WINTHROP REALTY TRUST

FORM 10-K
(Annual Report)

Filed 03/02/16 for the Period Ending 12/31/15

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Telephone	6175704614
CIK	0000037008
Symbol	FUR
SIC Code	6798 - Real Estate Investment Trusts
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2015

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

Indicate by check mark 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of February 29, 2016, there were 36,425,084 Common Shares outstanding.

At June 30, 2015, the aggregate market value of the Common Shares held by non-affiliates was $497,655,502.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders, which is expected to be filed with the Securities and Exchange Commission within 120 days after the Registrant's fiscal year ended December 31, 2015, are incorporated by reference into Part III hereof.

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GENERAL INSTRUCTIONS TO FORM 10-K

Item of Form 10-K

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

Any statements included in this prospectus, including any statements in the document that are incorporated by reference herein that are not strictly historical are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements contained or incorporated by reference herein should not be relied upon as predictions of future events. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans, intentions or anticipated or projected events, results or conditions. Such forward-looking statements are dependent on assumptions, data or methods that may be incorrect or imprecise and they may be incapable of being realized. Such forward-looking statements include statements with respect to:

- the declaration or payment of dividends and liquidating distributions by us;
- the ownership, management and operation of properties;
- potential dispositions of our properties, assets or other businesses;
- our policies regarding investments, dispositions, financings and other matters;
- our qualification as a real estate investment trust under the Internal Revenue Code of 1986, as amended, which we refer to as the Code;
- the real estate industry and real estate markets in general;
- the availability of debt and equity financing;
- interest rates;
- general economic conditions;
- trends affecting us or our assets;
- the effect of dispositions on capitalization and financial flexibility; and
- the anticipated performance of our assets including, without limitation, statements regarding anticipated revenues, cash flows, funds, property net operating income, operating or profit margins and sensitivity to economic downturns or anticipated growth or improvements in any of the foregoing.

You are cautioned that, while forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance and they involve known and unknown risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors. The information contained or incorporated by reference in this report and any amendment hereof, including, without limitation, the information set forth in "Item 1A—Risk Factors" below or in any risk factors in documents that are incorporated by reference in this report, identifies important factors that could cause such differences. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect any future events or circumstances.

PART I

ITEM 1. BUSINESS

General

Winthrop Realty Trust is a real estate investment trust formed under the laws of the State of Ohio. We conduct our business through our wholly owned operating partnership, WRT Realty L.P., a Delaware limited partnership, which we refer to as the Operating Partnership. All references to the "Trust", "we", "us", "our", "WRT" or the "Company" refer to Winthrop Realty Trust and its consolidated subsidiaries, including the Operating Partnership.

We began operations in 1961 under the name First Union Real Estate Equity and Mortgage Investments and changed our name to Winthrop Realty Trust in 2005. Since January 1, 2004, we have been externally managed by FUR Advisors LLC, which we refer to as FUR Advisors or our Advisor, an entity that is majority owned by our current executive officers and senior management, including Michael L. Ashner and Carolyn Tiffany.

Our primary business is owning real property and real estate related assets. On April 28, 2014 our Board of Trustees adopted a plan of liquidation. The plan, which provides for an orderly liquidation of our assets, was approved by holders of a majority of our common shares of beneficial interest (which we refer to as Common Shares) at a special meeting of shareholders on August 5, 2014. At the time of the adoption of the plan we held 20 consolidated operating properties, 18 equity investments, eight loans receivable, one secured financing receivable and one loan security. At December 31, 2015, we held 10 consolidated operating properties, 10 equity investments, four loans receivable, one secured financing receivable and one loan security.

Prior to the adoption of the plan of liquidation, we categorized our investments into three reportable segments: (i) the ownership of investment properties including wholly owned properties and investments in joint ventures which own investment properties, which we refer to as operating properties; (ii) the origination and acquisition of loans collateralized directly or indirectly by commercial and multi-family real property, which we refer to as loan assets; and (iii) the ownership of equity and debt interests in other real estate investment trusts (REITs), which we refer to as REIT securities. Subsequent to the adoption of the plan of liquidation, our business has been, and will continue to be, to sell our assets in an orderly fashion. We no longer classify our assets in these separate segments to make operating decisions or assess performance. Accordingly, we have only one reporting and operating segment subsequent to July 31, 2014.

At December 31, 2015 we had total assets of $745,629,000 and net assets in liquidation of $516,396,000. The net assets in liquidation at December 31, 2015 would result in liquidating distributions of approximately $14.18 per Common Share.

Our executive offices are located at 7 Bulfinch Place, Suite 500, Boston, Massachusetts 02114 and Two Jericho Plaza, Jericho, New York 11753. Our telephone number is (617) 570-4614 and our website is located at *http://www.winthropreit.com* . The information contained on our website does not constitute part of this Annual Report on Form 10-K. On our website you can obtain, free of charge, a copy of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, as amended, as soon as reasonably practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission, which we refer to as the SEC.

Plan of Liquidation

The plan of liquidation that was approved on August 5, 2014 provides for an orderly sale of our assets, payment of our liabilities and other obligations and the winding up of operations and dissolution of the Trust. We are not permitted to make any new investments other than protective acquisitions or advances with respect to our existing assets including providing seller financing to purchasers of our assets if we deem it prudent to facilitate the sale of such asset. We are permitted to satisfy any existing contractual obligations including any capital call requirements and acquisitions or dispositions pursuant to buy-sell provisions under existing joint venture documentation, pay for required tenant improvements and capital expenditures at our real estate properties, and repurchase our existing Common Shares. We are also permitted to invest our cash reserves in short-term U.S. Treasuries or other short-term obligations.

The plan of liquidation enables us to sell any and all of our assets without further approval of the shareholders and provides that liquidating distributions be made to the shareholders as determined by the Board of Trustees. Pursuant to applicable REIT rules, in order to be able to deduct liquidating distributions as dividends, we must complete the disposition of our assets by August 5, 2016, two years after the date the plan of liquidation was adopted by shareholders.

As we currently anticipate that all of our assets will not be sold by such date, we intend to satisfy this requirement by distributing our unsold assets to a liquidating trust at the end of such two-year period. The sole purpose of the liquidating trust will be to liquidate any remaining assets and, after satisfying any remaining liabilities, distribute the proceeds of the sale of assets to the holders of the interests in the liquidating trust. The liquidating trust will be managed by one or more trustees, which we presently expect will initially include at least one trustee that satisfies the independence requirements of the New York Stock Exchange ("NYSE"), designated by the Trust's Board of Trustees at the time of formation of the liquidating trust. Although Internal Revenue Service ("IRS") regulations do not provide any specific guidance as to the length of time a liquidating trust may last, the IRS's ruling guidelines call for a term not to exceed three years, which period may be extended.

If we transfer our assets to a liquidating trust, our shareholders will receive beneficial interests in the liquidating trust in proportion to Common Shares held in the Trust. Holders of our Common Shares should note that unlike our Common Shares, which are freely transferable, beneficial interests in the liquidating trust will generally not be transferable except by will, intestate succession or operation of law. Therefore, the recipients of the interests in the liquidating trust will not have the ability to realize any value from these interests except from distributions made by the liquidating trust, the timing of which will be solely in the discretion of the liquidating trust's trustees. If we transfer our assets to a liquidating trust, holders of our Common Shares will be treated for federal and, to the extent applicable, state income tax purposes as if they received a distribution of their pro rata share of the fair market value of any assets that are transferred to a liquidating trust and will be subject to federal and, to the extent applicable, state income tax to the extent that such deemed distribution exceeds the remaining tax basis of such holder's Common Shares. Any distributions received by holders of our Common Shares during the course of our liquidation will be considered to be reductions of such holder's tax basis in the Common Shares.

Based on current guidance provided by the Securities and Exchange Commission we anticipate that the liquidating trust will be required to file only annual reports containing unaudited financial statements on Form 10-K and current reports on Form 8-K with the Securities and Exchange Commission.

The dissolution process and the amount and timing of distributions involves risks and uncertainties. As such, it is impossible at this time to determine the ultimate amount of liquidation proceeds that will actually be distributed to holders of Common Shares (or, to the extent applicable, holders of beneficial interests in the liquidating trust) or the timing of such payments. Accordingly, no assurance can be given that the distributions will equal or exceed the estimate of net assets presented in the Consolidated Statements of Net Assets. To date, liquidating distributions have been paid totaling $4.50 per Common Share.

We expect to continue to qualify as a REIT throughout the liquidation until such time as our remaining assets, if any, are transferred into a liquidating trust. The Board of Trustees shall use commercially reasonable efforts to continue to cause us to maintain our REIT status, provided however, the Board of Trustees may elect to terminate our status as a REIT if it determines that such termination would be in the best interest of the shareholders.

Management

We have engaged FUR Advisors to administer our affairs including seeking, servicing and managing our investments. For providing these and other services, FUR Advisors is entitled to a base management fee and, in certain instances, an incentive fee and termination fee. See "Employees" below for a description of the fees payable to FUR Advisors.

Pursuant to our bylaws, the consent of our Board of Trustees is required to acquire or dispose of an investment with a value in excess of $10,000,000. Our executive officers are permitted to acquire or dispose of an investment with an aggregate value of $10,000,000 or less without the consent of our Board of Trustees. However, if such transaction is with (i) our Advisor (and any successor advisor), Michael Ashner, or any of their respective affiliates; (ii) certain stated entities which are, or were, affiliated with us; (iii) a beneficial owner of more than 4.9% of our outstanding common shares of beneficial interest which we refer to as our Common Shares, either directly or upon the conversion of any of our preferred shares; or (iv) a beneficial owner of more than 4.9% of any other entity in which we hold a 10% or greater interest, then regardless of the amount of the transaction, such transaction must be approved by a majority of our independent trustees, acting in their capacity as members of our Conflicts Committee.

Investment, Operating and Capital Strategy

Prior to the adoption of the plan of liquidation, we were engaged in the business of owning and managing real property and real estate related assets. Our business objective was to maximize long term shareholder value through a total return value approach to real estate investing which emphasized superior risk adjusted returns. As a result of our emphasis on total return, we did not select or manage our investments for short-term dividend growth, but rather towards achieving overall superior total return. While this approach resulted in short-term uneven earnings, we believe this approach resulted in long term increased entity value.

We are a diversified REIT and as such we were able to invest in a broad range of investment opportunities. These opportunities included different investment types, sectors and geographic areas all at varying levels in the capital stack. In addition, because of our size we were able to make investments in transactions that were smaller and would generally be disregarded by larger real estate investors. Further, we also acquired assets through joint ventures and strategic alliances which allowed us to employ third party co-investment capital to maximize diversification of risk and reduce capital concentration and, in certain instances, leverage off our joint venture partner's experience and expertise in specific geographic areas and/or specific asset types.

The decision to adopt the plan of liquidation followed a lengthy process in which our Board of Trustees explored numerous alternatives including continuing under the then current business plan, a revised business plan, acquiring through merger or otherwise the assets of another real estate company, seeking to dispose of our assets through a merger or a portfolio sale, and liquidation. Based on a number of factors, in April 2014 the Board of Trustees determined that a liquidation of our assets was in the best interest of our common shareholders . The factors considered at that time included:

- The relative stagnant price of the Common Shares over the previous three years.
- The continued failure of the Common Share price to approximate the low end of our reported net asset value.
- The limited trading volume in the Common Shares and the certainty of liquidity that a liquidation offers at a value that is expected to be not less than the low end of our reported net asset value.
- The nature of our business strategy which was to invest in opportunistic real estate investments and the lack of such investments in the current market environment which would be accretive to our shareholders particularly in light of our cost of capital.
- The limitation, absent a plan of liquidation, on the number of assets that we could sell in any calendar year due to applicable federal tax law restrictions relevant to a REIT in order not to be subject to a 100% tax on gain from sales.
- Our inability to raise capital through the sale of Common Shares at a price that was not dilutive to existing shareholders.
- The inability to obtain an offer for the entire company that our Board of Trustees believed was commensurate with the projected proceeds that could be obtained from a liquidation of our assets.
- The overall return to shareholders during the past five years which was both below the Trust’s peer group (i.e., REITs with a diversity and other property focus and which had a current market value as of January 27, 2014 of less than $750 million) and the MSCI US REIT index.
- The costs of continuing to operate a public company.
- The federal income tax benefits that may be derived from the adoption of a plan of liquidation as all dividends on Common Shares are deemed a return of capital until the applicable holder has received dividends totaling its cost basis.

In addition, our Board of Trustees also considered potentially negative factors in their deliberations concerning the liquidation, including the following:

- There could be no assurance that we would be successful in disposing of our assets for values equal to or exceeding the low range of our estimate of net asset value or that the dispositions would occur in the time frame expected.
- The anticipated expenses and potential for unforeseen expenses that will or may be incurred in connection with the sale of our assets and the continued operation of the Trust.
- The inability to take advantage of future changes in market conditions which could provide for presently unforeseen opportunistic investments that satisfy our investment strategy and minimum return parameters.
- Depending on their tax basis in their shares, shareholders may recognize taxable gain in connection with the completion of the liquidation.

- We may determine to distribute assets to a liquidating trust which may cause our shareholders to recognize taxable gain at the time of such distribution to the liquidating trust which we expect to occur, if at all, two years after the adoption of the plan of liquidation and may have adverse tax consequences on tax-exempt and foreign shareholders.
- Shareholders would no longer participate in any future earnings or growth of the Trust's assets or benefit from any increases in their value once such asset is sold.
- As opposed to a business combination with a relatively short time frame during which a third party would acquire the Trust, the liquidation process would involve a longer distribution process and will require the Trust to incur potentially larger administrative and other costs.
- Certain conflicts of interest could exist for the Trust's management in connection with the liquidation.
- The likelihood that the price of the Common Shares will decrease as we make distributions to shareholders.
- The potential loss of key personnel who provide services to the Trust and FUR Advisors.

Assets

Operating Properties

See Item 2. Properties for a description of our Operating Properties

Operating Property Activity

701 Seventh – capital contributions – During 2015 we made additional capital contributions of $8,865,000 with respect to our interest in the venture that holds an indirect interest in the property located at 701 Seventh Avenue, New York, New York, bringing aggregate capital contributions through December 31, 2015 to $115,489,000. We have committed to invest up to $125,000,000 in the aggregate in this venture. To the extent the venture requires additional capital once we have fully funded our required $125,000,000, we have the option to fund our pro rata share of such additional capital needs.

The indebtedness encumbering the asset held by the venture was modified to (i) provide for an additional one year extension option potentially extending the final maturity on the loan, if fully extended, to January 31, 2020 and (ii) permit up to $200,000,000 in 5.9% EB-5 financing (of which $106,000,000 has been funded as of December 31, 2015), with a corresponding reduction in the existing mezzanine loan borrowing, thereby resulting in interest savings to the venture.

Sullivan Center, Chicago, Illinois – capital contributions / contract for sale – We have committed to fund 100% of retail tenant improvements and capital expenditure needs and 80% of office tenant improvements and capital expenditure needs at the Sullivan Center property in Chicago, Illinois that are not met by current operating cash flow at the property. During 2015 we funded $3,998,000 for improvements, and to date in 2016 we funded an additional $2,794,000 for improvements. All amounts funded are considered additions to the mezzanine loan and accrue interest at the rate of 15% per annum.

On January 8, 2016 we entered into a contract with our Sullivan Center venture partner to sell our interest in WRT One South State Lender LP which holds the mezzanine loan on the property and our interest in WRT-Elad One South State Equity LP for an aggregate purchase price of approximately $91,576,000 subject to upward adjustment for additional advances on the mezzanine loan by us prior to closing plus accrued and unpaid interest. The additional $2,794,000 advanced on the mezzanine loan on January 15, 2016 will be added to the purchase price at closing. The buyer's $3,000,000 deposit under the purchase contract is non-refundable. If consummated, the sale is expected to close by the end of the second quarter of 2016.

44 Monroe—property sale— On April 14, 2015 the venture in which we hold an 83.7% interest sold its apartment building located in Phoenix, Arizona for gross proceeds of $50,650,000. The entire net proceeds, after closing costs and pro-rations, of approximately $49,143,000 were used to pay down the loan collateralized by the remaining properties in the venture. The liquidation value of this property was $50,650,000 at December 31, 2014.

Vintage Housing Holdings – sale of interest —We invested an additional $5,645,000 in this venture in the first quarter of 2015. The capital contribution was used to acquire the limited partnership interest in two of the underlying partnerships. During the first half of 2015 we received distributions totaling $4,959,000 from the venture. On June 1, 2015 we sold our interest in the venture and received net proceeds of approximately $82,471,000. The liquidation value of this investment was $82,928,000 at December 31, 2014.

Cerritos, California – property sale— On September 16, 2015 we sold our office property located in Cerritos, California for gross proceeds of $30,500,000 and received net proceeds of $6,174,000 after satisfaction of the third party mortgage debt, closing costs and pro rations. The liquidation value of the property was $29,916,000 at December 31, 2014.

Highgrove, Stamford, Connecticut – contract for sale – On June 26, 2015 the venture in which we hold an 83.7% interest entered into a contract (the "First Purchase Agreement") to sell its apartment building located in Stamford, Connecticut for gross proceeds of $90,000,000. An additional $1,000,000 non-refundable deposit was received from the buyer in November 2015 bringing the total aggregate non-refundable deposits received from the buyer to $5,000,000. On January 21, 2016 the First Purchase Agreement was terminated due to the prospective purchaser's inability to timely close. In accordance with the terms of the First Purchase Agreement, the venture retained the $5,000,000 deposit.

On February 18, 2016 the venture entered into a purchase agreement (the "Second Purchase Agreement") to sell this asset for gross proceeds of $87,500,000. The purchaser has provided a $10,000,000 non-refundable deposit. The closing is expected to occur, if at all, in the second quarter of 2016. In connection with entering into the Second Purchase Agreement, the venture entered into a settlement agreement with the purchaser under the First Purchase Agreement providing for the return of $1,000,000 of the previously retained deposit and an agreement to return up to an additional $1,500,000 of the previously retained deposit upon the closing or termination of the Second Purchase Agreement. As a result, assuming the consummation of the transaction contemplated by the Second Purchase Agreement, the venture will receive gross sales proceeds, inclusive of forfeited deposits, totaling $90,000,000.

Mentor Retail – tenant bankruptcy – On October 5, 2015 American Apparel filed for voluntary bankruptcy protection. American Apparel leases 100% of the property owned by the Mentor Retail LLC venture in which the Trust has a 50% equity interest and holds the first mortgage debt. On December 30, 2015 American Apparel filed with the bankruptcy court assuming the lease at the Mentor Retail property. The bankruptcy filing had no impact on the liquidation values of our equity investment in Mentor Retail or our Mentor Building loan receivable.

Edens Center and Norridge Commons – On October 9, 2015, in connection with the repayment in full of the loan receivable collateralized by the Edens Center and Norridge Commons properties discussed below, we sold our general partner interests in the two properties for an aggregate price of $493,000 pursuant to the terms of an existing option agreement. The sale price plus aggregate distributions received in 2015 was consistent with our liquidation value at December 31, 2014.

Lake Brandt, Greensboro, North Carolina – contract for sale— On January 20, 2016 we entered into a contract with an independent third party to sell our residential property known as Lake Brandt Apartments for gross proceeds of $20,000,000. The Buyer's $500,000 deposit under the contract is non-refundable. If consummated, the sale is expected to close in the second quarter of 2016. The liquidation value was $20,000,000 at December 31, 2015 and $18,610,000 at December 31, 2014.

Loan Assets

The following table sets forth certain information relating to our loans receivable, loan securities and loans held in equity investments. All information presented is as of December 31, 2015 (in thousands).

Name	Position	Asset Type	Location	Stated Interest Rate (1)	Carrying Amount (2)	Par Value	Maturity Date (3)	Senior Debt (4)
Loans Receivable								
Rockwell (5)	Mezzanine	Industrial	Shirley, NY	12.00%	$ —	$1,486	05/01/16	$16,194
Churchill	Whole loan	Mixed use	Churchill, PA	LIBOR + 3.75%	—	333	08/01/16	—
Poipu Shopping Village	B Note	Retail	Kauai, HI	6.618%	2,769	2,756	01/06/17	27,896
Mentor Building	Whole loan	Retail	Chicago, IL	10.00%	2,511	2,497	09/10/17	—
					$ 5,280			
Loan Securities								
WBCMT 2007 WHL8 (6)	CMBS	Hotel	Various	LIBOR + 1.75%	$ —	$1,130	12/31/15	$51,000
					$ —			

Loans in Equity Investment

Our loan assets held in equity investments consist of our investments in Concord Debt Holdings LLC, CDH CDO LLC and RE CDO Management LLC.

(1) Represents contractual interest rates without giving effect to loan discount and accretion. The stated interest rate may be significantly different than our effective interest rate on certain loan investments.

(2) Carrying amount represents the estimated amount expected to be collected on disposition of the loan, plus contractual interest receivable at December 31, 2015.

(3) Maturity date after giving effect to all contractual extensions.

(4) Debt which is senior in payment and priority to our loan.

(5) Loan defaulted in December 2013. Carrying amount is net of a $348 loan loss reserve.

(6) The loan security is in maturity default. No recovery is expected based on underlying collateral value.

Loan Asset Repayment/Disposition Activity

Edens Center and Norridge Commons – loan pay down – On February 5, 2015 the Norridge, Illinois property, which was one of the two properties that collateralized this loan receivable, was sold, and we received a principal payment of $15,275,000 plus all accrued and unpaid interest due in connection with the sale. The outstanding principal balance on the loan receivable was $225,000 following the repayment. Additional payments on the loan were received reducing the outstanding principal balance to $97,000 at September 30, 2015. Upon satisfaction of the loan, we were entitled to a participation interest equal to 30% of the value of both of the properties which collateralized the loan in excess of $115,000,000. On October 9, 2015 we received $3,100,000 in full satisfaction of the loan receivable and the participation interest.

