're backing away a bit, so back then we had some interest rate volatility, today less likely or more stabilized. I mean, that's really kind of like you just said, that's going to be really what kind of unlocks and kind of brings forth more opportunities. Is that the way to approach it?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Well, I mean with the last question, Craig's question, what factors would I identify as that which creates volatility, I guess I would say interest rates are those that do. Volatility in interest rates creates the most amount of volatility in our business on a near-term basis. Other than that, it's hard to predict. I think growth throughout America is relatively anemic, so that's not going to bail out real estate in most sectors.

So, I don't think you have the wind at your back that if something changes with respect to interest rates particularly that real estate is going to avoid volatility at that point in the opportunity.

If I was such a genius on interest rates I'd be out of the real estate business and I'd be in the betting interest rate futures business.

<Q>: Exactly. You've done a good job, obviously, repositioning the portfolio, reducing some of the secondary market and focusing more on infill. We have heard through some of our broker contacts, obviously, increased activity in secondary

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markets. Is that something that you are looking at today to possibly put some capital to work or is that a trend that you'd rather remain a bit of a spectator on?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
No. I think, in fact, I want to step away from that. To the extent we were in secondary markets in 2011 and 2012 they were very cheap. We bought Crossroads for $70 or $80 a square foot. I think with the interest that people are showing in the secondary markets and it is primarily because they just have too much cash to invest; you buy the secondary market at eight yield and end up selling it as an eight. They don't have the strength, they don't have the pricing power and economic demand takes longer there.

Unless you can just steal something or get it very cheap we have no interest. And there's nothing that we can steal or get very cheap in these secondary markets right now, particularly for the reason you just highlighted, that capital is now moving into those markets.

The fact that capital moves into a market and starts buying something doesn't make it right. What are the underlying economics of those markets? What is the rent growth? What is the demand growth? What's happening? That's the essential question. And, as I just alluded to, if it's not very inexpensive we're not going to be a player in the secondary markets.

Carolyn Tiffany – President – Winthrop Realty Trust
And I think, as you can see, we've actually been exiting, you know, we're selling on Crossroads, we're getting rid of the Marc Realty, Chicago Suburban. We're really looking to exit those markets at this point.

<Q>: Great. And last one for me, I know you've got three developments in Vintage. Is there any more land that you can monetize in the future with that portfolio?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Well, Carolyn, you run this, what's your view?

Carolyn Tiffany – President – Winthrop Realty Trust
The interest, I mean they're always looking. They're a smaller organization, but they are always looking for opportunities. There are some things that they do have in their pipeline, but they haven't pulled the trigger on yet.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
We're dependent on them. These are good partners who know what they're doing. All of their projects are very successful. They generate a ton of cash flow on a relatively low investment. If we were to tamper with this, I'm afraid we'd break it.

Carolyn Tiffany – President – Winthrop Realty Trust

And our partner has significant personal net worth tied into the company. So, he tends to be deliberate, which we appreciate. I do expect that this is a platform that has potential for growth, but it'll be slow and deliberate.

<Q>: Right. Thank you so much.

Operator
The next question is from Charles Frischer of LS Partners. Please go ahead.

<Q>: Good afternoon. I have a couple of questions for you. The NAV at Memphis and Greensboro improved nicely in the quarter. Do you think those are leasing improvements based on the market or did you take any specific actions to improve the leasing?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
The answer is a bit of both. Lake Brandt had dipped a bit in the first quarter and second quarter of 2013 and we focused the management's efforts on that and turned Lake Brandt around. It wasn't that it was a terrible problem, but we do our valuation based off of NOI, so that's the NAV market was more than we saw. There was a little weakness and it was stressed.

Waterford was a combination of above. Waterford, as you may recall, was a loan to own situation. We bought the loan from the bank and it foreclosed on the property and although it wasn't in terrible shape foreclosure disrupted the operations of the property. The property's operations were fully restored to where they should be and they're now reflective of what it can do.

Carolyn Tiffany – President – Winthrop Realty Trust
Just to supplement we did a lot in terms of improving the tenant space at that property, so during 2012 when we were running through NOI in 2013 we had a lot of tenant write-offs, receivable write-offs as we transitioned that property into a better quality tenant.

So, now that that process has kind of washed itself out we are expecting higher NOI.

<Q>: Terrific. At 1515 Market Street you guys had a great quarter. Can you give us some color on the outlook for the asset in 2014 and do you expect leasing success to continue there?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Well, the leasing trajectory is ahead of our projections. It's a great product. If you know Philadelphia, it is in Center City right at the Square with a subway terminal below it. So, it has great access, great location. Our management company has done a really good job with leasing it up.

I would suspect or project that we hit over 90% by the end of this year. We're ahead of our target at that property.

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<Q>: Michael or Carolyn, can you give us an update on how the luxury residential property is doing operationally?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust

The San Pedro is doing what it's supposed to be doing at this point and we've taken over the management. 44 Monroe is doing what it's supposed to be doing and we've taken over management there. Mosaic needs a little primping based on the leasing amounts its done and we'll be taking over management there in probably a month. But all of them, they're actually, lend at mid-90s or 90s. And then the Stamford is 100% leased. In fact, we had to give up the lease office. This used to be an apartment. We're giving it up and trying to build a separate leasing center. So, we're doing fine.