Concord Debt Holdings – During May 2015 we received a distribution of $20,173,000 from our Concord Debt Holdings LLC venture. The distribution was in connection with the sale of the luxury hotel assets owned by the MSREF hotel venture in which Concord Debt Holdings LLC held an interest.

CDH CDO LLC —On June 25, 2015 the venture closed on the sale of four bond assets and one loan asset for gross proceeds of $54,122,000. The proceeds of the sale were utilized to fully satisfy the debt of the venture and the CDO structure was collapsed. All remaining assets of CDH CDO LLC are held free of debt. Additionally, in June 2015 a loan asset held by the venture was repaid at par which was consistent with our liquidation value at December 31, 2014. On July 1, 2015 we received a $6,200,000 distribution from this venture. The liquidation value of this investment was reduced by $15,274,000 at December 31, 2015 as a result of a decrease in the estimated underlying collateral value of one of the remaining loan assets based on the tenant’s notice of non-renewal.

Employees

As of December 31, 2015 we had no employees. Our affairs are administered by our Advisor pursuant to the terms of an advisory agreement for five years effective January 1, 2013 which we refer to, as the same may be amended from time to time, as the “Advisory Agreement.”

Under the Advisory Agreement, we pay to our Advisor a quarterly base management fee equal to 1.5% of (i) the issuance price of our outstanding equity securities plus (ii) 0.25% of any equity contribution by an unaffiliated third party to a venture managed by us. The Advisory Agreement provides that any dividends paid on account of Common Shares that result in a reduction of the threshold amount (as described below) at the date of our liquidation or disposition are deemed a reduction in the aggregate issuance price of the Common Shares, thereby resulting in a reduction of the base management fee. In addition to receiving a base management fee, our Advisor is entitled to receive an incentive fee for administering the Trust and, in certain instances, a termination fee upon an early termination of the Advisory Agreement under certain circumstances or the liquidation of disposition of the Trust. Further, our Advisor, or its affiliate, is also entitled to receive property management fees and construction management fees at commercially reasonable rates.

The incentive fee is equal to 20% of any amounts available for distribution in excess of the threshold amount and is only payable at such time, if at all, (i) when holders of our Common Shares receive aggregate dividends above the threshold amount or (ii) upon termination of the Advisory Agreement if the net value of our assets exceeds the threshold amount based on then current market values and appraisals. That is, the incentive fee is not payable annually but only at such time, if at all, as shareholders have received dividends in excess of the threshold amount ($427,686,000 on December 31, 2015 plus an annual return thereon equal to the greater of (x) 4% or (y) the 5 year U.S. Treasury Yield plus 2.5% (such return, the “Growth Factor”) less any dividends paid from and after January 1, 2016). The incentive fee will also be payable if the Advisory Agreement is terminated, other than for cause (as defined) by us or with cause by our Advisor, and if on the date of termination the net value of the Trust’s assets exceeds the threshold amount. At December 31, 2015 the threshold amount required to be distributed before any incentive fee would be payable to FUR Advisors was $427,686,000, which was equivalent to $11.94 per Common Share. At December 31, 2015, based on our estimate of liquidating distributions, it is estimated that the Advisor would be entitled to an incentive fee of $15,305,000 in connection with our liquidation. This amount has been accrued and is reflected in our net assets in liquidation at December 31, 2015.

With respect to the termination fee, it is only payable if there is (i) a termination of the Advisory Agreement for any reason other than for cause (as defined) by us or with cause by our Advisor, (ii) a disposition of all or substantially all of our assets, or (iii) an election by us to orderly liquidate our assets. The termination fee, if payable, is equal to the lesser of (i) the base management fee paid to our Advisor for the prior twelve month period or (ii) either (x) in the case of a termination of the Advisory Agreement, 20% of the positive difference, if any between (A) the appraised net asset value of our assets at the date of termination and (B) the threshold amount less $104,980,000, or (y) in the case of a disposition or liquidation, 20% of any dividends paid on account of our Common Shares at such time as the threshold amount is reduced to $104,980,000, which, based on current estimates, will be achieved at such time as additional liquidating distributions of approximately $9.01 per Common Share in excess of the Growth Factor have been paid. For example, if the Trust had been liquidated at January 1, 2016, the termination fee would only have been payable if additional liquidating distributions of approximately $9.01 per Common Share had been paid, and then only until the total termination fee paid would have equaled $9,496,000 (the base management fee for the twelve months prior to the approved plan of liquidation), which amount would be achieved when total additional liquidating distributions paid per Common Share equaled approximately $10.05. At December 31, 2015 it is estimated that the Advisor will be entitled to a termination fee of $9,496,000 in connection with our liquidation. This amount has been accrued and is reflected in our net assets in liquidation at December 31, 2015.

In connection with the modifications entered into in February 2013 with respect to the Advisory Agreement, we issued 600,000 restricted Common Shares, which Common Shares were issued under our 2007 Long Term Incentive Plan. In connection with the adoption of the plan of liquidation, the Trust’s compensation committee has authorized amendments to the grant agreements to provide for an early expiration of the forfeiture period and the reissuance of forfeited shares. See Item 8 – Financial Statements and Supplementary Data, Note 20 for additional information on the grants.

Competition

We currently compete with other properties located in markets in which our assets are located both from an operations perspective and with respect to the disposition of our assets. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business and our net assets in liquidation.

We derive significant benefit from our present advisor structure, where our Advisor’s experienced management team provides us with resources at substantially less cost than if such persons were directly employed by us. Through its broad experience, our Advisor’s senior management team has established a network of contacts and relationships, including relationships with operators, financing sources, investment bankers, commercial real estate brokers, potential tenants and other key industry participants.

Environmental Regulations

Our operations and properties are subject to various federal, state and local laws and regulations concerning the protection of the environment including air and water quality, hazardous or toxic substances and health and safety. These are discussed further under Item 1A – Risk Factors.

Segment Data

As discussed earlier, with the adoption of the plan of liquidation we have only one reporting and operating segment subsequent to July 31, 2014. Reportable segment data for the periods prior to August 1, 2014 may be found under Item 8 – Financial Statements and Supplementary Data Note 22.

Additional Information

The following materials are available free of charge through our website at www.winthropreit.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC under the Securities Exchange Act of 1934, as amended:

- our Annual Reports on Form 10-K and all amendments thereto;
- our quarterly reports on Form 10-Q and all amendments thereto;
- our current reports on Form 8-K and all amendments thereto;
- other SEC filings;
- organizational documents;
- Audit Committee Charter;
- Compensation Committee Charter;
- Conflicts Committee Charter;
- Nominating and Corporate Governance Committee Charter;
- Code of Business Conduct and Ethics; and
- Corporate Governance Guidelines.

We will provide a copy of the foregoing materials without charge to anyone who makes a written request to our Investor Relations Department, c/o FUR Advisors, LLC, 7 Bulfinch Place, Suite 500, P.O. Box 9507, Boston, Massachusetts 02114.

We also intend to promptly disclose on our website any amendments that we make to, or waivers for our Trustees or executive officers that we grant from, the Code of Business Conduct and Ethics.

New York Stock Exchange Certification

As required by applicable New York Stock Exchange listing rules, on July 1, 2015, following our 2015 Annual Meeting of Shareholders, our Chairman and Chief Executive Officer submitted to the New York Stock Exchange a certification that he was not aware of any violation by us of New York Stock Exchange corporate governance listing standards.

ITEM 1A – RISK FACTORS

We, our assets and the entities in which we invest are subject to a number of risks customary for REITs and owners of real estate and debt instruments secured, directly or indirectly, by real estate. In addition, as a result of the adoption of the plan of liquidation we are subject to additional risks that may affect the ultimate amount of liquidating distributions payable to holders of our Common Shares. Material factors that may adversely affect our business operations and, accordingly, the ultimate amount of liquidating distributions payable on our Common Shares are summarized below.

Risks incidental to real estate investments

Our assets consist of direct ownership and operation of operating properties and loan assets secured, directly or indirectly, by operating properties. As a result of the adoption of our plan of liquidation, we will not make any further investments other than in very limited instances as detailed in our plan of liquidation. Accordingly, an investment in us depends upon the financial performance and the value of our current portfolio of operating properties as well as the operating properties securing our loan assets, which operating properties are subject to the risks normally associated with the ownership, operation and disposal of real estate properties and real estate related assets, including:

- adverse changes in general and local economic conditions which affect the demand for real estate assets;
- competition from other properties;
- fluctuations in interest rates;
- reduced availability of financing;
- the cyclical nature of the real estate industry and possible oversupply of, or reduced demand for, properties in the markets in which our investments are located;
- the attractiveness of our properties to tenants and purchasers;
- how well we manage our properties;
- changes in market rental rates and our ability to rent space on favorable terms;
- the financial condition of our tenants and borrowers including their becoming insolvent and bankrupt;
- the need to periodically renovate, repair and re-lease space and the costs thereof;
- increases in maintenance, insurance and operating costs;
- civil unrest, armed conflict or acts of terrorism against the United States; and
- earthquakes, floods and other natural disasters or acts of God that may result in uninsured losses.

In addition, changes to applicable federal, state and local regulations, zoning and tax laws and potential liability under environmental and other laws affect real estate values. Further, throughout the period that we own real property, regardless of whether or not a property is producing any income, we must make significant expenditures, including those for property taxes, maintenance, insurance and related charges and debt service. The risks associated with real estate investments may adversely affect our operating results and financial position, and therefore the funds available for distribution to our holders of Common Shares.

Risks that May Delay or Reduce Our Liquidating Distributions

Our estimate of net assets in liquidation at December 31, 2015 was $516,396,000, or $14.18 per Common Share. This estimation is based on a number of estimates and assumptions including asset hold periods, expected revenues and expenses and other factors not within our control such as capitalization rates and market conditions. As a result, one or more of these assumptions may change during our liquidation. For example, if we sell an asset prior to its estimated sale date or a loan asset is satisfied prior to its maturity date, the net assets in liquidation could be reduced due to our receipt of less operating cash flow from such assets than initially estimated, however, we would receive sales proceeds sooner than previously expected. As a result, the actual amount of liquidating distributions we pay to holders of Common Shares may be more or less than our current estimate. In addition, there can be no assurance as to the timing, and the amount, of each liquidating distribution to our holders of Common Shares.

If we are unable to find buyers for our assets at our expected sales prices, our liquidating distributions may be delayed or reduced.

In calculating our estimated net assets in liquidation, we assumed that we will be able to find buyers for all of our assets at our estimated liquidation values. We, however, may have overestimated the sales prices that we will be able to obtain for these assets or underestimated the costs associated with such sales. For example, in order to find buyers in a timely manner, we may be required to accept a purchase price below our current estimate. If we are not able to find buyers for these assets in a timely manner or if we have overestimated the sales prices we will receive, our liquidating distributions payable to holders of our Common Shares would be delayed or reduced. Furthermore, our estimated net assets in liquidation is based on current market conditions and asset operations, but real estate market values are constantly changing and fluctuate with changes in interest rates, supply and demand dynamics, occupancy percentages, lease rates, the availability of suitable buyers, the perceived quality and dependability of income flows from tenancies and a number of other factors, both local and national. The net liquidation proceeds from each asset may also be affected by the terms of prepayment or assumption costs associated with debt encumbering each asset. In addition, minority ownership matters, transactional fees and expenses, environmental contamination at our properties or unknown liabilities, if any, may adversely impact the net liquidation proceeds from those assets.

If any of the parties to our future sale agreements default thereunder, or if these sales do not otherwise close, our liquidating distributions may be delayed or reduced.

The consummation of the potential sales for which we will enter into sale agreements will be subject to satisfaction of closing conditions. If any of the transactions contemplated by these future sale agreements do not close because of a buyer default, failure of a closing condition or for any other reason, we will need to locate a new buyer for the assets which we may be unable to do promptly or at prices or on terms that are as favorable as the original sale agreement. We will also incur additional costs involved in negotiating a new sale agreement for this asset. These additional costs are not included in our projections. In the event that we incur these additional costs, our liquidating distributions to our shareholders would be delayed or reduced.

If our transaction costs, liquidation costs or unpaid liabilities are greater than we expect, our liquidating distributions may be delayed or reduced.

Before making the liquidating distributions on our Common Shares, we will need to pay or arrange for the payment of all of our transaction costs in the liquidation, all other costs and all valid claims of our creditors. Our board may also decide to acquire one or more insurance policies covering unknown or contingent claims against us or them, for which we would pay a premium which has not yet been determined. Our board may also decide to establish a reserve fund to pay these contingent claims. The amounts of transaction costs in the liquidation are not yet final, so we have used estimates of these costs in calculating our estimated net assets in liquidation. To the extent that we have underestimated these costs in calculating our projections or we incur unforeseen additional costs, our actual liquidating distributions may be lower than our estimated net assets in liquidation. In addition, if the claims of our creditors are greater than we have anticipated or we decide to acquire one or more insurance policies covering unknown or contingent claims against us, our liquidating distributions may be delayed or reduced. Further, if a reserve fund is established, payment of liquidating distributions to our holders of Common Shares may be delayed or reduced.

We may be unable to sell certain of our assets.

Certain of our assets are subject to agreements that require the consent of our venture partner or ground lessor for the sale of the underlying asset or our interest in certain ventures. If we are unable to obtain the required consent we may have difficulty in timely selling such asset or, in the case of a venture, may need to acquire our venture partner's interest through the exercise of our dispute resolution provisions which, in all such cases, may cause us to incur additional expenses and result in a delay in the sale of such assets which could reduce our liquidating distributions.

Our properties may subject us to known and unknown liabilities.

Our existing properties may have known and unknown liabilities for which we would have no recourse, or only limited recourse, to the former owners of such properties. As a result, if a liability were asserted against us based upon ownership of a property, we might be required to pay significant sums to settle it, which could adversely affect our financial results and cash flow. Unknown liabilities relating to our properties could include:

- liabilities for clean-up of pre-existing disclosed or undisclosed environmental contamination; and
- claims by tenants, vendors or other persons arising on account of actions or omissions of the former owners of the properties.

If we are unable to maintain the occupancy rates of currently leased space and lease currently available space, if tenants default under their leases or other obligations to us during the liquidation process or if our cash flow during the liquidation is otherwise less than we expect, our liquidating distributions may be delayed or reduced.

In calculating our estimated net assets in liquidation, we made certain assumptions as to each asset's occupancy and rental rates, that we would be able to rent certain currently available space and that we would not experience any significant tenant defaults during the liquidation process that were not subsequently cured. Negative trends in one or more of these factors may adversely affect the resale value of the properties, which would reduce our liquidating distributions. To the extent that we receive less rental income than we expect during the liquidation process, our liquidating distributions will be reduced. We may also decide in the event of a tenant default to restructure the lease, which could substantially reduce the rent payable to us under the lease, or make other modifications that are unfavorable to us. This risk is substantial with respect to our net leased properties. As of December 31, 2015, our five single tenant properties, containing an aggregate of approximately 1,071,000 square feet of space are net leased to five different tenants. Gross leases accounting for approximately 2% of the aggregate annual base rent from our operating properties for 2015, representing approximately 2% of the net rentable square feet at the properties, are scheduled to expire in 2016. Other leases grant tenants early termination rights upon payment of a termination penalty.

We are subject to risks associated with the financial condition of our tenants and our borrower's tenants.

Our tenants or tenants at properties securing our loan assets may experience a downturn in their business resulting in their inability to make rental payments when due.

In the event that a tenant occupying a significant portion of one or more of our properties or whose rental income represents a significant portion of the rental revenue at such property or properties were to experience financial weakness, default on its lease, elect not to renew its lease or file bankruptcy it would negatively impact our financial condition and, as a result, our liquidating distributions. Similarly, if a tenant occupying a significant portion of one or more of the properties securing our loan assets or whose rental income represents a significant portion of the rental revenue at such property or properties experiences financial weakness defaults on its lease, elects not to renew its lease or files for bankruptcy, it would negatively impact our net cash flow and the value of such asset and, as a result, our liquidating distributions. Additionally, the loss of a tenant at a property securing a loan asset could negatively impact the value of the property and, therefore, our collateral.

We may experience increased operating costs, which might reduce our estimated net assets in liquidation and the sales prices received for our properties.

Our properties are subject to increases in operating expenses such as for cleaning, electricity, heating, ventilation and air conditioning, administrative costs and other costs associated with security, landscaping and repairs and maintenance of our properties. In general, under our leases with tenants, we pass through all or a portion of these costs to them. There can be no assurance that tenants will actually bear the full burden of these higher costs, or that such increased costs will not lead them, or other prospective tenants, to seek office space elsewhere. If operating expenses increase, the availability of other comparable office space in the geographic markets of our properties might limit our ability to increase rents; if operating expenses increase without a corresponding increase in revenues, our profitability could diminish thereby reducing our estimated net assets in liquidation and limit the amount and likely delay the timing of our liquidating distributions.

We leverage our portfolio, which may adversely affect our financial condition and estimated net assets in liquidation.

We leverage our portfolio through borrowings. We may not be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to foreclosure or forced sale to satisfy our debt obligations.

Interest rate fluctuations may reduce our investment return.

Certain of our loan obligations have floating interest rates. In such cases, an increase in interest rates would increase our loan obligations. Where possible we have sought to mitigate these risks by acquiring interest rate cap agreements, rate collars and other similar protections. To the extent we have not mitigated these risks or our actions are ineffective, a fluctuation in interest rates could negatively impact our cash flow due to an increase in loan obligations.

Our loan assets are subject to delinquency and loss.

Our loan assets are directly or indirectly secured by income producing property. The ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower since the underlying loans are generally non-recourse in nature. These loans are subject to risks of delinquency and foreclosure as well as risk associated with the capital markets. If a borrower were to default on a loan, it is possible that we would not recover the full value of the loan.

We may be unable to foreclose on the collateral securing our loan assets on a timely basis or our loan assets may be subject to unfavorable treatment in a borrower bankruptcy.

In certain states foreclosing on a property can be a lengthy and costly process. In addition, a borrower can file for bankruptcy or raise defenses that could delay our ability to realize on our collateral on a timely basis. In such instances, the increased costs and time required to realize on our collateral would likely result in a reduced return or loss on the investment. Further, if a borrower were to file for bankruptcy protection, a plan could be approved over our objection that would extend our loan for a period of time at an interest rate that is less than our cost of funds, thereby having a negative impact on our cash flow and reducing our liquidating distributions.

The subordinate nature of our B Notes is subject to risks relating to the structure and terms of the transactions, and there may not be sufficient funds or assets to satisfy the B Notes, which may result in losses to us.

We currently hold B Notes which are subordinate in payment to the more senior A Notes with respect to the loan. If a borrower defaults or declares bankruptcy, the amounts due on the A Notes are required to be satisfied in full prior to our receiving any amounts on account of our B Notes. Accordingly, there may not be sufficient funds remaining to satisfy our B Notes. Furthermore, the co-lender agreements limit our ability to amend the loan documents, assign the loan, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to the borrower.

Deterioration of the credit markets may have an adverse impact on the ability of borrowers to obtain replacement financing.

A deterioration in the credit markets will make it extremely difficult for borrowers to obtain mortgage financing. The inability of borrowers to obtain replacement financing has, in the past, led and will in the future, likely lead to more loan defaults thereby resulting in expensive and time consuming foreclosure actions and/or negotiated extensions to existing loans beyond their current expirations on terms which may not be as favorable to us as the existing loans.

A prolonged economic slowdown, a lengthy or severe recession or instability in the credit markets could harm our operations and viability.

A prolonged economic slowdown, a lengthy or severe recession or the continued instability in the credit market will affect our operations and viability in a number of ways including:

- Depressing prices for our operating properties, venture interests and loan assets;
- Decreasing interest income received or increases in interest expenses paid;
- Reducing the number of potential purchasers for our assets;
- Increasing risk of default on loan assets; and
- Limiting the ability to obtain new or replacement financing.

Some of our potential losses may not be covered by insurance.

We use our discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on our investments at a reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of the lost investment and also may result in certain losses being totally uninsured. Inflation, changes in building codes, zoning or other land use ordinances, environmental considerations, lender imposed restrictions or other factors might not make it feasible to use insurance proceeds to replace the building after such building has been damaged or destroyed. Under such circumstances, the insurance proceeds, if any, received by us might not be adequate to restore our economic position with respect to such property. With respect to our net leased properties, under the lease agreements for such properties, the tenant is required to adequately insure the property, but should a loss occur their failure or inability to have adequate coverage might adversely affect our economic position with respect to such property.

Covenants and other provisions in our debt instruments could adversely affect our financial condition and the ultimate amount of liquidating distributions paid to holders of our Common Shares.

Debt instruments under which we are an obligor contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further encumber, directly or indirectly, the applicable property. These restrictions can include, among other things, a limitation on our ability to incur debt based upon the level of our ratio of total debt to total assets, our ratio of secured debt to total assets, our ratio of earnings before interest, taxes, depreciation and amortization (which is commonly referred to as "EBITDA") to interest expense and fixed charges, and a requirement for us to maintain a certain level of unencumbered assets to unsecured debt.

If we fail to remain qualified as a REIT, our holders of Common Shares would be adversely affected.

Although we expect to remain qualified as a REIT until such time, if at all, as we transfer any remaining assets and liabilities to a liquidating trust, given the changes in the nature of our assets and sources of our income that will result as we sell our assets, and the need to retain certain assets to meet our liabilities, there is no assurance that we will continue to qualify as a REIT through the completion of our liquidation. If we fail to remain qualified as a REIT, we would be taxed as a corporation for federal income tax purposes and could not deduct distributions to our shareholders in computing our taxable income. As a result, we would be liable for federal income taxes at corporate tax rates on our taxable income from operations and asset sales for the taxable year in which our qualification as a REIT terminates and any subsequent years, which could materially reduce the cash available for distribution to our shareholders.

The adoption of the plan of liquidation may cause our Common Shares to no longer be listed on the NYSE.

Although the adoption of the plan of liquidation has not caused our Common Shares to fail to meet the listing requirements of the NYSE, it is possible that as we reduce our overall assets through the distribution of sales proceeds whether to satisfy debt, expenses or to make liquidating distributions to our shareholders, we may fail to satisfy the requirement to cause our Common Shares to remain listed on the NYSE. If this were to occur, the ability to transfer Common Shares would be substantially limited which may reduce the market price for our Common Shares.

Distributing interests to a liquidating trust may cause you to recognize gain.

We do not expect we will have sold all of our assets by August 5, 2016. Our plan of liquidation requires that any remaining assets and liabilities be transferred to a liquidating trust. In that event, holders of Common Shares will be treated for federal income tax purposes as if they received a distribution of their pro rata share of the fair market value of any assets that are transferred to a liquidating trust, and will be subject to federal income tax to the extent that such "deemed" distribution exceeds the remaining tax basis of such holder's Common Shares. As a result, holders of Common Shares may recognize taxable gain with respect to assets transferred to a liquidating trust prior to the subsequent sale of such assets and the distribution to them of the related net cash proceeds, if any. Such transfer also may have adverse tax consequences for tax-exempt and foreign shareholders.

Holders of Common Shares may not receive any profits resulting from the sale of one or more of our properties, or receive such profits in a timely manner, because we may provide financing to the purchaser of such property.

We may sell our assets either subject to or upon the assumption of any then outstanding mortgage debt or, alternatively, may provide financing to purchasers. We do not have any limitations or restrictions on taking such purchase money obligations. To the extent we receive promissory notes or other property in lieu of cash from sales, such proceeds, other than any interest payable on those proceeds, will not be included in net sale proceeds until and to the extent the promissory notes or other property are actually paid, sold, refinanced or otherwise disposed of. We may receive initial down payments in the year of sale in an amount less than the selling price and subsequent payments may be spread over a number of years. In such event, holders of Common Shares may experience a delay in the distribution of the net proceeds of a sale until such time as the installment payments are received.

We will not make new investments.

In accordance with applicable tax law and our plan of liquidation, as a result of the implementation of the plan of liquidation, we are not permitted to make any new investments other than those required to satisfy existing contractual obligations and commitments, including any capital call requirements and acquisitions or dispositions pursuant to buy-sell provisions under existing venture documentation, pay for required tenant improvements and capital expenditures at our real estate properties, repurchase our existing Common Shares if we so choose and make protective acquisitions or advances with respect to our existing assets including providing seller financing to purchasers of our assets if we deem it prudent to facilitate the sale of such asset. Accordingly, we will not be able to use our cash to participate in new investments which could generate a greater return to holders of our Common Shares.

We may incur a 100% tax on any prohibited transactions.

Assuming that we remain qualified as a REIT, we will incur a 100% tax on our net income and gain derived from our sale of any property that we are treated as holding primarily for sale to customers in the ordinary course of business. We believe, but cannot assure, that all of our properties are held for investment and that none of the asset sales that we have made and intend to make pursuant to the plan of liquidation should be subject to this tax.

Compliance with the Americans with Disabilities Act and fire, safety and other regulations may require us to make unanticipated expenditures that adversely affect our financial condition and liquidating distributions.

All of our properties are required to comply with the Americans with Disabilities Act, which we refer to as the ADA. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Although we believe that our properties are in compliance with the ADA, it is possible that we may have to incur additional expenditures which, if substantial, could adversely affect our financial condition and liquidating distributions.

In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by local, state and federal governmental agencies and bodies and become applicable to our properties. We may be required to make substantial capital expenditures to comply with those requirements and these expenditures could have an adverse effect on our financial condition and liquidating distributions.

We may incur costs to comply with environmental laws.

The obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation, may increase our operating costs. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on or under the property. Environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances and whether or not such substances originated from the property. In addition, the presence of hazardous or toxic substances, or the failure to remediate such property properly, may adversely affect our ability to borrow by using such property as collateral. We maintain insurance related to potential environmental issues on our properties which are not net leased which may not be adequate to cover all possible contingencies. In 2011 we were conveyed title to the land underlying our Churchill, Pennsylvania property. Prior to the conveyance of the land, a Phase II environmental study was performed. The study found that there were certain contaminants at the property all of which were within permitted ranges. In addition, given the nature and use of the property currently and in the past, it is possible that additional contamination could occur which could require remediation. We believe that based on applicable law and existing agreements any such remediation costs would be the responsibility of a prior owner or tenant.

Ability of our Advisor and other third parties directly affects our financial condition.

Other than for severe economic conditions or natural forces which may be unanticipated or uncontrollable, the ultimate value of our assets and the results of our operations will depend on the ability of our Advisor and other third parties we retain to operate and manage our assets in a manner sufficient to maintain or increase revenues and control our operating and other expenses in order to generate sufficient cash flows to pay amounts due on our indebtedness and to pay liquidating distributions to our shareholders.

We are dependent on our Advisor and the loss of our Advisor's key personnel could harm our operations and adversely affect the value of our Common Shares.

We have no paid employees. Our officers are employees of our Advisor. We have no separate facilities and are completely reliant on our Advisor who has significant discretion as to the implementation of our plan of liquidation. We are subject to the risk that our Advisor will terminate its Advisory Agreement with us and that no suitable replacement will be found. Furthermore, we are dependent on the efforts, diligence, skill, network of business contacts and close supervision of all aspects of our business by our Advisor and, in particular, Michael Ashner, Chairman of our Board of Trustees and our chief executive officer, Carolyn Tiffany, our president, as well as our other executive officers. While we believe that we could find replacements for these key personnel, the loss of their services could have a negative impact on our operations and the market price of our shares.

The termination fee and incentive fee payable to our Advisor may be substantial.

Pursuant to the terms of our Advisory Agreement with our Advisor, our Advisor is entitled to receive an incentive fee and, in certain instances, a termination fee equal to 20% of any amounts available for distribution in excess of a threshold amount. The incentive fee is only payable at such time, if at all, (i) when holders of our Common Shares receive aggregate dividends above a threshold amount or (ii) upon termination of our Advisory Agreement if the value of our net assets exceed the threshold amount based on then current market values and appraisals. That is, the incentive fee is not payable annually but only at such time, if at all, as shareholders have received the threshold amount or, if the Advisory Agreement is terminated, the net assets of the Trust exceed the threshold amount. At December 31, 2015, the threshold amount required to be distributed before any incentive fee would be payable to FUR Advisors was approximately $427,686,000 which was equivalent to $11.94 for each of our Common Shares on a fully diluted basis. The threshold amount required to be distributed before any termination fee would be payable to FUR Advisors was approximately $322,706,000 which was equivalent to $9.01 for each of our Common Shares on a fully diluted basis. In accordance with liquidation accounting, we have recorded a liability in our financial statements equal to the estimated incentive fee and termination fee that would be payable to FUR Advisors based on the estimated cash available to be distributed over the liquidation period. In determining our estimated net assets in liquidation we have taken into account the termination fee and incentive fee.

If we transfer our assets to a liquidating trust, interests in the liquidating trust will not be freely transferable nor will the liquidating trust be required to comply with certain filing requirements of the Securities and Exchange Commission.

Interests in the liquidating trust will not be freely transferable except by will, intestate succession or operation of law. Therefore, the recipients of the interests in the liquidating trust will not have the ability to realize any value from these interests except from distributions made by the liquidating trust, the timing of which will be solely in the discretion of the liquidating trust's trustees. As compared to the Trust which is required to comply with all of the filing requirements of the Securities and Exchange Commission for publicly traded entities, based on current guidance provide by the Securities and Exchange Commission we anticipate that the liquidating trust will be required to file only annual reports on Form 10-K and current reports on Form 8-K with the Securities and Exchange Commission.

Our property in Times Square is in its early stages of development.

The property located at 701 Seventh Ave in Times Square in which we are invested is in its early stages of development and is uniquely located in Times Square. The construction is not expected to be completed until 2017. We utilized third party and market data, to the extent available, to project the future operations of the property once completed. The estimates of future operations were used by us to estimate the value of the investment at the projected date of the sale. The estimated value of this investment in our Net Assets in Liquidation is dependent upon significant assumptions, including but not limited to, future retail rents, hotel and signage revenues and operating expenses, all of which involve inherent uncertainty given they are related to estimating future events. The actual proceeds from the disposition of this asset may be significantly more or less than the amount included in net assets in liquidation.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

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ITEM 2 – PROPERTIES

CONSOLIDATED OPERATING PROPERTIES

The following table sets forth a schedule of consolidated operating properties at December 31, 2015. Our portfolio of consolidated properties consists of seven commercial properties consisting of 1,366,000 square feet and three residential apartment complexes consisting of 773 units.

Description and Location	Year Acquired	Trust's Owner-ship	Rentable Square Feet	(**) % Leased	Major Tenants (Lease / Options Expiration)	Major Tenant Sq. Ft.	($000's) Depreciated Cost Basis (1)	Cost per Square Foot or Unit	Owner-ship of Land	($000's) Debt Balance	Debt Maturity & Int Rate (2)
Office											
Chicago, IL (One East Erie)	2005	100%	126,000	81%	River North Surgery (2023)	15,000	22,046	175	Fee	19,104	03/2016 5.75%
Lisle, IL	2006	100%	169,000	82%	United Healthcare (2015)	21,000	11,544	68	Fee	5,459	10/2016 Libor+2.5%
					Primera Engineers (2017/2020)	31,000					
Lisle, IL (Marc Realty)	2006	60%	54,000	100%	Ryerson (2018/2023)	54,000	3,582	66	Fee	5,309	03/2017 5.55%
Orlando, FL	2004	100%	257,000	100%	Siemens Real Estate, Inc. (2017/2042)	257,000	13,094	51	Ground Lease	35,668	07/2017 6.40%
Plantation, FL	2004	100%	120,000	100%	AT&T Service, Inc. (2020/2035)	120,000	10,766	90	Fee	10,406	04/2018 6.48%
Subtotal - Office			**726,000**				**$ 61,032**			**$ 75,946**	
Other											
Warehouse											
Jacksonville, FL	2004	100%	588,000	100%	Fanatics (2018/2024)	561,000	$ 11,756	20	Fee	$ —	N/A
Mixed Use											
Churchill, PA	2004	100%	52,000	100%	Westinghouse (2024)	52,000	5,404	104	Fee	4,782	08/2024 3.50%
Subtotal - Other			**640,000**				**$ 17,160**			**$ 4,782**	
Residential											
Houston, TX	2013	84%	396 units	92%	n/a	n/a	104,150	263,000	Fee	44,319	10/2016 LIBOR + 2.0% (3)
Stamford, CT (4)	2013	84%	93 units	89%	n/a	n/a	77,850	846,000	Fee	33,448	10/2016 LIBOR + 2.0% (3)
Greensboro, NC (4)	2012	100%	284 units	95%	n/a	n/a	17,443	61,000	Fee	13,600	08/2016 6.22%
Subtotal - Residential			**773**	units			**$ 199,443**			**$ 91,367**	
Total Consolidated Properties			**1,366,000**				**$ 277,635**			**$ 172,095**	

(**) Occupancy rates include all signed leases, including space undergoing tenant improvements.

(1) Assets are no longer depreciated under liquidation accounting. Depreciated costs basis represents initial cost, plus improvements through December 31, 2015, less depreciation through July 31, 2014.

(2) The one month LIBOR rate at December 31, 2015 was 0.4295%.

(3) These properties are cross-collateralized. Proceeds from property sales go 100% to repay the mortgage loan.

(4) Property currently under contract for sale.

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UNCONSOLIDATED OPERATING PROPERTIES

The following table sets forth a schedule of unconsolidated operating properties at December 31, 2015. These properties consist of five commercial properties consisting of 1,132,000 square feet and one residential apartment complex consisting of 184 units.

	Year Acquired	Trust's Ownership	Rentable Square Feet	(**) % Leased	Major Tenants (Lease / Options Expiration)	Major Tenants Sq. Ft.	Ownership of Land	($000's) Debt Balance (1)	Debt Maturity & Int Rate (2)
WRT-Highline LLC—Equity Investment									
New York, NY (450 West 14th)	2011	(3)	104,000	87%	Alice & Olivia (2021/2031)	27,000	Ground Lease	$ 50,653	05/2016 LIBOR+2.5%
					Fast Retailing (2026/2036)	23,000			
					Access Industries (2021/2031)	14,000			
Mentor Retail LLC—Equity Investment									
39 South State Street Chicago, IL	2012	50%	7,000	100%	American Apparel (2022)	7,000	Fee	$ 2,497	09/2017 10%
WRT-Elad One South State—Equity Investment (4)									
One South State Street Chicago, IL (Sullivan Center)	2012	38%	946,000	96%	Target (2038 / 2063)	147,000	Fee	$ 113,500	11/2018 3.95%
					Walgreens (2022/2027)	95,000			
					Illinois Dept. of Employment (2019/2024)	243,000			
					Art Institute of Chicago (2020/2030)	161,000			
701 Seventh WRT Investor LLC—Equity Investment									
701 Seventh Avenue New York, NY	2012	(5)	Under Development		(6)	—	Fee	$ 494,273	1/2018 LIBOR + 8.0% (7)
Atrium Mall LLC—Equity Investment									
Chicago, IL	2013	50%	75,000	88%	No tenants over 10%	—	Ground Lease	$ —	N/A
Summit Pointe Apartment LLC—Equity Investment									
Oklahoma City, OK	2013	80%	184 units	91%	n/a	n/a	Fee	$ 8,943	02/2021 5.70%

(**) Occupancy rates include all signed leases including space undergoing tenant improvements
(1) Debt balance shown represents the property level debt encumbering the properties.
(2) The one month LIBOR rate at December 31, 2015 was 0.4295%.
(3) We hold a preferred equity interest. At December 31, 2015 our effective ownership was 83.6%.
(4) This investment is currently under contract for sale.
(5) We hold an 81% interest in this venture which provides us with a 61.14% effective ownership interest in the underlying property.
(6) There are no major tenants as the property is currently in development.
(7) There is a LIBOR floor of 1%.

LEASE EXPIRATIONS

The following tables set forth a schedule of lease expirations at our consolidated and unconsolidated commercial properties respectively, with respect to leases in place at December 31, 2015 for each of the next ten years and thereafter (assuming that no tenants exercise renewals or cancellation options and that there are no tenant bankruptcies or other tenant defaults). Annual contractual rent under expiring leases represents base rent charges for the year ended December 31, 2015 and does not reflect any straight-line rent adjustments or expense reimbursements. The average annualized revenue per square foot as of December 31, 2015 was $20.24 for consolidated multi-tenant operating properties and $7.65 for consolidated single tenant operating properties. Annualized revenue represents contractual base rent for the year ended December 31, 2015.

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Year of Lease Expirations	Number of Expiring Leases	Net Rentable Square Feet Subject to Expiring Leases	Percentage of Leased Square Footage Represented by Expiring Leases (%)	Annual Contractual Rent Under Expiring Leases ($)	Annual Rent Per Leased Square Foot of Expiring Leases ($)
Consolidated Multi Tenant					
Operating Properties:					
2016	6	21,000	9%	$ 367,000	$ 17.48
2017	5	47,000	20%	680,000	14.47
2018	10	54,000	23%	1,112,000	20.59
2019	6	30,000	13%	987,000	32.90
2020	3	5,000	2%	93,000	18.60
2021	2	16,000	7%	215,000	13.44
2022	4	21,000	9%	496,000	23.62
2023	3	24,000	10%	700,000	29.17
2024	2	14,000	6%	32,000	2.29
2025	—	—	—	—	—
2026 and thereafter	2	3,000	1%	75,000	25.00
			100%		
Consolidated Single Tenant					
Operating Properties:					
2016	1	27,000	3%	128,000	4.74
2017	1	257,000	24%	3,745,000	14.57
2018	2	615,000	57%	2,030,000	3.30
2019	—	—	—	—	—
2020	1	120,000	11%	1,490,000	12.42
2021	—	—	—	—	—
2022	—	—	—	—	—
2023	—	—	—	—	—
2024	1	52,000	5%	802,000	15.42
2025	—	—	—	—	—
2026 and thereafter	—	—	—	—	—
			100%		
Unconsolidated					
Operating Properties:					
2016	5	24,000	2%	879,000	36.51
2017	5	8,000	1%	319,000	39.65
2018	5	10,000	1%	360,000	34.36
2019	4	248,000	24%	6,316,000	25.44
2020	8	171,000	16%	4,179,000	24.39
2021	7	67,000	6%	4,590,000	68.54
2022	8	193,000	18%	5,313,000	27.58
2023	3	8,000	1%	662,000	78.25
2024	5	8,000	1%	217,000	25.62
2025	7	87,000	8%	298,000	3.45
2026 and thereafter	4	236,000	22%	7,838,000	33.26
			100%		

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TENANT DIVERSIFICATION

The following table sets forth information regarding the leases with respect to the five largest tenants in our consolidated properties portfolio, based on the amount of square footage leased by our tenants at December 31, 2015.

Tenant	Property	Remaining Lease Term in Months	Total Leased Square Fee	Percentage of Aggregate Portfolio Leased Square Feet (%) (1)	Percentage of Aggregate Portfolio Annual Rent (%) (2)
Fanatics, Inc.	Jacksonville, FL	31	561,000	43.0%	7.3%
Siemens Real Estate, Inc.	Orlando, FL	24	257,000	19.7%	24.7%
AT&T Services, Inc.	Plantation, FL	51	120,000	9.2%	9.9%
Ryerson, Inc.	Lisle, IL	28	54,000	4.1%	6.1%
Westinghouse Electric Co., LLC	Churchill, PA	105	52,000	4.0%	5.3%

(1) Represents percentage of square footage leased excluding month to month leases.
(2) Represents base rent plus straight line rent adjustments.

GROUND LEASES

On certain of our properties we own the improvements and lease the land underlying the improvements pursuant to ground leases.

The following table sets forth the terms of the ground leases:

Property Location	Current Term Expiration	Renewal Terms	Lease Term Rents Per Annum
Orlando, FL	12/31/17	Five, 5-year renewal options (Extended term 2037)	Ground lease calls for $2/yr. of rent through the current term and then fair market value for each successive renewal period. (1)
450 West 14 th Street New York, NY	05/31/53	None	Ground lease calls for $130,370/month plus increases of 3% per annum each June as well as $100,000 increases per annum on November 1, 2017.
Atrium Mall Chicago, IL	09/19/19	Five, 5-year renewal options (Extended term 2044)	Ground lease calls for rent of $36,648/month plus 50% of excess cash flow as defined in the lease. (2)

(1) The lease requires the tenant to perform all covenants under the ground lease including the payment of ground rent. All extensions are at our option.
(2) All extensions are at our option. Landlord has right to terminate lease September 19, 2034.

MORTGAGE LOANS

Information pertaining to the terms of the first mortgages for each of the properties is included in the table at the beginning of Item 2—Properties.

ITEM 3 – LEGAL PROCEEDINGS

The Trust is involved from time to time in litigation on various matters, including disputes with tenants and disputes arising out of agreements to purchase or sell properties. Given the nature of the Trust's business activities, these lawsuits are considered routine to the conduct of its business. The Trust does not expect that the liabilities, if any, that may ultimately result from such legal actions will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Trust. As of December 31, 2015, the Trust was not involved in any material litigation.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5 – MARKET FOR TRUST'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Shares are listed for trading on the New York Stock Exchange, under the symbol "FUR."

The table below sets forth the high and low sales prices as reported by the New York Stock Exchange for our Common Shares for each of the periods indicated.

	High	Low
Year Ended December 31, 2014:		
First quarter	$12.19	$10.81
Second quarter	15.50	11.01
Third quarter	15.58	14.53
Fourth quarter	18.23	14.90
Year Ended December 31, 2015:		
First Quarter	$16.50	$15.60
Second Quarter	17.26	14.75
Third Quarter	15.21	14.02
Fourth Quarter	14.75	12.95

Holders

As of December 31, 2015 there were 552 record holders of our Common Shares. This does not include beneficial owners for whom Cede & Co. or others act as nominee.

Dividends

In order to retain REIT status, and thus avoid paying federal corporate tax, we are required by the Code to distribute at least 90% of our REIT taxable income. Prior to the adoption of the plan of liquidation, we were required to pay quarterly dividends of $0.578125 per Series D Preferred Share, which were paid for each of the first and second quarters of 2014. In addition, during the first and second quarters of 2014, we declared dividends of $0.1625 per Common Share.

Upon the adoption of the plan of liquidation, as required by the terms of our Series D Preferred Shares, dividends on our Common Shares were suspended until the liquidation preference on our Series D Preferred Shares was satisfied. On September 15, 2014 we satisfied the liquidation preference on our Series D Preferred Shares by payment of the $25.00 liquidating preference plus accrued and unpaid dividends to, but excluding, the date of payment. Accordingly, we are no longer restricted by the terms of the Series D Preferred Shares from paying dividends on our Common Shares.

In the second quarter of 2015 we declared a liquidating distribution of $1.25 per Common Share. In the fourth quarter of 2015 we declared a liquidating distribution of $1.00 per Common Share. In the fourth quarter of 2014 we declared a liquidating distribution of $2.25 per Common Share. Since the adoption of the plan of liquidation, we have made liquidating distributions totaling $4.50 per Common Share.