<Q>: Terrific. My next question is a little more nuanced, but when you did the secondary a couple of months ago management was precluded from participating due to inside information. Has all that information become public or are the insiders still restricted from buying shares?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust

What restricts us from buying shares is that we have, I assume the window opens and closes for us like it does for every company. What's currently restricting us is that it's sort of an ethical restriction. We have a stock buyback program in place and I think it's fair that we buy stocks for the company. If we think the stock is cheap we should buy it for the company, not for ourselves.

<Q>: That is a great answer, Michael. That leads me to my next question, which is given, of course, the current share price and these asset sales have helped to re-liquefy the balance sheet, it looks like buying back stock, if you assume a $15 median NAV we're looking at about a 20% discount, which looks to be an outstanding risk-adjusted investment. Could you talk about that? I know you like it.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust

It's one of the alternatives we consider. But bear in mind the company's repurchase of stock is subject to significant SEC regulations on how much trading activity goes on, how much we can buy, all of that. But the answer is that like a special dividend, like other alternatives we would consider with our capital, one of which would be buying back the stock.

<Q>: Well, as a long-term shareholder, it seems to be a bit of a head scratcher why we would have a special dividend if you could buyback stock at a discount to NAV. It's super accretive, it's tax efficient. It just makes the world go around for me.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust

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Before I say yea or nay, of course, Carolyn would shake a stick at me and say you have to take into consideration that, you have to take into consideration this and that; I don't know enough to be definitive. But to me buying a stock – and I like buying back a stock that can be bought back at a favorable return, it's the purchase that you know best in life. It's easier to buy your own stock than to buy a building. You should know everything you can know about it. On a risk-adjusted basis it's a good deal.

<Q>: I completely agree. Did the accountants make you do a straight line rental adjustment on Sullivan Center and 450 West 14th or is there a different reason why that was taken?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
You know I wouldn't know the answer to that.

John Garilli – Chief Financial Officer – Winthrop Realty Trust
The straight line rental on 450 is a GAAP audit adjustment due to the long-term ground lease nature with fixed terms. And then similar situation on the Sullivan Center.

<Q>: Okay. And, Carolyn, on the Vintage portfolio is there an opportunity to sell or redo the tax credits as some of those properties reach the end of their 15-year compliance period and are any of those properties getting closer to that 15-year benchmark period?

Carolyn Tiffany – President – Winthrop Realty Trust
Yes, they start to roll actually in 2014 and we are in discussions with our partners about the execution on that.

<Q>: Terrific. If you don't mind I have just two more questions maybe. Could you get shareholder approval, not necessarily for a liquidation, but maybe it is, to give you some more flexibility on asset sales so you get shareholder approval for liquidation. You don't actually liquidate, but then you could actually just sell more than seven assets. Is that something that is possible?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Well, if we were to get shareholder approval to liquidate, we would liquidate because we could go to jail if we said we were going to liquidate and did not.

Carolyn Tiffany – President – Winthrop Realty Trust
And over the REIT requirements once you adopt a plan of liquidation then you have two years to liquidate and if you don't liquidate within that two years then any remaining assets get transferred into a liquidating trust.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
It would be, to your point, a liquidation would have significant tax benefits on sales of assets. It could sell more assets and the character of the gain if we chose, for

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example, to do the condominium conversions ourselves the ST portfolio would be more favorable.

<Q>: Got you, okay. And then my last question is on Times Square. Would you expect, I'm not trying to sort of go too far on this, but do you think, Michael and Carolyn, that your partner would sign a lease for the retail space in 14 or maybe 50-50 or any kind of guidance you might give us on that?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Well, just so it's clear no lease can get signed without Winthrop's consent. No financing can take place, no sale can take place without Winthrop's consent. We have very strong negative veto rights. Having said that, we have great partners. We've got a group that's doing a phenomenal job and I have to compliment them.

I think that it's going to be a more deliberative process on what the kind of tenant is that we want. It has to be a Marquee international tenant. The line of thinking is it's a Marquee international tenant who wants to make use of its presence there from the marketing standpoint every bit as much as sales per square foot because it's one of the most visible corners of Times Square internationally.

Having said that, there's other opportunities to develop this space for like a mart basis, like similar to a jewelry mart, you're buying four or five retailers in a particular industry and all of them use that space, have separate portions of that space.

One thing to note is that with the Marriott Edition, the top two floors, which would have been the most difficult, are now leased to Marriott under the Marriott agreement, so we're really talking about four above ground level floors to two below ground level floors. So, we're giving a lot of thought to that.

<Q>: The last, I guess like you just said, Michael, obviously, the first and second floor in Times Square would be, I assume, those are a snap to rent and you've just got to find somebody who actually needs, is it still 80,000 square feet we're in the market for?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
No, it's 60,000.