The actual amount and timing of, and record date for, future liquidating distributions on our Common Shares will be determined by our Board of Trustees and will depend upon the timing and proceeds of the sale of our assets and the amounts deemed necessary by our Board of Trustees to pay or provide for our liabilities and obligations and REIT requirements. Any such liquidating distributions on the Common Shares will be deemed a return of capital until the applicable holder has received liquidating distributions totaling its cost basis. The actual cash flow available to pay dividends will be affected by a number of factors, including, among others, the risks discussed under "Risk Factors" in Part I, Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Annual Report.

We do not believe that the financial covenants contained in our loan agreements will have any adverse impact on our ability to pay liquidating distributions on our Common Shares or to distribute amounts necessary to maintain our qualifications as a REIT.

See Item 7 – Common and Preferred Share Dividends for a further description of our dividend policy.

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ITEM 6 – SELECTED FINANCIAL DATA

The following table sets forth selected, historical, consolidated financial data for the Trust and should be read in conjunction with the Consolidated Financial Statements of the Trust and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K.

Statement of Net Assets (in thousands, except per share data)	Liquidation Basis December 31, 2015	 December 31, 2014
Total assets	$ 745,629	$ 1,136,261
Mortgage loans payable	172,095	296,954
Senior notes payable	—	71,265
Liability for non-controlling interests	17,796	46,564
Liability for estimated costs in excess of estimated receipts	29,297	31,253
Dividends payable	1,822	82,353
Net assets in liquidation (1)	516,396	594,704
Net assets in liquidation value per Common Share (1)	14.18	16.33

(1) The net assets in liquidation as of December 31, 2015 and 2014 of $516,396 and $594,704, respectively, plus the cumulative liquidating distributions to our holders of Common Shares through December 31, 2015 and 2014 of $163,913 ($4.50 per common share) and $81,959 ($2.25 per common share), respectively, would result in cumulative liquidating distributions to holders of Common Shares of $18.68 and $18.58 per Common Share as of December 31, 2015 and 2014, respectively.

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Operating Results (in thousands, except per share data)	Going Concern Basis Seven Months Ended July 31, 2014	Years Ended December 31, 2013	2012	2011
Revenue	$ 46,313	$ 51,865	$33,930	$26,688
Income from continuing operations (1)	1,246	$ 20,006	$23,646	$11,441
Income (loss) from discontinued operations (2)	11,235	8,772	985	(508)
Net income attributable to Winthrop Realty Trust	12,481	28,778	24,631	10,933
Preferred dividends	(6,502)	(11,146)	(9,285)	(924)
Amount allocated to Restricted Common Shares	(192)	(307)	—	—
Net income attributable to Common Shares	$ 5,787	$ 17,325	$15,346	$10,009
Per Common Share				
Income (loss) from continuing operations, basic	(0.15)	$ 0.25	$ 0.43	$ 0.34
Income (loss) from discontinued operations, basic (2)	0.31	0.26	0.03	(0.02)
Net income attributable to Common Shares, basic	$ 0.16	$ 0.51	$ 0.46	$ 0.32
Income (loss) from continuing operations, diluted	$ (0.15)	$ 0.25	$ 0.43	$ 0.34
Income (loss) from discontinued operations, diluted	0.31	0.26	0.03	(0.02)
Net income attributable to Common Shares, diluted	$ 0.16	$ 0.51	$ 0.46	$ 0.32
Cash dividends declared per Common Share	$ 0.325	$ 0.65	$ 0.65	$ 0.65

Balance Sheet Data: (in thousands)	Going Concern Basis As of December 31, 2013	2012	2011
Total Assets	$1,132,324	$923,163	$733,933
Total Debt	$ 562,075	$421,422	$300,090
Series D Cumulative Redeemable Preferred Shares	$ 120,500	$120,500	$ 40,000
Total Shareholders' Equity	$ 480,874	$454,510	$387,802
Dividends payable	$ 6,099	$ 5,366	$ 5,369

(1) Income from continuing operations, including per share data, are net of non-controlling interests.

(2) The results of the Lafayette, Louisiana; Knoxville, Tennessee and St. Louis, Missouri properties were classified as discontinued operations for 2011. The results of the Indianapolis, Indiana and Memphis, Tennessee properties were classified as discontinued operations for 2011 and 2012. The results of the Andover, Massachusetts; Denton, Texas and Seabrook, Texas properties were classified as discontinued operation for 2011 through 2013. The results of the Deer Valley, Arizona; Meriden, Connecticut; Englewood, Colorado; Chicago, Illinois (River City); Lisle, Illinois (701 Arboretum); Louisville, Kentucky and Amherst, New York properties were classified as discontinued operations for 2011 through 2014.

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. This section should be read in conjunction with the financial statements, footnotes thereto and other items contained elsewhere in this report.

Overview

On April 28, 2014 our Board of Trustees adopted a plan of liquidation. The plan, which provides for an orderly liquidation of our assets, was approved by holders of a majority of our common shares of beneficial interest ("Common Shares") at a special meeting of shareholders on August 5, 2014. As a result of the approval of the plan of liquidation, we are not permitted to make any new investments other than to make protective acquisitions or advances with respect to our existing assets including providing seller financing to purchasers of our assets if we deem it prudent to facilitate the sale of such asset. We will, however, be able to satisfy any existing contractual obligations including any capital call requirements and acquisitions or dispositions pursuant to buy-sell provisions under existing joint venture documentation, pay for required tenant improvements and capital expenditures at our real estate properties and repurchase our existing Common Shares. In addition, we will be able to invest our cash reserves in short-term U.S. Treasuries or other short-term obligations.

We are a diversified REIT, and prior to the adoption of the plan of liquidation, we operated in three strategic segments: (i) operating properties; (ii) loan assets; and (iii) REIT securities. As value investors we focused and aggressively pursued our investment activity in the segment we believed would generate the greater overall return to us given market conditions at the time. Under the plan of liquidation, our focus is on selling our assets in a manner that maximizes the return to our holders of Common Shares. We will continue to actively manage our remaining assets throughout the liquidation process.

In order to comply with applicable tax laws, any of our assets not sold by August 5, 2016 will be distributed into a liquidating trust. If we transfer our assets to a liquidating trust, holders of our Common Shares will receive beneficial interests in the liquidating trust equivalent to those held in the Trust. Holders of our Common Shares should note that unlike our Common Shares, which are freely transferable, beneficial interests in the liquidating trust will generally not be transferable except by will, intestate succession or operation of law. Therefore, the recipients of the interests in the liquidating trust will not have the ability to realize any value from these interests except from distributions made by the liquidating trust, the timing of which will be solely in the discretion of the liquidating trust's trustees. As compared to the Trust which is required to comply with all of the filing requirements of the Securities and Exchange Commission for publicly traded entities, based on current guidance provide by the Securities and Exchange Commission we anticipate that the liquidating trust will be required to file only annual reports containing unaudited financial statements on Form 10-K and current reports on Form 8-K with the Securities and Exchange Commission.

The timing and amount of the liquidating distributions to the shareholders will be determined by our Board of Trustees. The dissolution process and the amount and timing of distributions to shareholders involve risks and uncertainties. As such, it is impossible at this time to determine the ultimate amount of liquidation proceeds that will actually be distributed to holders of Common Shares or the timing of such payments. To date, liquidating distributions totaling $4.50 per Common Share have been paid.

During 2015 we (i) sold two operating properties for aggregate gross proceeds of $81,150,000 and interests in three equity investments for aggregate proceeds of $82,964,000; (ii) received $18,500,000 in loan repayments inclusive of participation interests; (iii) received $26,373,000 in distributions from equity investments as a result of loan sales and loan repayments; and (iv) invested $18,638,000 in existing operating property and loan assets. Investments in existing assets was primarily funding of previous commitments such as the $8,865,000 of additional capital contributions to our 701 Seventh Avenue venture and the $3,998,000 of contributions to our WRT One South State Lender venture or to strengthen our position in ventures as demonstrated by our additional $5,645,000 investment in Vintage Housing Holdings prior to the sale of our interest.

At December 31, 2015 we held 10 consolidated operating properties, 10 equity investments, four loans receivable, one secured financing receivable and one loan security.

Investment Activity

701 Seventh – capital contributions – During 2015 we made additional capital contributions of $8,865,000 with respect to our interest in the venture that holds an indirect interest in the property located at 701 Seventh Avenue, New York, New York, bringing aggregate capital contributions through December 31, 2015 to $115,489,000. We have committed to invest up to $125,000,000 in the aggregate in this venture.

The indebtedness encumbering the asset held by the venture was modified to (i) provide for an additional one year extension option potentially extending the final maturity on the loan, if fully extended, to January 31, 2020 and (ii) permit up to $200,000,000 in 5.9% EB-5 financing (of which $106,000,000 has been funded as of December 31, 2015), with a corresponding reduction in the existing mezzanine loan borrowing, thereby resulting in interest savings to the venture.

Sullivan Center, Chicago, Illinois – capital contributions – We have committed to fund 100% of retail tenant improvements and capital expenditure needs and 80% of office tenant improvements and capital expenditure needs at the Sullivan Center property in Chicago, Illinois that are not met by current operating cash flow at the property. During 2015 we funded $3,998,000 for improvements, and to date in 2016 we funded an additional $2,794,000 for improvements. All amounts funded are considered additions to the mezzanine loan and accrue interest at the rate of 15% per annum.

Disposition/Repayment Activity

44 Monroe—property sale— On April 14, 2015 the venture in which we hold an 83.7% interest sold its apartment building located in Phoenix, Arizona for gross proceeds of $50,650,000. The entire net proceeds, after closing costs and pro-rations, of approximately $49,143,000 were used to pay down the loan collateralized by the remaining properties in the venture. The liquidation value of this property was $50,650,000 at December 31, 2014.

Vintage Housing Holdings – sale of interest —We invested an additional $5,645,000 in this venture in the first quarter of 2015. The capital contribution was used to acquire the limited partnership interest in two of the underlying partnerships. During the first half of 2015 we received distributions totaling $4,959,000 from the venture. On June 1, 2015 we sold our interest in the venture and received net proceeds of approximately $82,471,000. The liquidation value of this investment was $82,928,000 at December 31, 2014.

Cerritos, California – property sale— On September 16, 2015 we sold our office property located in Cerritos, California for gross proceeds of $30,500,000 and received net proceeds of $6,174,000 after satisfaction of the third party mortgage debt, closing costs and pro rations. The liquidation value of the property was $29,916,000 at December 31, 2014.

Highgrove, Stamford, Connecticut – contract for sale – On June 26, 2015 the venture in which we hold an 83.7% interest entered into a contract (the “First Purchase Agreement”) to sell its apartment building located in Stamford, Connecticut for gross proceeds of $90,000,000. An additional $1,000,000 non-refundable deposit was received from the buyer in November 2015 bringing the total aggregate non-refundable deposits received from the buyer to $5,000,000. On January 21, 2016 the First Purchase Agreement was terminated due to the prospective purchaser’s inability to timely close. In accordance with the terms of the First Purchase Agreement, the venture retained the $5,000,000 deposit.

On February 18, 2016 the venture entered into a purchase agreement (the “Second Purchase Agreement”) to sell this asset for gross proceeds of $87,500,000. The purchaser has provided a $10,000,000 non-refundable deposit. The closing is expected to occur, if at all, in the second quarter of 2016. In connection with entering into the Second Purchase Agreement, the venture entered into a settlement agreement with the purchaser under the First Purchase Agreement providing for the return of $1,000,000 of the previously retained deposit and an agreement to return up to an additional $1,500,000 of the previously retained deposit upon the closing or termination of the Second Purchase Agreement. As a result, assuming the consummation of the transaction contemplated by the Second Purchase Agreement, the venture will receive gross sales proceeds, inclusive of forfeited deposits, totaling $90,000,000.

Edens Center and Norridge Commons – loan payoff / sale of interest – On February 5, 2015 the Norridge, Illinois property was sold, and we received a principal payment of $15,275,000 in connection with the sale. The outstanding principal balance on the loan receivable was $225,000 following the repayment. Additional payments on the loan were received reducing the outstanding principal balance to $97,000 at September 30, 2015. Upon satisfaction of the loan, we were entitled to a participation interest equal to 30% of the value of both of the properties which collateralized the loan in excess of $115,000,000. On October 9, 2015 we received $3,100,000 in full satisfaction of the loan receivable and participation interest.

In connection with the repayment in full of the Edens Center and Norridge Commons loan receivable, we sold our general partner interest in the two properties for an aggregate price of $493,000.

Concord Debt Holdings – During May 2015 we received a distribution of $20,173,000 from our Concord Debt Holdings LLC venture. The distribution was in connection with the sale of the luxury hotel assets owned by the MSREF hotel venture in which Concord Debt Holdings LLC held an interest.

CDH CDO LLC —On June 25, 2015 the venture closed on the sale of four bond assets and one loan asset for gross proceeds of $54,122,000. The proceeds of the sale were utilized to fully satisfy the debt of the venture. Additionally, in June 2015 a loan asset held by the venture was repaid at par which was consistent with our liquidation value. On July 1, 2015 we received a $6,200,000 distribution from this venture.

Sullivan Center, Chicago, Illinois – contract for sale – On January 8, 2016 we entered into a contract with our Sullivan Center venture partner to sell our interest in WRT One South State Lender LP which holds the mezzanine loan on the property and our interest in WRT-Elad One South State Equity LP for an aggregate purchase price of approximately $91,576,000 subject to upward adjustment for additional advances on the mezzanine loan by us prior to closing plus accrued and unpaid interest. The buyer's $3,000,000 deposit under the purchase contract is non-refundable. If consummated, the sale is expected to close by the end of the second quarter of 2016.

Lake Brandt, Greensboro, North Carolina – contract for sale— On January 20, 2016 we entered into a contract with an independent third party to sell our residential property known as Lake Brandt Apartments for gross proceeds of $20,000,000. The Buyer's $500,000 deposit under the contract is non-refundable. If consummated, the sale is expected to close in the second quarter of 2016. The liquidation value was $20,000,000 at December 31, 2015 and $18,610,000 at December 31, 2014.

Consolidated Operating Properties

As of December 31, 2015 our consolidated properties were approximately 96% leased compared to approximately 96% leased at December 31, 2014 (as adjusted for properties sold during 2015). At December 31, 2015 we had one tenant, Siemens Real Estate, which represented approximately 24.7% of our annualized base rental revenue and 7.9% of total revenue.

Liquidity and Capital Resources

At December 31, 2015, we held $21,128,000 in unrestricted cash and cash equivalents. Our total assets and net assets in liquidation were $745,629,000 and $516,396,000, respectively at December 31, 2015. Our ability to meet our obligations is contingent upon the disposition of our assets in accordance with our plan of liquidation. We estimate that the proceeds from the sale of assets pursuant to the plan of liquidation will be adequate to pay our obligations, however, we cannot provide any assurance as to the prices or net proceeds we will receive from the disposition of our assets.

We believe that cash flow from operations along with sale proceeds will continue to provide adequate capital to fund our operating and administrative and other expenses incurred during liquidation as well as debt service obligations in the short term. As a REIT, we must distribute annually at least 90% of our REIT taxable income.

Our primary sources of funds include:

- cash and cash equivalents;
- rents and reimbursements received from our operating properties;
- payments received under our loan assets;
- sale of assets; and
- cash distributions from joint ventures.

Debt Maturities

At December 31, 2015, our statement of net assets contains mortgage loans payable of $172,095,000. We have $115,930,000 of mortgage debt maturing in 2016, $40,977,000 maturing in 2017 and $10,406,000 maturing in 2018 with the remainder maturing in 2019 or later. We redeemed our Senior Notes in full effective August 15, 2015. The aggregate redemption price paid was $72,635,000 (or $25.484375 per $25.00 face amount Senior Note) which represented the face amount of the Senior Notes not owned by us plus accrued and unpaid interest to, but not including, August 15, 2015. We continually evaluate our debt maturities and based on our current assessment, we believe that, to the extent we are unable to sell an asset prior to a loan's maturity, there are viable financing and refinancing alternatives for debts as they mature that will not materially adversely impact our liquidity or our expected financial results.

Net Loss Carry Forwards

At December 31, 2014, we had a net operating loss carry forward of approximately $9,077,000 which expires between 2023 and 2033. We do not anticipate having to utilize any of the net operating loss carry forward to offset 2015 taxable income as a result of the dividends paid deduction. Any unused net operating loss carry forwards will not be transferrable to the liquidating trust.

Cash Flows

Our liquidity based upon cash and cash equivalents decreased by approximately $106,455,000 from $127,583,000 at December 31, 2014 to $21,128,000 at December 31, 2015.

The holders of Common Shares approved a plan of liquidation on August 5, 2014 and we adopted the liquidation basis of accounting effective August 1, 2014. We did not make any acquisitions in new investments in 2015, and in accordance with the plan of liquidation, no further acquisitions are expected.

Our primary sources of non-operating cash flow for the year ended December 31, 2015 include:

- $83,886,000 in sale proceeds and return of capital distributions from our Vintage Housing Holdings equity investment;
- $21,570,000 in distributions from our Concord Debt Holdings equity investment from the payoff of underlying loan assets;
- $18,500,000 in principal repayments on our Edens Center and Norridge Commons loan receivable, including $3,000,000 in payment of our participation interest;
- $6,200,000 in distributions from our CDH CDO equity investment from the sale and payoff of underlying loan assets; and
- $6,174,000 in net proceeds from the sale of our Cerritos, California property after satisfaction of third party mortgage debt, closing costs and pro rations.

Our primary non-operating uses of cash flow for the year ended December 31, 2015 include:

- $163,915,000 for payment of liquidating distributions to our holders of Common Shares;
- $71,255,000 for redemption in full of our Senior Notes;
- $8,865,000 for additional contributions to our 701 Seventh Avenue equity investment;
- $5,645,000 for additional contributions to our Vintage Housing Holdings equity investment; and
- $3,998,000 for additional contributions to our WRT One South State Lender equity investment.

Our primary sources of non-operating cash flow from August 1, 2014 through December 31, 2014 include the following:

- $40,304,000 of net proceeds from the sale of our 1515 Market Street property located in Philadelphia, Pennsylvania;
- $33,959,000 of net proceeds from the payoff at par of our Playa Vista loan receivable, inclusive of $6,565,000 we received in exchange for our equity participation in the loan;
- $15,290,000 of net proceeds from the sale of our Waterford Place Apartments property;

- $13,794,000 of net proceeds from the sale of our Brooks Building LLC, WRT-Fenway Wateridge LLC, and Sealy Northwest Atlanta equity investments;
- $9,690,000 of net proceeds from the sale of our interest in 5400 Westheimer LLC;
- $9,450,000 of distributions from our WRT-Stamford LLC equity investment;
- $7,516,000 of net proceeds from the payoff at par of our Shops at Wailea loan receivable;
- $5,507,000 of net proceeds from the sale of our three retail properties which were leased to Kroger and were located in Atlanta, Georgia; Louisville, Kentucky and Greensboro, North Carolina;
- $4,967,000 of net proceeds from the sale of our Pinnacle II loan receivable; and
- $2,475,000 of net proceeds from the sale of our South Burlington, Vermont property.

Our primary non-operating uses of cash flow from August 1, 2014 through December 31, 2014 include the following:

- $122,821,000 for payment of the full liquidating distribution (inclusive of accrued and unpaid dividends) on our Series D Preferred Shares;
- $7,861,000 for additional contributions to our 701 Seventh Avenue equity investment; and
- $3,955,000 for the repurchase of our Senior Notes in open market transactions.

Future Cash Commitments

Future Funding Requirements

We have future funding requirements relating to our 701 Seventh Avenue investment which total approximately $9,511,000 at December 31, 2015 with the option to fund our pro-rata share of additional capital calls in excess of our $125,000,000 commitment if we believe the additional investment would be accretive to the holders of our Common Shares.

We, through our investment in WRT One South State Lender LP, have future funding commitments related to tenant improvements and capital expenditure needs at the property located at One South State Street, Chicago, Illinois. We have committed to fund 100% of retail tenant improvement and capital expenditure needs and 80% of office tenant improvement and capital expenditure needs that are not met by current operating cash flow of the property. During the fourth quarter of 2015 we funded $3,998,000 for tenant improvements. During the first quarter of 2016 we funded an additional $2,794,000 for tenant improvements. We do not anticipate funding any additional amounts in connection with this commitment. Any amounts funded pursuant to this commitment will be considered additions to the mezzanine loan and will accrue interest at the rate of 15% per annum.

Common and Preferred Share Dividends

As a result of the adoption of the plan of liquidation, as required by the terms of our Series D Preferred Shares, dividends on our Common Shares were suspended until the liquidation preference on our Series D Preferred Shares was satisfied. The liquidation preference on our Series D Preferred Shares was satisfied on September 15, 2014. Accordingly, we are no longer restricted by the terms of our Series D Preferred Shares from paying dividends on our Common Shares. The actual amount and timing of, and record dates for, future liquidating distributions on our Common Shares will be determined by our Board of Trustees and will depend upon the timing and proceeds of the sale of our assets and the amounts deemed necessary by our Board of Trustees to pay or provide for our liabilities and obligations and REIT requirements. Any such liquidating distributions on the Common Shares will be deemed a return of capital until the applicable holder has received liquidating distributions totaling its cost basis.

A liquidating distribution of $2.25 per Common Share was paid on January 15, 2015 to holders of Common Shares of record on January 5, 2015. A liquidating distribution of $1.25 per Common Share was paid on June 16, 2015 to holders of Common Shares of record on June 9, 2015. A liquidating distribution of $1.00 per Common Share was paid on December 3, 2015 to holders of Common Shares of record on November 25, 2015.

Contractual Obligations

The following table summarizes our payment obligations under contractual obligations, including all fixed and variable rate debt obligations, except as otherwise noted, as of December 31, 2015 (in thousands):

	Payments Due By Period				
	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Mortgage loans payable (principal and interest) (1)	$181,668	$123,220	$53,322	$ 616	$ 4,510
Ground lease obligations (2)	120,912	2,032	4,326	4,623	109,931
Advisors' fee (3)	11,419	5,710	5,709	—	—
	$313,999	$130,962	$63,357	$ 5,239	$114,441

(1) Does not reflect financing activity subsequent to December 31, 2015.

(2) This obligation relates to the ground leases at our venture property located at 450 West 14 th Street, New York, New York which expires May 31, 2053 and our Atrium Mall venture property located in Chicago, Illinois which expires September 30, 2034. In addition, our property located in Orlando, Florida is subject to a ground lease which calls for rent of $2.00 per year which is paid by the building tenant.

(3) Advisor's fee based upon the terms of the Advisory Agreement with our external advisor, effective January 1, 2016, with no effect given to any liquidating distributions made, or equity that may be repurchased, after December 31, 2015. No amounts have been included for subsequent renewal periods of the Advisory Agreement, termination fee payments or incentive fee payments.

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

Our debt instruments, consisting of mortgage loans secured by our operating 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.

Comparability of Financial Data from Period to Period

Under going concern accounting, the comparability of financial data from period to period was affected by several items including (i) the timing of our acquisitions and leasing activities; (ii) the purchases and sales of assets and investments; (iii) when material other-than-temporary impairment charges on assets in our portfolio are taken; (iv) fluctuations in the fair value of our securities and loan securities carried at fair value; and (v) the reclassification of assets.

Results of Operations

In light of the adoption of liquidation basis accounting as of August 1, 2014, the results of operations for the current year period are not comparable to the prior year period. In addition, prior to the adoption of the plan of liquidation, we were engaged in the business of owning real property and real estate related assets which we categorized into three reportable segments: (i) operating properties, (ii) loan assets and (iii) REIT securities. Subsequent to the adoption of the plan of liquidation, we no longer classify our assets in these separate segments to make operating decisions or assess performance. Accordingly, we have only one reporting and operating segment subsequent to July 31, 2014. Changes in the liquidation values of our assets are discussed below under Changes in Net Assets in Liquidation.

Changes in Net Assets in Liquidation

Year Ended December 31, 2015

Net assets in liquidation decreased by $78,308,000 during the year ended December 31, 2015. The decrease in net assets in liquidation was the result of $81,956,000 of liquidating distributions to holders of our Common Shares partially offset by a $3,648,000 net increase in liquidation values. The primary reasons for the increase in liquidation values were as follows:

- A $29,062,000 increase in the liquidation value of our 701 Seventh Avenue equity investment due to an increase in expected retail rents at the property;
- a $5,000,000 increase in the liquidation value of our Stamford, Connecticut residential property based on the forfeited purchase deposit, plus a $1,478,000 increase in estimated receipts at the property due to a change in the anticipated holding period of the property, partially offset by a corresponding $1,105,000 increase in the liability for non-controlling interest in this property;
- a $3,975,000 increase in the liquidation value of our Chicago, Illinois (One East Erie) property based on marketing efforts. The anticipated holding period for the property has been extended until the mortgage loan can be pre-paid without penalty. The extended hold period results in a $1,956,000 increase in estimated receipts at the property;
- a $3,642,000 increase in estimated receipts from our Jacksonville, Florida property due to a longer anticipated holding period of the property;
- a $3,340,000 increase in the liquidation value of our WRT-Elad One South State Equity investment due to new lease signings at the property and the contract for sale;
- a $1,390,000 increase in the liquidation value of our Greensboro, North Carolina residential property based on the contract for sale;
- a $1,251,000 increase in estimated distributions from our Concord Debt Holdings equity investment primarily as a result of the sale of the MSREF hotel assets;
- a $584,000 increase in the liquidation value of our Cerritos, California office property based on the contract for sale, partially offset by a $302,000 decrease in estimated receipts due to flood damage that occurred prior to the sale of the property; and
- a $344,000 increase in estimated future distributions from our Atrium Mall equity investment due to a change in the estimated holding period of the investment.

Primarily offset by:

- a $15,494,000 decrease in the liquidation value of our Houston, Texas residential property due to unfavorable changes in the Houston real estate market plus a $155,000 net decrease in estimated receipts and closing costs due to a change in the anticipated holding period of the property, partially offset by a $2,551,000 corresponding decrease in the liability for non-controlling interest in this property;
- a $12,226,000 decrease in the liquidation value of our WRT One South State Lender equity investment due to the contract for sale and a shorter than anticipated holding period;
- a $15,274,000 decrease in the liquidation value of our CDH CDO equity investment as a result of a decrease in the estimated underlying collateral value of one of the loan assets held by the venture partially offset by a $3,601,000 increase in estimated future receipts based on the collection of an old receivable and an extension of one of the loan assets;
- a $3,544,000 net decrease in the liquidation value of our 450 West 14th Street equity investment as a result of a change in exit strategy of the investment resulting in the deconsolidation of the property and lower expected proceeds on disposition;
- a $1,422,000 decrease in estimated receipts at our Churchill, Pennsylvania property due to a shorter anticipated holding period of the property;
- a $1,260,000 increase in the estimated fees payable to our advisor over the duration of the liquidation;
- a $1,143,000 decrease in receipts from our Vintage Housing Holdings equity investment due to a shorter holding period and increased costs associated with the sale; and
- a $1,134,000 decrease in estimated receipts at our 550 Corporetum property located in Lisle, Illinois due to increased leasing costs and tenant improvements, partially offset by a $1,049,000 increase in the liquidation value as a result of new tenant leases;
- a $918,000 decrease in the liquidation value of our loan securities resulting from reduced net operating income and a lower appraisal of the underlying collateral.

Period from August 1, 2014 through December 31, 2014

Net assets in liquidation decreased by $192,211,000 during the period August 1, 2014 through December 31, 2014. The primary reasons for decline were as follows:

- $121,890,000 in liquidating distributions on our Series D Preferred Shares;
- $81,959,000 in accrued liquidating distributions on our Common Shares;
- a $7,376,000 decrease in expected cash flows due primarily to changes in the expected hold periods of certain investments in real estate;
- a $2,676,000 decrease in the liquidation value of our Vintage Housing Holdings investment due to a shorter estimated holding period;
- a $1,625,000 decrease in the liquidation value of our investments in real estate as a result of changes in lease up assumptions on three properties which were sold in 2014; and
- a $477,000 decrease in the liquidation value of an investment in real estate as a result of a purchase and sale agreement entered into in February 2015.

Partially offset by:

- a $9,993,000 increase in the liquidation value of our investment in Concord Debt Holdings due to an increase in the proceeds expected to be received from the underlying investments;
- a $8,701,000 increase in the liquidation value of our investment in CDH CDO LLC as a result of an increase in the proceeds expected to be received from the underlying investments;
- $4,098,000 of cash received in excess of the liquidation value of our Playa Vista loan receivable due to the borrower's prepayment of the loan and satisfaction of the participation interest for an amount that exceeded our estimate at August 1, 2014; and
- a $1,000,000 increase in the estimated value of the equity participation in our Edens Plaza and Norridge Commons loan receivable as a result of the sale of the Norridge Commons property in February 2015 for a price that exceeded our initial estimates.

Our remaining assets continue to perform in a manner that is relatively consistent with prior reporting periods. We have experienced no significant changes in occupancy or rental rates and our loan assets continue to perform in accordance with their terms. With regard to our development property at 701 Seventh Ave in Times Square, demolition of the existing structure is complete, the foundation is substantially complete and construction is estimated to be completed in 2017. Our joint venture has engaged a nationally recognized brokerage firm to market the retail space for lease.

Off-Balance Sheet Investments

We have seven off-balance sheet investments in operating properties totaling $311,358,000 and three off-balance sheet investments in loan assets totaling $16,380,000 at December 31, 2015. Our exposure to loss is limited to our investment balance. See Item 8 – Financial Statements and Supplementary Data, Note 9 for additional information on these investments.

Critical Accounting Policies and Estimates

Below is a discussion of the accounting policies that management believes are critical to our operations. We consider these policies critical because they involve difficult management judgments and assumptions, require estimates about matters that are inherently uncertain and because they are important for understanding and evaluating our reported financial results. These judgments affect the reported amounts of assets and liabilities and our disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. With different estimates or assumptions, materially different amounts could be reported in our financial statements. Additionally, other companies may utilize different estimates that may impact the comparability of our results of operations to those of companies in similar businesses. Prior to the adoption of the plan of liquidation, our most sensitive estimates involve the allocation of the purchase price of acquired properties and evaluating our real estate-related investments for impairment. Subsequent to the adoption of the plan of liquidation, we are required to estimate all costs and income we expect to incur and earn through the end of liquidation including the estimated amount of cash we expect to collect on the disposal of our assets and the estimated costs to dispose of our assets.

Investments in Real Estate

Prior to the adoption of the plan of liquidation, upon the acquisition of real estate, we assessed the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and tenant relationships) and acquired liabilities and we allocated purchase price based on these assessments. We assessed fair value based on estimated cash flow projections and utilized appropriate discount and capitalization rates and available market information. Estimates of future cash flows were based on a number of factors including the historical operating results, known trends and market/economic conditions that may affect the property.

As of August 1, 2014, the investments in real estate were adjusted to their estimated net realizable value, or liquidation value, to reflect the change to the liquidation basis of accounting. The liquidation value represents the estimated amount of cash that we will collect on disposal of our assets as we carry out our plan of liquidation. The liquidation value of our investments in real estate were presented on an undiscounted basis and investments in real estate are no longer depreciated. Estimated costs to dispose of these investments are presented separately from the related assets. Subsequent to August 1, 2014, all changes in the estimated liquidation value of the investments in real estate are reflected as a change to our net assets in liquidation.

Under liquidation accounting, the presentation for joint ventures historically consolidated under going concern accounting is determined based on our planned exit strategy. Those ventures in which we intend to sell the underlying property are presented on a gross basis with a payable to the non-controlling interest holder. Those ventures in which we intend to sell our interest in the venture, rather than the property, are accounted for as an equity investment and are presented on a net basis without a non-controlling interest component.

Impairment

Operating properties – Under going concern accounting, we evaluated the need for an impairment loss on real estate assets when indicators of impairment were present and the projected undiscounted cash flows from an asset were not sufficient to recover an asset group's carrying amount. The impairment loss is measured by comparing the fair value of the asset group to its carrying amount. The projection of cash flows used in the impairment evaluation involves significant judgment by management.

Loan assets – Under going concern accounting, loan assets were periodically evaluated for possible impairment in order to determine whether it was necessary to establish a loan loss allowance. A loan asset was considered to be impaired when, based on current information and events, it was probable that we would be unable to collect all amounts due according to the existing contractual terms of the loan. Impairment was then measured based on the present value of expected future cash flows or, if the loan was collateral dependent, the fair value of the collateral. When a loan was considered to be impaired, we established an allowance for loan losses and recorded a corresponding charge to earnings. Significant judgments were required in determining impairment. We did not record interest income on impaired loans. Any cash receipts on impaired loans were recorded as a recovery reducing the allowance for loan losses.

Under liquidation accounting, we carry our loans receivable at their estimated net realizable value, or liquidation value, which represents the estimated amount of principal payments we expect to receive over the holding period of the loan. The liquidation value of our loans receivable are presented on an undiscounted basis. Interest payments that we expect to receive on our loans receivable are accrued and are classified as part of liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets.

We continue to evaluate the collectability of the interest and principal of each of our loans receivable using the same methodology used under going concern accounting. Any changes in collectability will be reflected as a change to the Trust's net assets in liquidation.

Preferred equity investments – Under going concern accounting, we had certain investments which were classified as preferred equity investments. Determining whether a preferred equity investment was other-than-temporarily impaired requires significant judgment. This evaluation included consideration of the length of time and extent to which the fair value of an investment had been less than its cost basis, our intent and ability to hold the investment until a forecasted recovery in value and the collateral underlying the investment. Under liquidation accounting, preferred equity investments are classified as equity investments and are carried at their estimated net realizable value.

Equity investments – Under going concern accounting, equity investments were reviewed for impairment periodically. For equity investments in which the carrying value exceeded the fair value, we evaluated if these were other-than-temporarily impaired. Under liquidation accounting, equity investments are recorded at their net realizable value.

Consolidated Variable Interest Entities

Under going concern accounting, consolidated variable interest entities were those where we were the primary beneficiary of a variable interest entity. The primary beneficiary is the party that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: 1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance, and 2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

See Item 8—Financial Statements and Supplementary Data, Note 3.

Recently Issued Accounting Standards

None applicable to liquidation accounting.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

Our liabilities include both fixed and variable rate debt. We seek to limit our risk to interest rate fluctuations through match financing on our loan assets.

The table below presents information about the Trust's derivative financial instruments at December 31, 2015 (in thousands):

Type	Maturity	Strike Rate	Notional Amount of Hedge	Cost of Hedge
Swap	October 2016	0.69%	77,767	—
Cap	November 2017	4.00%	50,000	165
Cap	November 2018	5.00%	50,000	220

(1) See Item 8 – Financial Statements and Supplementary Data, Note 12 for information on the accounting treatment of our derivative financial investments.

The fair value of our mortgage loans payable and secured financings, based on discounted cash flows at the current rate at which similar loans would be made to borrowers with similar credit ratings for the remaining term of such debt, was $172,222,000 and $297,376,000 at December 31, 2015 and December 31, 2014, respectively. The fair value of our Senior Notes outstanding, based on quoted market prices, was $73,859,000 at December 31, 2014.

The following table shows what the annual effect a change in the LIBOR rate would have on interest expense based upon our variable rate debt at December 31, 2015 taking into consideration the effect of our derivative financial instruments (in thousands):

	Change in LIBOR (2)			
	-0.43%	1%	2%	3%
Change in consolidated interest expense	$ (23)	$ 54	$109	$ 164
Pro-rata share of change in interest expense of debt on non-consolidated entities (1)	—	196	652	1,107
(Increase) decrease in net income	$ (23)	$250	$761	$1,271

(1) Represents our pro-rata share of a change in interest expense in our 701 Seventh Avenue and 450 West 14 th Street equity investments.
(2) The one month LIBOR rate at December 31, 2015 was 0.4295%.

We may utilize various financial instruments to mitigate the potential negative impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies.

The following table shows what the annual effect a change in the LIBOR rate would have on interest income based upon our variable rate loan assets at December 31, 2015 (in thousands):

	Change in LIBOR (1)			
	-0.43%	1%	2%	3%
Change in consolidated interest income	$ (1)	$ 3	$ 7	$ 10
Pro-rata share of change in interest income of loan assets in non-consolidated entities	—	—	—	—
Increase (decrease) in net income	$ (1)	$ 3	$ 7	$ 10

(1) The one month LIBOR rate at December 31, 2015 was 0.4295%.

Market Value Risk

Our hedge transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. We believe that there is a low likelihood that these counterparties will fail to meet their obligations. There can be no assurance that we will adequately protect against the foregoing risks.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Winthrop Realty Trust

In our opinion, the accompanying consolidated statements of net assets (liquidation basis) as of December 31, 2015 and 2014, the related consolidated statements of changes in net assets (liquidation basis) for the year ended December 31, 2015 and for the five months ended December 31, 2014 and the consolidated statements of operations and comprehensive income (going concern basis), of equity (going concern basis), and of cash flows (going concern basis) for the seven months ended July 31, 2014 and for the year ended December 31, 2013 present fairly, in all material respects, the net assets in liquidation of Winthrop Realty Trust and its subsidiaries at December 31, 2015 and 2014, the changes in their net assets in liquidation for the year ended December 31, 2015 and for the five months ended December 31, 2014, and the results of their operations and their cash flows for the seven months ended July 31, 2014 and for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America applied on the bases described in the second paragraph of this report. In addition, in our opinion, the financial statement schedules listed in the index appearing under Item 15(a)(2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework* 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Trust's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Trust's internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Notes 2 and 3 to the consolidated financial statements, the shareholders of Winthrop Realty Trust approved a plan of liquidation on August 5, 2014 and the Trust commenced liquidation shortly thereafter. As a result, the Trust has changed its basis of accounting for periods subsequent to July 31, 2014 from the going concern basis to a liquidation basis.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 2, 2016

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF NET ASSETS
(Liquidation Basis)
(in thousands)

	December 31, 2015	December 31, 2014
ASSETS		
Investments in real estate	$ 353,862	$ 557,325
Equity investments	327,738	389,921
Cash and cash equivalents	21,128	127,583
Restricted cash held in escrows	6,603	5,831
Loans receivable	5,280	24,005
Secured financing receivable	28,928	29,210
Accounts receivable	2,090	1,468
Loan securities	—	918
TOTAL ASSETS	745,629	1,136,261
LIABILITIES		
Mortgage loans payable	172,095	296,954
Senior notes payable	—	71,265
Liability for non-controlling interests	17,796	46,564
Liability for estimated costs in excess of estimated receipts during liquidation	29,297	31,253
Dividends payable	1,822	82,353
Accounts payable, accrued liabilities and other liabilities	6,382	10,794
Related party fees payable	1,841	2,374
TOTAL LIABILITIES	229,233	541,557
COMMITMENTS AND CONTINGENCIES (Note 18)		
Net assets in liquidation	$ 516,396	$ 594,704

See Notes to Consolidated Financial Statements.

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WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Liquidation Basis)
(in thousands)

	Year Ended December 31, 2015	Five Months Ended December 31, 2014
Net assets in liquidation, beginning of period	$ 594,704	$ 786,915
Changes in net assets in liquidation		
Change in liquidation value of investments in real estate	(3,363)	(2,102)
Change in liquidation value of loans receivable	(410)	5,098
Change in liquidation value of loan securities	(918)	—
Change in liquidation value of equity investments	10,343	16,018
Remeasurement of assets and liabilities	(3,449)	(9,489)
Remeasurement of non-controlling interests	1,445	2,113
Net increase in liquidation value	3,648	11,638
Liquidating distributions to Series D Preferred shareholders	—	(121,890)
Liquidating distributions to Common shareholders	(81,956)	(81,959)
Changes in net assets in liquidation	(78,308)	(192,211)
Net assets in liquidation, end of period	**$ 516,396**	**$ 594,704**

See Notes to Consolidated Financial Statements.