<Q>: Sixty, so then that broadens it out because there's a lot fewer tenants that need 80 versus 60 or maybe 40, I guess, as you get smaller you get a lot more people.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
That was a benefit from the Edition agreement. I think it's just sort of premature to decide what we're going to do. It also dovetails into what we're going to do with the signage, whether the tenant, which is we offer to the tenant assumes the rental on the signage.

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There's a lot of thought that went into that because you're going to sign a lease or leases that's going to tie that property up for 15 years. I know it's signing on there for a 10-year lease because the rent is going to be through the roof, you have to give a lot of thought to that.

<Q>: Sure. And I know maybe you don't know, but do you see that as a 2014 or a 2015 event more likely?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
I don't think a decision will be made before the first quarter of 2015.

<Q>: Okay, that's really helpful. Listen, keep up the good work and appreciate all your efforts.

Operator
The next question is from Howard Alter of Roundview Capital. Please go ahead.

<Q>: Good morning, folks. My question is more about the cause of the divergence between the current share price and NAV. To what would you attribute that? Because sometimes to solve the issue we have to first define what causes it, so what are your thoughts on that?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
I think there's a multitude of factors that affect it and it certainly doesn't have anything to do with the effort of Carolyn and I to reach out and meet with investors. I think in no particular order of importance I suspect that, one, we're small. Two, we're complex; it takes more time for an analyst to figure us out than they would a company which is dedicated, for example, to retail. You have to spend the time with us.

Three, we are reluctant to issue common equity and that has a number of different unfavorable aspects to it. Investment banking firms and analysts like companies that issue lots of common equity. Two, if you issue lots of common equity your equity cap grows, analysts and people are almost required to follow you. People are almost required to own you then, whether they like you or not.

This company is very; I mean, the first and foremost issue is for us when we think about what we're going to do is how it impacts on our long-term earnings and our NAV. So, we have to do things that are going to improve NAV and if we're going to issue securities the deal has to be accretive to any diluted effect. So, that's....

And I think management, you know, our only way in here is with luck you just sell stock. It's a particularly new market to find investments that we think do not reflect our risk return hurdles. Carolyn, please, what's your opinion?

Carolyn Tiffany – President – Winthrop Realty Trust
I would agree with that. We've been trying to solve for this disconnect now for some time and the feedback that I generally receive is that what Michael referred to, which

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is the size of the company and the lower center trading volume is a challenge for a lot of investors. Our view is that as long as we continue to improve value that the shareholders will benefit from that and ultimately the price will start, that gap will start to narrow. But we have been very frustrated with it.

<Q>: It would seem to me that possibly one of the setbacks was the secondary offering that was done toward the end of last year because it appeared as though there was convergence that was beginning to take place and then given the status of that secondary discount it sometimes creates an echo or an ongoing concern that there will be additional offering of securities that will diluted to the existing shareholder base. Are you willing to say that...

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
I think it's a valid position that you take. What is interesting is we did not do any subsequent dilutable offerings. Rather, we engaged in recycling of capital and notwithstanding the fact that that offer was done with common equity. In fact, six months later NAV was higher than it was before so that the dilutive impact on that offering was offset somewhat by the accretive nature of what we're doing.

But you're right, it would not have been self evident at that time.

<Q>: Right. Okay, thank you very much. I appreciate your time and talk to you soon.

Operator
The next question is from Brent Weiss of Janney Montgomery Scott. Please go ahead.

<Q>: Hi, Michael. Hi, Carolyn. It's been a while. Is there any way, other than the signing of leases that I as an outside observer can monitor the progress of the 701 Seventh Avenue, since it's such a key material project?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
I'll tell you how I would think of that. First of all, the moment we have a lease you'll see me running up and down Park Avenue with a sandwich board, a card at my back saying we leased it, we're good to go, this is it. So, there will be no hesitancy to provide the information.

Having said that, I think there's one element that people seem to overlook. You have a project which is estimated to cost $915 million. We've got a Marriott Edition going up there with 450 rooms with food and beverage. One way to figure out what we've already nailed down in value is to research what the value is on a per key basis of Times Square hotels. That information is out there on a sale, but they are not sold very frequently. But when they're sold that would give you some insight.

I would say to you that I don't think people would challenge a view that on a per key basis a new hotel should sell for more than $1 million a room. And I mean more than, not $8 million a room.

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<Q>: Refresh my recollection, what percentage of this project is ours?

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
It works this way. I want to make it as simple as I can make it, as I make to anyone. Roughly a billion 30, we get back all of our money plus 12% and at that level we have 62% of the equity capital. There's a gap and that gap is to about another $100,000,000 in which all this subordinate equity gets their money back and a return. Above that we have 15.5%.

<Q>: Okay. Thank you for fielding my questions.

Operator
We have no further questions in queue at this time. I would like to turn the floor back over to management for any closing remarks.

Michael L. Ashner – Chairman and Chief Executive Officer – Winthrop Realty Trust
Again, we appreciate you joining us for today's call. If you have any additional questions or would like to receive further information about us, please feel free to contact Tiffany or me directly. Our contact information is available on the website. I thank you all and have a good afternoon.

Operator
Thank you. Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. And thank you for your participation.