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WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Going Concern Basis)
(in thousands, except per share data)

	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Revenue		
Rents and reimbursements	$ 46,313	$ 51,865
Interest and discount accretion	9,643	18,455
	55,956	70,320
Expenses		
Property operating	17,127	17,769
Real estate taxes	5,379	4,926
Depreciation and amortization	15,957	17,275
Interest	13,394	22,365
Impairment loss on investments in real estate	9,200	—
Provision for loss on loans receivable	—	348
General and administrative	4,283	4,356
Related party fees	5,548	9,289
Transaction costs	586	1,885
Federal, state and local taxes	(60)	424
	71,414	78,637
Other income (loss)		
Equity in income of equity investments (inclusive of impairments of $2,422 and $7,687)	12,622	22,641
Earnings from preferred equity investments	582	613
Loss on extinguishment of debt, net	(564)	—
Realized gain on sale of securities carried at fair value	2	742
Unrealized loss on securities carried at fair value	—	(142)
Unrealized gain on loan securities carried at fair value	—	215
Settlement expense	—	(411)
Interest and other income	244	375
	12,886	24,033
Income (loss) from continuing operations	(2,572)	15,716
Discontinued operations		
Net income from discontinued operations	11,235	8,772
Net income	8,663	24,488
Net loss attributable to non-controlling interests	3,818	4,290
Net income attributable to Winthrop Realty Trust	12,481	28,778
Preferred dividend of Series D Preferred Shares	(6,502)	(11,146)
Amount allocated to Restricted Common Shares	(192)	(307)
Net income attributable to Common Shares	$ 5,787	$ 17,325
Per Common Share data—Basic		
Income (loss) from continuing operations	$ (0.15)	$ 0.25
Income from discontinued operations	0.31	0.26
Net income attributable to Common Shares	$ 0.16	$ 0.51
Per Common Share data—Diluted		
Income (loss) from continuing operations	$ (0.15)	$ 0.25
Income from discontinued operations	0.31	0.26
Net income attributable to Common Shares	$ 0.16	$ 0.51
Basic Weighted-Average Common Shares	35,821	33,743
Diluted Weighted-Average Common Shares	35,821	33,774
Comprehensive income		
Net income	$ 8,663	$ 24,488
Change in unrealized loss on interest rate derivatives	(193)	(74)
Consolidated comprehensive income	8,470	24,414
Net loss attributable to non-controlling interests	3,818	4,290
Comprehensive loss attributable to non-controlling interests	3,818	4,290
Comprehensive income attributable to Winthrop Realty Trust	$ 12,288	$ 28,704

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF EQUITY
(Going Concern Basis)
(In thousands except per share data)

	Series D Preferred Shares of Beneficial Interest Shares	Series D Preferred Shares of Beneficial Interest Amount	Common Shares of Beneficial Interest Shares	Common Shares of Beneficial Interest Amount	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total
Balance, December 31, 2012	4,820	$ 120,500	33,019	$ 33,019	$ 618,426	$ (317,385)	$ (50)	$ 14,754	$469,264
Net income attributable to Winthrop Realty Trust	—	—	—	—	—	28,778	—	—	28,778
Net loss attributable to non-controlling interests	—	—	—	—	—	—	—	(4,290)	(4,290)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(51)	(51)
Contributions from non-controlling interests	—	—	—	—	—	—	—	18,629	18,629
Purchase of non-controlling interests	—	—	—	—	103	—	—	(253)	(150)
Dividends declared on Common Shares of Beneficial Interest ($0.65 per share)	—	—	—	—	—	(22,372)	—	—	(22,372)
Dividends declared on Series D Preferred Shares ($2.3125 per share)	—	—	—	—	—	(11,146)	—	—	(11,146)
Dividends declared on Restricted Shares	—	—	—	—	—	(307)	—	—	(307)
Change in unrealized loss on interest rate derivatives	—	—	—	—	—	—	(74)	—	(74)
Stock issued pursuant to Dividend Reinvestment Plan	—	—	40	40	424	—	—	—	464
Net proceeds from Common Shares offering	—	—	2,750	2,750	27,271	—	—	—	30,021
Issuance of Restricted Shares	—	—	592	—	—	—	—	—	—
Amortization of Restricted Shares	—	—	—	—	897	—	—	—	897
Balance, December 31, 2013	4,820	$ 120,500	36,401	$ 35,809	$ 647,121	$ (322,432)	$ (124)	$ 28,789	$509,663
Net income attributable to Winthrop Realty Trust	—	$ —	—	$ —	$ —	$ 12,481	$ —	$ —	$ 12,481
Net loss attributable to non-controlling interests	—	—	—	—	—	—	—	(3,818)	(3,818)
Distributions to non-controlling interests	—	—	—	—	—	—	—	(711)	(711)
Contributions from non-controlling interests	—	—	—	—	—	—	—	873	873
Increase in non-controlling interest due to consolidation of property	—	—	—	—	—	—	—	16,391	16,391
Decrease in non-controlling interest due to property sale	—	—	—	—	—	—	—	(3,764)	(3,764)
Dividends declared on Common Shares of Beneficial Interest ($0.325 per share)	—	—	—	—	—	(11,642)	—	—	(11,642)
Dividends declared on Series D Preferred Shares ($1.348963 per share)	—	—	—	—	—	(6,502)	—	—	(6,502)
Dividends declared on Restricted Shares	—	—	—	—	—	(192)	—	—	(192)
Change in unrealized loss on interest rate derivatives	—	—	—	—	—	—	(193)	—	(193)
Stock issued pursuant to Dividend Reinvestment Plan	—	—	16	16	162	—	—	—	178
Amortization of Restricted Shares	—	—	—	—	1,450	—	—	—	1,450
Balance, July 31, 2014	4,820	$ 120,500	36,417	$ 35,825	$ 648,733	$ (328,287)	$ (317)	$ 37,760	$514,214

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Going Concern Basis)
(in thousands)

	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Cash flows from operating activities		
Net Income	$ 8,663	$ 24,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of deferred financing costs and fair value of debt)	11,331	15,451
Amortization of lease intangibles	6,462	8,550
Straight-line rental income	1,121	669
Loan discount accretion	(2,086)	(4,121)
Discount accretion received in cash	5,865	37
Earnings of preferred equity investments	(582)	(613)
Distributions of income from preferred equity investments	565	607
Income of equity investments	(12,622)	(22,641)
Distributions of income from equity investments	8,755	24,112
Restricted cash held in escrows	(27)	1,242
Gain on sale of securities carried at fair value	(2)	(742)
Unrealized loss on securities carried at fair value	—	142
Gain on sale of real estate investments	(11,073)	(11,005)
Unrealized gain on loan securities carried at fair value	—	(215)
Impairment loss on investments in real estate	9,287	2,904
Provision for loss on loans receivable	—	348
Tenant leasing costs	(1,046)	(4,229)
Equity compensation expenses	1,450	897
Bad debt expense (recovery)	(229)	40
Changes in assets and liabilities:		
Interest receivable	(64)	(214)
Accounts receivable and other assets	665	(1,316)
Accounts payable, accrued liabilities and other liabilities	(8,234)	(4,123)
Net cash provided by operating activities	18,199	30,268
Cash flows from investing activities		
Issuance and acquisition of loans receivable	(31,492)	(21,437)
Investments in real estate	(5,575)	(257,142)
Investments in equity investments	(48,154)	(30,341)
Return of capital distribution from equity investments	705	14,618
Return of capital distribution from preferred equity investments	643	5,771
Return of capital distribution from securities carried at fair value	—	376
Purchase of securities carried at fair value	(73)	—
Proceeds from sale of investments in real estate	56,423	38,690
Proceeds from sale of equity investments	200	26
Proceeds from sale of securities carried at fair value	75	19,918
Proceeds from sale of loans receivable	37,052	19,319
Restricted cash held in escrows	2,127	863
Issuance of secured financing receivable	—	(30,000)
Collection of loans receivable	7,784	56,088
Deposits on assets held for sale	—	500
Cash from consolidation of properties	332	473
Net cash provided by (used in) investing activities	20,047	(182,278)

(Continued on next page)

See Notes to Consolidated Financial Statements.

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WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Going Concern Basis)
(in thousands, continued)

	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Cash flows from financing activities		
Proceeds from mortgage loans payable	$ —	$ 198,100
Principal payments of mortgage loans payable	(5,412)	(22,287)
Repurchase of senior notes payable	(11,178)	—
Payment of secured financing	—	(23,770)
Restricted cash held in escrows	(239)	(228)
Deferred financing costs	(68)	(796)
Purchase of non-controlling interests	—	(150)
Contribution from non-controlling interests	873	18,629
Distribution to non-controlling interests	(711)	(51)
Plan	178	464
Proceeds from issuance of Common Shares through offering, net	—	30,021
Dividend paid on Common Shares	(17,461)	(21,919)
Dividend paid on Series D Preferred Shares	(5,573)	(11,146)
Dividend paid on Restricted Shares	(71)	(27)
Net cash (used in) provided by financing activities	(39,662)	166,840
Net increase (decrease) in cash and cash equivalents	(1,416)	14,830
Cash and cash equivalents at beginning of year	112,512	97,682
Cash and cash equivalents at end of year	$ 111,096	$ 112,512
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 15,280	$ 23,735
Capitalized interest	$ 2,457	$ 1,443
Taxes paid	$ 147	$ 247
Supplemental Disclosure on Non-Cash Investing and Financing Activities		
Dividends accrued on Common Shares and Restricted Shares	$ 401	$ 6,099
Dividends accrued on Series D Preferred Shares	$ 929	$ —
Capital expenditures accrued	$ 1,736	$ 3,140
Conveyance of secured financing in settlement of loans receivable	$ (29,150)	$ —
Assumption of mortgage loan on investment in real estate	$ —	$ 9,248
Forgiveness of loan receivable	$ 190	$ —
Contribution to WRT-Elad One South State Equity L.P.	$ —	$ 2,083
Distribution from WRT—One South State Lender LP	$ —	$ (2,083)
Fair value of assets acquired	$ 69,140	$ 62,208
Fair value of liabilities assumed	$ 52,687	$ 62,198
Transfer to loans receivable	$ —	$ (877)
Contribution to Vintage Housing Holdings LLC	$ 450	$ —

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts related to number of buildings, square footage, occupancy and tenant data are unaudited.

1. Business

Winthrop Realty Trust ("Winthrop"), a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code, is an unincorporated association in the form of a business trust organized in Ohio under a Declaration of Trust dated August 1, 1961, as amended and restated on May 21, 2009, which has as its stated principal business activity the ownership and management of, and lending to, real estate and related investments.

Winthrop's primary business is owning real property and real estate related assets which it conducts through WRT Realty L.P., a Delaware limited partnership (the "Operating Partnership"). Winthrop is the sole general partner of, and owns directly and indirectly, 100% of the limited partnership interest in the Operating Partnership. All references to the "Trust" refer to Winthrop and its consolidated subsidiaries, including the Operating Partnership.

On April 28, 2014 the Trust's Board of Trustees (the "Board") adopted a plan of liquidation which was subject to approval by the holders of a majority of the Trust's common shares of beneficial interest ("Common Shares"). The plan was approved at a special meeting of shareholders on August 5, 2014 and the Trust adopted the liquidation basis of accounting as of August 1, 2014.

Prior to the plan of liquidation, the Trust categorized its assets into three segments: (i) ownership of investment properties including wholly owned properties and investments in joint ventures which own investment properties ("operating properties"); (ii) origination and acquisition of loans collateralized directly or indirectly by commercial and multi-family real property, (collectively "loan assets"); and (iii) equity and debt interests in other real estate investment trusts ("REIT securities"). Subsequent to the adoption of the plan of liquidation discussed below, the Trust no longer makes operating decisions or assesses performance in separate segments. Accordingly, the Trust has only one reporting and operating segment subsequent to July 31, 2014.

2. Plan of Liquidation

The plan of liquidation provides for an orderly sale of the Trust's assets, payment of the Trust's liabilities and other obligations and the winding up of operations and dissolution of the Trust. The Trust is not permitted to make any new investments other than protective acquisitions or advances with respect to the Trust's existing assets. The Trust is permitted to satisfy any existing contractual obligations including any capital call requirements and acquisitions or dispositions pursuant to buy-sell provisions under existing joint venture documentation, pay for required tenant improvements and capital expenditures at its real estate properties, and repurchase its existing Common Shares. The Trust is also permitted to invest its cash reserves in short-term U.S. Treasuries or other short-term obligations.

The plan of liquidation enables the Trust to sell any and all of its assets without further approval of the shareholders and provides that liquidating distributions be made to the shareholders as determined by the Board. Pursuant to applicable REIT rules, in order to be able to deduct liquidating distributions as dividends, the Trust must complete the disposition of its assets by August 5, 2016, two years after the date the plan of liquidation was adopted by shareholders. As management currently expects that all of the Trust's assets will not be sold by such date, the Trust intends to satisfy this requirement by distributing its unsold assets into a liquidating trust at the end of such two-year period, and the holders of interests in the Trust at such time will be beneficiaries of such liquidating trust. Holders of the Trust's Common Shares should note that unlike Common Shares, which are freely transferable, beneficial interests in the liquidating trust will generally not be transferable except by will, intestate succession or operation of law. Therefore, the recipients of the interests in the liquidating trust will not have the ability to realize any value from these interests except from distributions made by the liquidating trust, the timing of which will be solely in the discretion of the liquidating trust's trustees. As compared to the Trust which is required to comply with all of the filing requirements of the Securities and Exchange Commission for publicly traded entities, based on current guidance provide by the Securities and Exchange Commission management anticipates that the liquidating trust will be required to file only annual reports containing unaudited financial statements on Form 10-K and current reports on Form 8-K with the Securities and Exchange Commission.

The dissolution process and the amount and timing of distributions to shareholders involves risks and uncertainties. Accordingly, it is not possible to predict the timing or aggregate amount which will ultimately be distributed to shareholders and no assurance can be given that the distributions will equal or exceed the estimate of net assets presented in the Consolidated Statements of Net Assets.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Trust expects to continue to qualify as a REIT throughout the liquidation until such time as any remaining assets, if any, are transferred into a liquidating trust. The Board shall use commercially reasonable efforts to continue to cause the Trust to maintain its REIT status, provided however, the Board may elect to terminate the Trust's status as a REIT if it determines that such termination would be in the best interest of the shareholders.

3. Summary of Significant Accounting Policies

Basis of Presentation

Pre Plan of Liquidation

The accompanying consolidated financial statements represent the consolidated results of Winthrop, its wholly-owned taxable REIT subsidiary, WRT-TRS Management Corp., the Operating Partnership and all majority-owned subsidiaries and affiliates over which the Trust has financial and operating control and variable interest entities ("VIE"s) in which the Trust has determined it is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. Prior to the adoption of the plan of liquidation, the Trust accounted for all other unconsolidated joint ventures using the equity method of accounting. Accordingly, the Trust's share of the earnings of these joint ventures and companies was included in consolidated net income.

The consolidated financial statements for the periods ended July 31, 2014 and December 31, 2013 were prepared on the going concern basis of accounting, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

Post Plan of Liquidation

As a result of the approval of the plan of liquidation by the shareholders, the Trust has adopted the liquidation basis of accounting as of August 1, 2014 and for the periods subsequent to August 1, 2014 in accordance with accounting principles generally accepted in the United States ("GAAP"). Accordingly, on August 1, 2014 assets were adjusted to their estimated net realizable value, or liquidation value, which represents the estimated amount of cash that the Trust will collect on disposal of assets as it carries out its plan of liquidation. The liquidation value of the Trust's operating properties and loan assets are presented on an undiscounted basis. Estimated costs to dispose of assets have been presented separately from the related assets. Liabilities are carried at their contractual amounts due or estimated settlement amounts.

The Trust accrues costs and income that it expects to incur and earn through the end of liquidation to the extent it has a reasonable basis for estimation. These amounts are classified as a liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets. Actual costs and income may differ from amounts reflected in the financial statements because of inherent uncertainty in estimating future events. These differences may be material. See Note 4 for further discussion. Actual costs incurred but unpaid as of December 31, 2015 are included in accounts payable, accrued liabilities and other liabilities on the Consolidated Statements of Net Assets.

In liquidation, the presentation for joint ventures historically consolidated under going concern accounting will be determined based on the Trust's planned exit strategy. Those ventures where the Trust intends to sell the property are presented on a gross basis with a payable to the non-controlling interest holder. Those ventures where the Trust intends to sell its interest in the venture, rather than the property, are presented on a net basis and are included in equity investments on the Consolidated Statements of Net Assets. Amounts due to non-controlling interests in connection with the disposition of consolidated joint ventures have been accrued and are recorded as liability for non-controlling interests.

Net assets in liquidation represents the estimated liquidation value available to holders of Common Shares upon liquidation. Due to the uncertainty in the timing of the anticipated sale dates and the estimated cash flows, actual operating results and sale proceeds may differ materially from the amounts estimated.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Out of Period Adjustments

During 2014, the Trust identified an error in its previously reported interim financial statements relating to the estimated costs in excess of estimated receipts during liquidation of the Trust's investment in the luxury residential property located in Houston, Texas. The Trust recorded an out of period adjustment in the amount of $2,201,000 to correct the understatement of estimated costs in excess of estimated receipts in the Trust's consolidated statement of net assets. The Trust concluded that this adjustment is not material to the current period or the prior period's financial position. As such, this cumulative change was recorded in the consolidated statement of net assets during the quarter ended on December 31, 2014. This error had no impact on any other periods presented.

During 2013, the Trust identified an error in its previously reported interim financial statements relating to the purchase price allocation of the Trust's investment in the 1515 Market Street property. The Trust recorded an out of period adjustment in the amount of $1,300,000 to correct the overstatement of other liabilities and overstatement of building in the Trust's consolidated balance sheet. The Trust also recorded an out of period adjustment to reduce depreciation expense in the amount of $21,000 during the Trust's fourth quarter of 2013 to correct the depreciation expense in the consolidated statement of operations. The Trust concluded that these adjustments are not material to the current period or the prior period's financial position or results from operations. As such, this cumulative change was recorded in the consolidated balance sheet and consolidated statement of operations during the quarter ended on December 31, 2013. This error had no impact on any other periods presented.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in determining the values of assets and liabilities, disclosing contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses during the reporting period. Under going concern accounting, the estimates that were particularly susceptible to management's judgment include, but are not limited to, the impairment of real estate, loans and investments in ventures and real estate securities carried at fair value. In addition, estimates were used in accounting for the allowance for doubtful accounts. Under liquidation accounting, the Trust is required to estimate all costs and income that it expects to incur and earn through the end of liquidation including the estimated amount of cash it will collect on disposal of its assets and estimated costs incurred to dispose of assets. All of the estimates and evaluations are susceptible to change and actual results could differ materially from the estimates and evaluations.

Investments in Real Estate

Prior to the adoption of the plan of liquidation, real estate assets were stated at historical cost. Expenditures for repairs and maintenance were expensed as incurred. Significant renovations that extended the useful life of the properties were capitalized. Depreciation for financial reporting purposes was computed using the straight-line method. Buildings were depreciated over their estimated useful lives of 40 years, based on the property's age, overall physical condition, type of construction materials and intended use. Improvements to the buildings were 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 was completed. Tenant improvements were depreciated over the shorter of the estimated useful life of the improvement or the term of the lease of the tenant.

Upon the acquisition of real estate, the Trust assessed the fair value of acquired assets (including land, buildings and improvements, and identified intangibles such as above and below market leases and acquired in-place leases and tenant relationships) and acquired liabilities and the Trust allocated purchase price based on these assessments. The Trust assessed fair value based on estimated cash flow projections and utilized appropriate discount and capitalization rates and available market information. Estimates of future cash flows were based on a number of factors including the historical operating results, known trends, and market/economic conditions that may have affected the property. If the acquisition was determined to be a business combination, then the related acquisition costs were expensed. If the acquisition was determined to be an asset acquisition, then the related acquisition costs were capitalized.

The fair value of the tangible assets of an acquired property was determined by valuing the property as if it were vacant, and the "as-if-vacant" value was then allocated to land, building and improvements and fixtures and equipment based on management's determination of the fair values of these assets. Factors considered by management in performing these analyses included an estimate of carrying costs during the expected lease-up periods, current market conditions and costs to execute similar leases. In estimating carrying costs, management included real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimated costs to execute similar leases including leasing commissions.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Real estate investments and purchased intangible assets subject to amortization were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset group may not be recoverable. Recoverability of real estate investments to be held and used was measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated from the use and eventual disposition of the asset group. If the carrying amount of an asset group exceeded its estimated undiscounted future cash flows, an impairment charge was recognized equal to the amount by which the carrying amount of the asset group exceeded the fair value of the asset group.

As of August 1, 2014 the investments in real estate were adjusted to their estimated net realizable value, or liquidation value, to reflect the change to the liquidation basis of accounting. The liquidation value represents the estimated amount of cash that the Trust will collect on disposal of its assets as it carries out its plan of liquidation. The liquidation value of the Trust's investments in real estate are presented on an undiscounted basis and investments in real estate are no longer depreciated. Estimated costs to dispose of these investments are presented separately from the related assets. Subsequent to August 1, 2014, all changes in the estimated liquidation value of the investments in real estate are reflected as a change to the Trust's net assets in liquidation.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with maturities of three months or less. The Trust maintains cash and cash equivalents in financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions.

Restricted Cash

Restricted cash in escrow accounts include cash reserves for tenant improvements, leasing commissions, real estate taxes and other expenses pursuant to the loan agreements. In addition, certain security deposit accounts are classified as restricted cash. The classification of restricted cash within the Consolidated Statements of Cash Flows under going concern accounting is determined by the nature of the escrow account. Activity in escrow accounts related to real estate taxes, insurance, rent reserves and security deposits was classified as operating activity. Activity in escrow accounts related to capital improvements and tenant improvements was classified as investing activity. Any debt service reserves are classified as financing activity.

Loans Receivable

Prior to the adoption of the plan of liquidation, the Trust's policy was to record loans receivable at cost, net of unamortized discounts unless such loan receivable was deemed to be impaired. Discounts on loans receivable were amortized over the life of the loan receivable using the effective interest method based upon an evaluation of prospective future cash flows. The amortization was reflected as an adjustment to interest income. Other costs incurred in connection with acquiring loans, such as marketing and administrative costs, were charged to expense as incurred. Loan fees and direct costs associated with loans originated by the Trust were deferred and amortized over the life of the loan as interest income.

The Trust evaluated the collectability of the interest and principal of each of its loans to determine potential impairment. A loan receivable was considered to be impaired when, based on current information and events, it was probable that the Trust was unable to collect all amounts due according to the existing contractual terms of the loan receivable. Impairment was then measured based on the present value of expected future cash flows or the fair value of the collateral. When a loan receivable was considered to be impaired, the Trust recorded a loan loss allowance and a corresponding charge to earnings equal to the amount by which the Trust's net investment in the loan exceeded its fair value. Significant judgments were required in determining impairment. The Trust did not record interest income on impaired loans receivable. Any cash receipts on impaired loans receivable were recorded as a recovery reducing the allowance for loan losses. The Trust charged uncollectible loans against its allowance for loan loss after it had exhausted all economically warranted legal rights and remedies to collect the receivables or upon successful foreclosure and taking of loan collateral.

Certain real estate operating properties were acquired through foreclosure or through deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans that the Trust intended to hold, operate or develop for a period of at least twelve months. Upon acquisition of a property, tangible and intangible assets and liabilities acquired were recorded at their estimated fair values and depreciation was computed in the same manner as described in "Investments in Real Estate" above.

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Under liquidation accounting, the Trust carries its loans receivable at their estimated net realizable value, or liquidation value, which represents the estimated amount of principal payments the Trust expects to receive over the holding period of the loan. The liquidation value of the Trust's loans receivable are presented on an undiscounted basis. Interest payments that the Trust expects to receive on its loans receivable over the estimated holding period of the loan are accrued and are classified as part of liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets. As interest is earned, it is reclassified and included in loans receivable on the Consolidated Statements of Net Assets.

The Trust continues to evaluate the collectability of the interest and principal of each of its loans receivable using the same methodology used under going concern accounting. Any changes in collectability will be reflected as a change to the Trust's net assets in liquidation.

Accounts Receivable

In accordance with liquidation accounting, as of August 1, 2014, accounts receivable were adjusted to their net realizable value. The Trust continues to review its accounts receivable and allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectability. Any changes in the allowance are reflected in the net realizable value of the accounts receivable.

Under going concern accounting, accrued rental income included the difference between straight line rent and contractual amounts due. The Trust reviewed its straight line rent receivables monthly in conjunction with its review of allowance of doubtful accounts. Accrued rental income is not contemplated under liquidation accounting. The Trust accrues rental revenue based on contractual amounts expected to be collected during liquidation.

Securities and Loan Securities at Fair Value

Prior to the adoption of the plan of liquidation, the Trust had the option to elect fair value for these financial assets. The Trust elected the fair value option for real estate securities to mitigate a divergence between accounting and economic exposure for these assets. The changes in the fair value of these instruments were recorded in unrealized gain (loss) on securities and loan securities carried at fair value in the Consolidated Statements of Operations. Under liquidation accounting, loan securities are recorded at their estimated net realizable value.

Preferred Equity Investment

The Trust has certain investments in ventures which entitle it to priority returns ahead of the other equity holders in the ventures. At the inception of each such investment, management determined whether such investment should be accounted for as a loan, preferred equity, equity or as real estate. The Trust classified these investments as preferred equity investments and they were 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. Earnings for each investment were recognized in accordance with each respective investment agreement and, where applicable, based upon an allocation of the investment's net assets at adjusted book value as if the investment was hypothetically liquidated at the end of each reporting period.

Prior to the adoption of the plan of liquidation, at each reporting period the Trust assessed whether there were any indicators of declines in the fair value of preferred equity investments. An investment's value was impaired only if the Trust's estimate of the fair value of the investment was less than the carrying value of the investment and such difference was deemed to be other-than-temporary. To the extent impairment had occurred, the loss was measured as the excess of the carrying amount of the investment over the estimated fair value of the investment. Under liquidation accounting, preferred equity investments are classified as equity investments and are carried at their estimated net realizable value.

Equity Investments

The Trust accounts for its investments in entities 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 or managing member in situations where the Trust is not the general partner or managing member, and (ii) substantive participating rights of equity holders in significant business decisions including dispositions and acquisitions of assets, financing, operations and capital budgets, and other contractual rights. Prior to the adoption of the plan of liquidation, under the equity method, the investment, originally recorded at cost, was adjusted to recognize the Trust's share of net earnings or losses as they occurred and for additional contributions made or

WINTHROP REALTY TRUST
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distributions received. To recognize the character of distributions from equity investments, the Trust looked at the nature of the cash distribution to determine the proper character of cash flow distributions as either returns on investment, which would be included in operating activities, or returns of investment, which would be included in investing activities.

At each reporting period the Trust assessed whether there were any indicators or declines in the fair value of the equity investments. An investment's value was impaired only if the Trust's estimate of the fair value of the investment was less than the carrying value of the investment and such difference was deemed to be other-than-temporary. To the extent impairment had occurred, the loss was measured as the excess of the carrying amount of the investment over the estimated fair value of the investment.

Subsequent to the adoption of liquidation accounting, equity investments are recorded at their net realizable value. The Trust evaluates the net realizable value of its equity investments at each reporting period. Any changes in net realizable value will be reflected as a change to the Trust's net assets in liquidation.

Lease Intangibles

Under liquidation accounting, any residual value attributable to lease intangibles is included in the net realizable value of the corresponding investment in real estate. As such, lease intangibles are no longer separately stated on the Consolidated Statements of Net Assets.

Deferred Financing Costs

Prior to the adoption of the plan of liquidation, direct financing costs were deferred and amortized over the terms of the related agreements as a component of interest expense. As deferred financing costs will not be converted to cash or other consideration, these have been valued at $0 as of August 1, 2014 in accordance with liquidation accounting.

Financial Instruments

Financial instruments held by the Trust include cash and cash equivalents, restricted cash, loan securities, loans receivable, interest rate hedge agreements, accounts receivable, accounts payable and long term debt. Under liquidation accounting, all financial instruments are recorded at their net realizable value.

Derivative Financial Instruments

Prior to the adoption of the plan of liquidation, the Trust's interest rate swap and interest rate cap agreements were classified on the balance sheet as other assets and other liabilities and were carried at fair value. An interest rate swap was carried as an asset if the counterparty would be required to pay the Trust, or as a liability if the Trust would be required to pay the counterparty to settle the swap. For the Trust's interest rate contracts that were designated as "cash flow hedges," the change in the fair value of such derivative was recorded in other comprehensive income or loss for hedges that qualify as effective and the change in the fair value was transferred from other comprehensive income or loss to earnings as the hedged item affected earnings. The ineffective amount of the interest rate swap agreement, if any, was recognized in earnings. The Trust utilizes its interest rate swap and interest rate cap agreements to manage interest rate risk and does not intend to enter into derivative transactions for speculative or trading purposes.

As these instruments will not be converted into cash or other consideration, derivative financial instruments have been valued at $0 as of August 1, 2014 in accordance with liquidation accounting. These financial instruments are still in place and effective as of December 31, 2015. The Trust has accrued the estimated monthly amounts for its swap agreements. The amount is included in the liability for estimated costs in excess of estimated receipts during liquidation.

Revenue Recognition

Prior to the adoption of the plan of liquidation, the Trust accounted for its leases with tenants as operating leases with rental revenue recognized on a straight-line basis over the minimum non-cancellable term of the lease. The straight-line rent adjustment decreased revenue by $1,121,000 during the seven months ended July 31, 2014 and decreased revenue by $669,000 in the year ended December 31, 2013.

Pursuant to the terms of the lease agreements with respect to net lease properties, the tenant at each property is required to pay all costs associated with the property including property taxes, ground rent, maintenance costs and insurance. These costs are not reflected in the consolidated financial statements.

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 accrued the recovery of operating costs based on actual costs incurred.

The Trust recognized lease termination payments as a component of rental revenue in the period received, provided that the Trust has no further obligations under the lease; otherwise, the lease termination payment was amortized on a straight-line basis over the remaining obligation period.

Under liquidation accounting, the Trust has accrued all income that it expects to earn through the end of liquidation to the extent it has a reasonable basis for estimation. These amounts are classified in liability for estimated costs in excess of estimated receipts during liquidation on the Consolidated Statements of Net Assets.

Income Taxes

The Trust operates in a manner intended to enable it to continue to qualify as a REIT. 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 dividend requirements.

In order for the Trust to continue to qualify as a REIT, the value of the Trust's taxable REIT Subsidiary ("TRS") stock cannot exceed 25% of the value of the Trust's total assets. The net income of TRS 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 TRS do not file consolidated tax returns.

The Trust reviews its tax positions under accounting guidance which require that a tax position may only be recognized in the financial statements if it is more likely than not that the tax position will prevail if challenged by taxing authorities. The Trust believes it is more likely than not that its tax positions will be sustained in any tax examination. The Trust has no income tax expense, deferred tax assets or deferred tax liabilities associated with any such uncertain tax positions for the operations of any entity included in the Consolidated Statements of Operations and Comprehensive Income. The only provision for federal income taxes relates to the TRS. The Trust's tax returns are subject to audit by taxing authorities. The tax years 2012 – 2015 remain open to examination by major taxing jurisdictions to which the Trust is subject.

Series D Preferred Shares

On September 15, 2014 the Trust made the full liquidating distribution on its Series D Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series D Preferred Shares") of $25.4815 per Series D Preferred Share, which amount consisted of the $25.00 liquidation preference plus accrued and unpaid dividends to, but excluding, the date of payment.

Stock-Based Compensation

Pursuant to the Trust's 2007 Long Term Stock Incentive Plan the Trust may, from time to time, issue stock-based compensation awards to certain eligible persons including those performing services for FUR Advisors LLC ("FUR Advisors"), the Trust's external advisor. During 2013, the Trust issued 600,000 restricted common shares of beneficial interest ("Restricted Shares"). See Note 20 – Restricted Share Grants for further discussion. Under going concern accounting, the Trust accounted for this stock-based compensation in accordance with ASC 505-50, *Equity-Based Payments to Non-Employees* . Until the awards were no longer subject to forfeiture, the Trust measured stock-based compensation expense at each reporting date for any changes in fair value and recognized the expense prorated for the portion of the requisite service period completed.

Under liquidation accounting, compensation expense is no longer recorded as the vesting of the Restricted Shares does not result in cash outflow for the Trust.

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Earnings Per Share

Prior to the adoption of the plan of liquidation, the Trust determined basic earnings per share on the weighted average number of Common Shares outstanding during the period and reflected the impact of participating securities. The Trust computed diluted earnings per share based on the weighted average number of Common Shares outstanding combined with the incremental weighted average effect from all outstanding potentially dilutive instruments.

The Trust calculated earnings per share in accordance with relevant accounting guidance for participating securities and the two class method. The reconciliation of earnings attributable to Common Shares outstanding for the basic and diluted earnings per share calculation is as follows (in thousands, except per share data):

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	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Basic		
Income (loss) from continuing operations	$ (2,572)	$ 15,716
Loss attributable to non-controlling interest	3,764	4,251
Preferred dividend of Series D Preferred Shares	(6,502)	(11,146)
Amount allocated to Restricted Shares	(192)	(307)
Income (loss) from continuing operations applicable to Common Shares	(5,502)	8,514
Income from discontinued operations	11,235	8,772
Loss attributable to non-controlling interest from discontinued operations	54	39
Net income attributable to Common Shares for earnings per share purposes	$ 5,787	$ 17,325
Basic weighted-average Common Shares	35,821	33,743
Income (loss) from continuing operations	$ (0.15)	$ 0.25
Income from discontinued operations	0.31	0.26
Net income per Common Share—basic	$ 0.16	$ 0.51
Diluted		
Income (loss) from continuing operations	$ (2,572)	$ 15,716
Loss attributable to non-controlling interest	3,764	4,251
Preferred dividend of Series D Preferred Shares	(6,502)	(11,146)
Amount allocated to Restricted Shares	(192)	(307)
Income (loss) from continuing operations applicable to Common Shares	(5,502)	8,514
Income from discontinued operations	11,235	8,772
Loss attributable to non-controlling interest from discontinued operations	54	39
Net income attributable to Common Shares for earnings per share purposes	$ 5,787	$ 17,325
Basic weighted-average Common Shares	35,821	33,743
Stock options (1)	—	—
Restricted Shares (2)	—	31
Diluted weighted-average Common Shares	35,821	33,774
Income (loss) from continuing operations	$ (0.15)	$ 0.25
Income from discontinued operations	0.31	0.26
Net income per Common Share—diluted	$ 0.16	$ 0.51

(1) The Trust's stock options were exercised in 2013. The resulting shares were included in the basic weighted average Common Shares for the seven months ended July 31, 2014 and the year ended December 31, 2013.

(2) The Trust's Restricted Shares were issued in 2013. The Trust's Restricted Shares were anti-dilutive for the seven months ended July 31, 2014 and were not included in the weighted-average shares outstanding for the calculation of diluted earnings per Common Share. The Trust's Restricted Shares were dilutive for the year ended December 31, 2013. The amendments to the Restricted Shares discussed in Note 20 had no impact on the calculation of earnings per share for the periods presented.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Liability for Estimated Costs in Excess of Estimated Receipts During Liquidation

The liquidation basis of accounting requires the Trust to estimate net cash flows from operations and to accrue all costs associated with implementing and completing the plan of liquidation. The Trust currently estimates that it will have costs in excess of estimated receipts during the liquidation. These amounts can vary significantly due to, among other things, the timing and estimates for executing and renewing leases, estimates of tenant improvement costs, the timing of property sales, direct costs incurred to complete the sales, the timing and amounts associated with discharging known and contingent liabilities and the costs associated with the winding up of operations. These costs are estimated and are anticipated to be paid out over the liquidation period.

Upon transition to the liquidation basis of accounting on August 1, 2014, the Trust accrued the following revenues and expenses expected to be earned or incurred during liquidation (in thousands):

	Amount
Rents and reimbursements	$ 81,975
Interest and dividends	23,349
Property operating expenses	(31,583)
Interest expense	(30,216)
General and administrative expenses	(45,160)
Capital expenditures	(9,785)
Sales costs	(15,805)
Liability for estimated costs in excess of estimated receipts during liquidation	$(27,225)

The change in the liability for estimated costs in excess of estimated receipts during liquidation as of December 31, 2015 is as follows (in thousands):

	December 31, 2014	Cash Payments (Receipts)	Remeasurement of Assets and Liabilities	Deconsolidation (1)	December 31, 2015
Assets:					
Estimated net inflows from investments in real estate, loans receivable and secured financing receivable	$ 25,169	$ (12,551)	$ (2,149)	$ 54	$ 10,523
Liabilities:					
Sales costs	(11,840)	1,012	423	4,419	(5,986)
Corporate expenditures	(44,582)	12,471	(1,723)	—	(33,834)
	(56,422)	13,483	(1,300)	4,419	(39,820)
Total liability for estimated costs in excess of estimated receipts during liquidation	$ (31,253)	$ 932	$ (3,449)	$ 4,473	$ (29,297)

(1) Due to a change in exit strategy, the venture that owns the property located at 450 W 14 th Street, New York, New York is no longer consolidated. See Note 3 – Basis of Presentation for the Trust's policy on accounting for joint ventures.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The change in the liability for estimated costs in excess of estimated receipts during liquidation as of December 31, 2014 is as follows (in thousands):

	August 1, 2014	Cash Payments (Receipts)	Remeasurement of Assets and Liabilities	December 31, 2014
Assets:				
Estimated net inflows from investments in real estate, loans receivable and secured financing receivable	$ 38,400	$ (5,183)	$ (8,048)	$ 25,169
Liabilities:				
Sales costs	(15,805)	3,965	—	(11,840)
Corporate expenditures	(49,820)	6,679	(1,441)	(44,582)
	(65,625)	10,644	(1,441)	(56,422)
Total liability for estimated costs in excess of estimated receipts during liquidation	$ (27,225)	$ 5,461	$ (9,489)	$ (31,253)

5. Net Assets in Liquidation

The following is a reconciliation of Shareholder's Equity under the going concern basis of accounting to net assets in liquidation under the liquidation basis of accounting as of August 1, 2014 (in thousands):

Shareholder's Equity as of July 31, 2014	$476,454
Increase due to estimated net realizable value of investments in real estate	220,338
Increase due to estimated net realizable value of equity investments	182,472
Increase due to estimated net realizable value of loans receivable	6,071
Secured financing	(1,699)
Loan securities	692
Deconsolidation of properties	10,178
Decrease due to write-off of assets and liabilities	(44,691)
Increase in non-controlling interest	(35,675)
Liability for estimated costs in excess of estimated reciepts during liquidation	(27,225)
Adjustment to reflect the change to the liquidation basis of accounting	310,461
Estimated value of net assets in liquidation as of August 1, 2014	$786,915

Net assets in liquidation decreased by $78,308,000 during the year ended December 31, 2015. The primary reason for the decline in net assets was due to liquidating distributions to holders of Common Shares of $81,956,000, a $3,363,000 net decrease in the value of investments in real estate, a $1,723,000 increase in estimated corporate expenditures resulting primarily from increases in estimated fees payable to FUR Advisors as a result of increases in liquidation values of certain investments and a $918,000 decrease in the value of the Trust's loan securities. These decreases were partially offset by a $10,343,000 net increase in the liquidation value of equity investments and a $1,445,000 decrease in the liability for non-controlling interests.

Net assets in liquidation decreased by $192,211,000 during the period from August 1, 2014 through December 31, 2014. The primary reason for the decline in net assets was due to the liquidating distribution to holders of Series D Preferred Shares, net of previously accrued amounts, totaling $121,890,000 and the accrued liquidating distribution to holders of Common Shares, net of previously accrued amounts totaling $81,959,000.

There were 36,425,084 Common Shares outstanding at December 31, 2015 and 2014. The net assets in liquidation at December 31, 2015 would result in liquidating distributions of approximately $14.18 per Common Share. The net assets in liquidation as of December 31, 2015 and 2014 of $516,396,000 and $594,704,000 respectively, plus the cumulative liquidating distributions to holders of Common Shares through December 31, 2015 and 2014 of $163,915,000 ($4.50 per common share) and $81,959,000 ($2.25 per common share), respectively, would result in cumulative liquidating distributions to holders of Common Shares of $18.68 and $18.58 per Common Share as of December 31, 2015 and 2014, respectively. This estimate of liquidating distributions includes projections of costs and expenses to be incurred during the period required to complete the plan of liquidation. There is inherent uncertainty with these projections, and they could change materially based on the timing of sales, the performance of underlying assets and any changes in the underlying assumptions of the projected cash flows.

6. Fair Value Measurements

Prior to the adoption of liquidation accounting, REIT securities, loan securities and derivative financial instruments were reported at fair value. The accounting standards establish a framework for measuring fair value as well as disclosures about fair value measurements. They emphasize that fair value is a market based measurement, not an entity-specific measurement. Therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The Trust's Level 3 loan securities carried at fair value primarily consisted of non-agency mortgage-related securities. The Trust valued the loan securities carried at fair value based primarily on prices received from a pricing service. The techniques used by the pricing service to develop the prices were generally either: (a) a comparison to transactions involving instruments with similar collateral and risk profiles; or (b) industry standard modeling, such as a discounted cash flow model. The significant inputs and assumptions used to determine the fair value of the Trust's loan securities included prepayment rates, probability of default, loss severity and yield to maturity percentages.

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

Non-Recurring Measurements

Non-recurring measurements of fair value of assets or liabilities would typically include investments in real estate, assets held for sale and equity investments. During the seven months ended July 31, 2014 the Trust recognized impairment charges totaling $9,287,000 on its Jacksonville, Florida; Lisle, Illinois (550 Corporetum); Louisville, Kentucky and Greensboro, North Carolina properties. During the seven months ended July 31, 2014 the Trust also recognized $2,422,000 in other-than-temporary impairment charges on its equity investments. During the year ended December 31, 2013 the Trust recognized impairment charges totaling $2,904,000 on its Lisle, Illinois (701 Arboretum) and Denton, Texas properties. During the year ended December 31, 2013 the Trust recognized other-than-temporary impairment charges totaling $7,687,000 on its equity investments.

In light of the adoption of a plan of liquidation by the Board on April 28, 2014, the Trust tested the tangible and intangible assets for impairment, which considered a probability analysis of various scenarios including a shortened holding period for all of its operating properties. The Trust's estimates of future cash flows expected to be generated in the impairment tests were based on a number of assumptions. Those assumptions were generally based on management's experience in its real estate markets and the effects of current market conditions. The assumptions were subject to economic and market uncertainties including, among others, market capitalization rates, discount rates, demand for space, competition for tenants, changes in market rental rates, and costs to operate the property. As those factors were difficult to predict and were subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved.

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Equity and Preferred Equity Investments

Under going concern accounting, equity and preferred equity investments were assessed for other-than-temporary impairment when the carrying value of the Trust's investment exceeded its fair value. The fair value of equity investments was determined using a discounted cash flow model which incorporated a residual value utilizing an income capitalization approach considering prevailing market capitalization rates. The Trust reviewed each investment based on the highest and best use of the investment and market participation assumptions. The significant assumptions used in this analysis included rental revenues, operating expenses, inflation rates, market absorption rates, tenanting costs, the discount rate and capitalization rates used in the income capitalization valuation. The Trust determined that the significant inputs used to value its Marc Realty and Sealy equity investments fell within Level 3. The Trust recognized other-than-temporary impairment losses of $2,422,000 and $7,687,000 on these investments during the seven months ended July 31, 2014 and the year ended December 31, 2013. See Note 9—Equity Investments for further details on these impairments.

Investments in Real Estate and Assets Held For Sale

During the seven months ended July 31, 2014 and the year ended December 31, 2013, the Trust recognized impairment charges of $9,287,000 and $2,904,000, respectively, relative to investments in real estate and assets held for sale. Under going concern accounting, the Trust assessed the assets in its portfolio for recoverability based upon a determination of the existence of impairment indicators including significant decreases in market pricing and market rents, a change in the extent or manner in which real estate assets are being used or a decline in their physical condition, current period losses combined with a history of losses or a projection of continuing losses, and a current expectation that real estate assets will be sold or otherwise disposed of before the end of their previously estimated useful lives. When such impairment indicators existed, management estimated the undiscounted cash flows from the expected use and disposition of the asset. Significant inputs for this recoverability analysis included the anticipated holding period for the asset as well as assumptions over rental revenues, operating expenses, inflation rates, market absorption rates, tenanting and other capital improvement costs and the asset's estimated residual value. For those assets not deemed to be fully recoverable, the Trust recorded an impairment charge equal to the difference between the carrying value and estimated fair value of the asset less costs to sell the asset. Management determined the fair value of those assets using an income valuation approach based on assumptions it believed a market participant would utilize. Significant assumptions included discount and capitalization rates used in the income valuation approach.

During the quarter ended June 30, 2013 the Trust entered into a purchase and sale agreement on its Denton, Texas property. A fair value measurement was prepared based on the purchase contract less costs to sell and a $154,000 impairment charge was recorded at June 30, 2013. The property was sold on July 2, 2013.

In light of continued leasing challenges and specific sub-market dynamics, at September 30, 2013 the Trust re-evaluated its business plan and revised its holding period for its operating property in Lisle, Illinois referred to as 701 Arboretum. As a result, it was determined that due to the shorter holding period, the carrying value of the 701 Arboretum property was no longer fully recoverable. The Trust recorded a $2,750,000 impairment charge in 2013 as a result of the purchase contract. The property was sold on December 17, 2013.

The carrying value of the Trust's wholly owned office property in Lisle, Illinois, referred to as 550 Corporetum, exceeded the estimated fair value resulting in a $8,500,000 impairment charge which was recorded at March 31, 2014. The carrying value of the Trust's wholly owned retail property in Greensboro, North Carolina exceeded the estimated fair value resulting in a $500,000 impairment charge which was recorded at March 31, 2014. The fair value of these properties were calculated using the following key Level 3 inputs: discount rate of 8%, terminal capitalization rates of 8.5% to 10.0% and market rent and expense growth rates of 2.0%.

During April 2014 the Trust entered into a purchase and sale agreement on its Jacksonville, Florida property. A fair value measurement was prepared at March 31, 2014 based on the purchase contract and a $200,000 impairment charge was recorded. The sale of the property was not completed and the purchase contract was terminated.

During June 2014 the Trust entered into a purchase and sale agreement on its Louisville, Kentucky retail property. A fair value measurement was prepared at June 30, 2014 based on the purchase contract less costs to sell and an $87,000 impairment charge was recorded.

7. Investment and Disposition Activities

2015 and 2016 Transactions

Vintage Housing Holdings – sale of interest – On January 2, 2015 the Trust contributed an additional $5,645,000 to the venture to acquire the limited partner interests in two of the underlying properties. During the six months ended June 30, 2015 the Trust received distributions, inclusive of return of capital distributions, totaling $4,959,000 from the venture. On June 1, 2015 the Trust sold its interest in Vintage Housing Holdings LLC to an independent third party and received net proceeds of approximately $82,471,000. The liquidation value of this investment was $82,928,000 at December 31, 2014.

Edens Center and Norridge Commons – loan satisfaction - On February 5, 2015 the Norridge, Illinois property, which was one of the two properties that collateralized this loan receivable, was sold and the Trust received a principal payment of $15,275,000 plus all accrued and unpaid interest due in connection with the sale. The outstanding principal balance on the loan receivable was $97,000 at September 30, 2015. Upon satisfaction of the loan, the Trust was entitled to a participation interest equal to 30% of the value of both of the properties which collateralized the loan in excess of $115,000,000. On October 9, 2015 the Trust received $3,100,000 in full satisfaction of the loan receivable and the participation interest.

In connection with the repayment in full of the loan receivable collateralized by the Edens Center and Norridge Commons properties, the Trust sold its general partner interests in the two properties for an aggregate price of $493,000 pursuant to the terms of an existing option agreement. The sale price plus aggregate distributions received in 2015 was consistent with the Trust's liquidation value at December 31, 2014.

44 Monroe, Phoenix, Arizona – property sale – On April 14, 2015 the venture in which the Trust holds an 83.7% interest sold its apartment building located in Phoenix, Arizona for gross proceeds of $50,650,000. The entire net proceeds, after closing costs and pro-rations, of approximately $49,143,000 were used to pay down the loan collateralized by the remaining properties in the venture. The liquidation value of the property was $50,650,000 at December 31, 2014.

Concord Debt Holdings – loan satisfaction— During May 2015 the Trust received a distribution of $20,173,000 from its Concord Debt Holdings LLC venture. The distribution was in connection with the sale of the luxury hotel assets owned by the MSREF hotel venture in which Concord Debt Holdings LLC holds an interest.

CDH CDO LLC – loan sale/satisfaction - On June 25, 2015 the venture closed on the sale of four bond assets and one loan asset for gross proceeds of $54,122,000. The proceeds of the sale were utilized to fully satisfy the debt of the venture. Additionally, in June 2015 a loan asset held by the venture was repaid at par, which was consistent with the Trust's liquidation value at December 31, 2014. On July 1, 2015 the Trust received a $6,200,000 distribution from this venture.

Cerritos, California – property sale— On September 16, 2015 the Trust sold its office property located in Cerritos, California for gross proceeds of $30,500,000 and received net proceeds of $6,174,000 after satisfaction of third party mortgage debt, closing costs and pro rations. The liquidation value of the property was $29,916,000 at December 31, 2014.

Highgrove, Stamford, Connecticut – contract for sale – On June 26, 2015 the venture in which the Trust holds an 83.7% interest entered into a contract (the "First Purchase Agreement") to sell its apartment building located in Stamford, Connecticut for gross proceeds of $90,000,000. An additional $1,000,000 non-refundable deposit was received from the buyer in November 2015 bringing the total aggregate non-refundable deposits received from the buyer to $5,000,000. On January 21, 2016 the First Purchase Agreement was terminated due to the prospective purchaser's inability to timely close. In accordance with the terms of the First Purchase Agreement, the venture retained the $5,000,000 deposit.

On February 18, 2016 the venture entered into a purchase agreement (the "Second Purchase Agreement") to sell this asset for gross proceeds of $87,500,000. The purchaser has provided a $10,000,000 non-refundable deposit. The closing is expected to occur, if at all, in the second quarter of 2016. In connection with entering into the Second Purchase Agreement, the venture entered into a settlement agreement with the purchaser under the First Purchase Agreement providing for the return of $1,000,000 of the previously retained deposit and an agreement to return up to an additional $1,500,000 of the previously retained deposit upon the closing or termination of the Second Purchase Agreement. As a result, assuming the consummation of the transaction contemplated by the Second Purchase Agreement, the venture will receive gross sales proceeds, inclusive of forfeited deposits, totaling $90,000,000.

701 Seventh Avenue – capital contributions— The Trust has invested an additional $8,865,000 in this venture during 2015. As of December 31, 2015 the Trust has total invested capital in the venture of $115,489,000.

Sullivan Center, Chicago, Illinois – capital contributions / contract for sale – The Trust has committed to fund 100% of retail tenant improvements and capital expenditure needs and 80% of office tenant improvements and capital expenditure needs at the Sullivan Center property in Chicago, Illinois that are not met by current operating cash flow at the property. During 2015 the Trust funded $3,998,000 for improvements, and to date in 2016 the Trust funded an additional $2,794,000 for improvements. All amounts funded are considered additions to the mezzanine loan and accrue interest at the rate of 15% per annum.

On January 8, 2016 the Trust entered into a contract with its Sullivan Center venture partner to sell its interest in WRT One South State Lender LP which holds the mezzanine loan on the property and its interest in WRT-Elad One South State Equity LP for an aggregate purchase price of approximately $91,576,000 subject to upward adjustment for additional advances on the mezzanine loan by the Trust prior to closing plus accrued and unpaid interest. The additional $2,794,000 advanced on the mezzanine loan on January 15, 2016 will be added to the purchase price at closing. The buyer's $3,000,000 deposit under the purchase contract is non-refundable. If consummated, the sale is expected to close by the end of the second quarter of 2016.

Lake Brandt, Greensboro, North Carolina – contract for sale— On January 20, 2016 the Trust entered into a contract with an independent third party to sell its residential property known as Lake Brandt Apartments for gross proceeds of $20,000,000. The Buyer's $500,000 deposit under the contract is non-refundable. If consummated, the sale is expected to close in the second quarter of 2016. The liquidation value was $20,000,000 at December 31, 2015 and $18,610,000 at December 31, 2014.

2014 Transactions

Playa Vista – loan activity – On January 10, 2014 the mezzanine loan agreement was amended to increase the principal balance by up to $4,000,000 and to increase the interest rate by 1.5% to a rate of 16.25% per annum. The Trust's share of the increased loan amount was up to $2,000,000 of which $1,992,000 was funded.

On July 7, 2014 the Trust acquired for $14,000,000 the additional 50% interest in the Playa Vista loan. The Trust also paid $108,000 for the prorated share of interest accrued through June 30, 2014. The purchase price represented a premium of approximately $762,000 over the face of the loan inclusive of interest through June 30, 2014.

On December 9, 2014 the Trust received repayment in full on its $27,394,000 loan receivable collateralized by the office complex in Playa Vista, California. In addition, the Trust received $6,565,000 in exchange for its equity participation interest in the underlying collateral resulting in total proceeds of $33,959,000. The liquidation value of this investment, including the loan receivable and the equity participation, was $29,369,000 at August 1, 2014. Total proceeds exceeded the initial liquidation value as a result of the cash received in satisfaction of the Trust's participation interest exceeding the Trust's initial estimate at August 1, 2014.

Loan portfolio – sale of interest – In February 2014 the Trust sold its interests in the loans secured directly or indirectly by Hotel Wales, Wellington Tower, 500-512 Seventh Avenue, Legacy Orchard and San Marbeya for an aggregate sales price of $42,900,000. The selling price is net of the secured financings on the Hotel Wales and San Marbeya loans which totaled $29,150,000. In connection with the sale, the Trust retained an interest only participation in each of the Legacy Orchard and Hotel Wales loans entitling the Trust to interest at 2.5% per annum on the principal amount of the Legacy Orchard loan and 0.5% per annum on the principal amount of the Hotel Wales loan. No gain or loss was recognized on the sale of the loans.

Newbury Apartments – property sale – On February 26, 2014 the Trust sold its interest in the Newbury Apartments property located in Meriden, Connecticut to an independent third party for gross sale proceeds of $27,500,000. After costs, pro-rations and the transfer of the debt, the Trust received net proceeds of approximately $5,106,000 and recorded a gain of $4,422,000 on the sale of the property which is included in income from discontinued operations.

Marc Realty – sale of interest – On March 5, 2014 the Trust sold to Marc Realty, its venture partner, the Trust's equity investments in High Point Plaza LLC, 1701 Woodfield LLC and Enterprise Center LLC and its interest in the River City, Chicago, Illinois property for gross sale proceeds of $6,000,000. The Trust received $1,500,000 in cash and a note receivable for the remaining $4,500,000. The note was repaid in full during June 2014. The Trust recorded a $3,000 gain on the sale of its interest in River City which is included in income from discontinued operations. The Trust recorded a $69,000 gain on sale of the three equity investments which is included in equity in income of equity investments.

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The Trust also granted Marc Realty an option exercisable prior to March 1, 2016 to acquire its equity investment in Brooks Building LLC. Marc Realty exercised its option and acquired the Trust's interest in Brooks Building LLC on September 8, 2014. The liquidation value of the investment was $5,770,000 at August 1, 2014, and the Trust received net proceeds of $5,770,000 on the sale.

Norridge—equity acquisition – On March 5, 2014, in connection with the Edens Center and Norridge Commons loan origination discussed below, the Trust acquired for $250,000 all of the issued and outstanding shares of Harlem Properties, Inc. ("Harlem"). Harlem is the entity that ultimately controls the entity that owns Norridge Commons, a retail shopping center located in Norridge, Illinois (the "Norridge Property"). The Trust, through its ownership of Harlem, has an effective 0.375% interest in the property and controls the business of the entity and all decisions affecting the entity, its policy and its management. As no other parties have significant participating rights, the Trust consolidated the Norridge Property as of March 5, 2014, the date it acquired the general partner interest.

The accompanying unaudited pro forma information for the seven months ended July 31, 2014 and the year ended December 31, 2013 is presented as if the acquisition of the Norridge Property on March 5, 2014 had occurred on January 1, 2013. This unaudited pro forma information is based upon the historical consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto. The unaudited pro forma information does not purport to represent what the actual results of operations of the Trust would have been had the above occurred. Nor do they purport to predict the results of operations of future periods.

Pro forma (unaudited) (In thousands, except for per share data)	For the Seven Months Ended July 31, 2014	For the Year Ended December 31, 2013
Total revenue	$ 57,101	$ 108,333
Income (loss) from continuing operations	(2,776)	7,666
Net income attributable to Winthrop Realty Trust	12,480	24,414
Per common share data—basic	0.16	0.38
Per common share data—diluted	0.16	0.38

Edens – equity acquisition – On March 5, 2014 the Trust acquired for $250,000 all of the issued and outstanding shares of Edens Properties, Inc. ("Edens"). Edens is a co-general partner of a limited partnership that is a general partner of Edens Center Associates, a retail shopping center located outside of Chicago, Illinois (the "Edens Property"). As the other co-general partner of Edens Center Associates has significant participating rights, the Trust accounts for this investment under the equity method of accounting.

Edens Center and Norridge Commons – loan origination – On March 5, 2014 the Trust originated a $15,500,000 mezzanine loan to an affiliate of the Trust's venture partner in both the Sullivan Center and Mentor Retail LLC ventures ("Freed Management") secured by a majority of the limited partnership interests in entities that hold a majority interest in the Edens Property and the Norridge Property. The loan bears interest at LIBOR plus 12% per annum (increasing by 100 basis points in each extended term), requires payments of current interest at a rate of 10% per annum (increasing by 50 basis points each year) and has a three-year term, subject to two, one-year extensions. Upon satisfaction of the loan, the Trust will be entitled to a participation interest equal to the greater of (i) a 14.5% internal rate of return ("IRR") (increasing to 15.5% IRR after the initial term) and (ii) 30% (increasing to 40% after the initial term and 50% after the first extended term) of the value of the properties in excess of $115,000,000. As additional collateral for the loan, Freed Management pledged to the Trust its ownership interest in the Trust's Sullivan Center and Mentor Retail LLC ventures.

Queensridge – loan satisfaction – During the quarter ended March 31, 2014 several of the condominium units collateralizing the Queensridge loan receivable were sold resulting in principal payments to the Trust of approximately $2,908,000. As a result of the payments, the outstanding principal balance on the Queensridge loan has been fully satisfied. In addition, the Trust received an exit fee of $1,787,000 in connection with the early satisfaction of the loan which is classified as interest income.

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Crossroads I & II – property sale – On May 1, 2014 the Trust sold its wholly-owned office properties referred to as Crossroads I and Crossroads II located in Englewood, Colorado to an independent third party for aggregate gross sale proceeds of $31,100,000. After costs and pro-rations the Trust received net proceeds of approximately $29,633,000 and recorded a gain of $5,723,000 on the sale of the properties which is included in income from discontinued operations.

Amherst – property sale – On June 25, 2014 the Trust sold its wholly-owned office property located in Amherst, New York to an independent third party for gross sale proceeds of $24,500,000. After costs, pro-rations and a reserve holdback the Trust received net proceeds of approximately $21,226,000 on the sale of the property. Upon completion of the parking area for the office property the Trust received $2,449,000 from the reserve in November 2014, which resulted in aggregate net proceeds of approximately $23,675,000. The Trust recorded a gain of $946,000 on the sale of the property which is included in income from discontinued operations.

Wateridge – sale of interest – On August 6, 2014 the Trust sold its interest in the WRT-Fenway Wateridge venture to its venture partner for approximately $2,383,000 which equaled its liquidation value at August 1, 2014.

Stamford – loan satisfaction – On August 6, 2014 the Trust’s venture which held the mezzanine loan secured by seven office properties in Stamford, Connecticut received payment in full on the loan. The Trust received net proceeds, inclusive of accrued interest, of $9,450,000 in connection with the payoff which equaled the liquidation value at August 1, 2014.

Shops at Wailea – loan satisfaction – On August 7, 2014 the Trust received $7,556,000, inclusive of accrued interest, in full repayment at par of its loan receivable collateralized by the Shops at Wailea. The liquidation value of this investment was $7,516,000 at August 1, 2014.

5400 Westheimer – sale of interest— On October 1, 2014 the Trust received $1,033,000 in full repayment of the note due from its venture that owns the property located at 5400 Westheimer Court, Houston, Texas. On October 15, 2014 the Trust sold its interest in this venture to one of the venture partners for approximately $9,690,000. The liquidation value of this investment, including the note and the Trust’s interest in the venture, was $10,777,000 at August 1, 2014.

Waterford Place Apartments – property sale— On October 16, 2014 the Trust sold its Waterford Place apartment building in Memphis, Tennessee to an independent third party for gross proceeds of $28,160,000 which equaled the liquidation value at August 1, 2014. After satisfaction of the debt and payment of closing costs, the Trust received net proceeds of approximately $15,290,000.

Kroger-Atlanta – property sale —On October 20, 2014 the Trust sold its retail property located in Atlanta, Georgia for gross proceeds of $1,500,000 and received net proceeds of approximately $1,464,000. The liquidation value of this property was $2,000,000 at August 1, 2014. The decline in value was the result of a change in the lease up assumptions for the property.

Kroger-Greensboro – property sale - On October 20, 2014 the Trust sold its retail property located in Greensboro, North Carolina for gross proceeds of $1,750,000 and received net proceeds of approximately $1,709,000. The liquidation value of this property was $2,500,000 at August 1, 2014. The decline in value was the result of a change in the lease up assumptions for the property.

Pinnacle II—loan sale - On October 22, 2014 the Trust sold its B-Note receivable which had an outstanding principal balance of $5,017,000 for net proceeds of approximately $4,967,000. The liquidation value of this investment was $4,989,000 at August 1, 2014.

San Pedro – property sale - On October 24, 2014 the venture in which the Trust holds an 83.7% interest sold its apartment building located in San Pedro, California for gross proceeds of $23,800,000 which equaled the liquidation value at August 1, 2014. The entire net proceeds of approximately $23,090,000 were used to pay down the $150,000,000 loan collateralized by the four properties in the venture.

Kroger-Louisville – property sale - On November 25, 2014 the Trust sold its retail property located in Louisville, Kentucky for gross proceeds of $2,500,000 and received net proceeds of approximately $2,334,000. The liquidation value of this property was $2,500,000 at August 1, 2014.

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1515 Market – property sale - On December 2, 2014 the Trust sold its office property located at 1515 Market Street, Philadelphia, Pennsylvania for gross proceeds of $82,345,000 and received net proceeds of approximately $40,304,000 after satisfaction of the third party mortgage debt, closing costs and pro rations. The liquidation value of this property was $81,314,000 at August 1, 2014.

Burlington – property sale – On December 23, 2014 the Trust sold its office property located in South Burlington, Vermont for gross proceeds of $2,850,000 and received net proceeds of approximately $2,475,000. The liquidation value of this property was $3,225,000 at August 1, 2014. The decline in value was the result of a change in the lease up assumptions for the property.

Sealy Northwest Atlanta – sale of interest— On December 23, 2014 the Trust sold to Sealy, its venture partner, the Trust's interest in Sealy Northwest Atlanta for total proceeds of $5,641,000. The liquidation value of this investment was $5,692,000 at August 1, 2014.

701 Seventh – capital contributions – During 2014 the Trust made additional capital contributions of $53,187,000 with respect to its interest in the venture that holds an indirect interest in the property located at 701 Seventh Avenue, New York, New York, bringing aggregate capital contributions through December 31, 2014 to $106,624,000.

Other Activity :

Notes Payable – On September 10, 2014 the Trust obtained a $25,000,000 unsecured working capital loan from KeyBank National Association. Borrowings under the loan bore interest at LIBOR plus 3%. The loan required monthly payments of interest only and had an initial maturity of March 10, 2015 with two, three-month extension options. Mandatory principal payments were required from net transaction proceeds from the sale or refinancing of any of the Trust's assets. The loan was repaid in full in October 2014 from the proceeds of asset sales.

Series D Preferred Shares – On September 15, 2014 the Trust made the full liquidating distribution of $122,821,000 ($25.4815 per share) to the holders of its Series D Preferred Shares. Pursuant to the terms of the Series D Preferred Shares, the holders thereof have no further rights or claim to any of the remaining assets of the Trust.

8. Loans Receivable

The Trust's loans receivable at December 31, 2015 and 2014 are as follows (in thousands):

Description	Loan Position	Stated Interest Rate at December 31, 2015	Carrying Amount (1) December 31, 2015	Carrying Amount (1) December 31, 2014	Contractual Maturity Date
Rockwell	Mezzanine	12.0%	$ —	$ —	5/01/16
Churchill	Whole Loan	LIBOR + 3.75%	—	—	8/01/16
Poipu Shopping Village	B-Note	6.62%	2,769	2,804	1/06/17
Mentor Building	Whole Loan	10.0%	2,511	2,511	9/10/17
Edens Center and Norridge Commons (2)(3)	Mezzanine	N/A	—	18,690	N/A
			$ 5,280	$ 24,005	

(1) The carrying amount represents the estimated amount expected to be collected on disposition of the loan plus contractual interest receivable.
(2) Carrying amount at December 31, 2014 includes the par amount plus the estimated amount to be collected on the participation interest of $3,000 and accrued interest of $1.
(3) The loan was repaid in full during 2015.

The carrying amount of loans receivable at December 31, 2015 and 2014 represents the estimated amount expected to be collected on disposition of the loans and includes accrued interest of $28,000 and $218,000, respectively.

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The weighted average coupon as calculated on the par value of the Trust's loans receivable was 7.97% and 10.55% at December 31, 2015 and 2014, respectively, and the weighted average yield to maturity as calculated on the carrying value of the Trust's loans receivable was 13.54% and 12.78% at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, none of the Trust's loans receivable were directly financed.

Loan Receivable Activity

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

	Year Ended December 31, 2015	Year Ended December 31, 2014
Balance at beginning of year	$ 24,005	$ 101,100
Purchase and advances	—	35,992
Interest received, net	(190)	(283)
Repayments / sale proceeds / forgiveness	(18,535)	(120,194)
Loan discount accretion	—	2,086
Discount accretion received in cash	—	(5,865)
Liquidation adjustment	—	6,071
Change in liquidation value	—	5,098
Balance at end of year	$ 5,280	$ 24,005

The following table summarizes the Trust's interest and discount accretion income for the seven months ended July 31, 2014 and the year ended December 31, 2013 (in thousands):

	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Interest on loan assets	$ 5,770	$ 14,334
Exit fee/prepayment penalty	1,787	—
Accretion of loan discount	2,086	4,121
Total interest and discount accretion	$ 9,643	$ 18,455

The secured financing receivable, the Queensridge loan receivable and the Shops at Wailea loan receivable, each individually representing more than 10% of interest income, contributed approximately 58% of interest income of the Trust for the seven months ended July 31, 2014.

The San Marbeya loan and the Queensridge loan, each representing more than 10% of interest income, contributed approximately 34% of interest income of the Trust for the year ended December 31, 2013.

Credit Quality of Loans Receivable and Loan Losses

Prior to the adoption of the plan of liquidation, the Trust evaluated impairment on its loan portfolio on an individual basis and developed a loan grading system for all of its outstanding loans that are collateralized directly or indirectly by real estate. Grading categories included debt yield, debt service coverage ratio, length of loan, property type, loan type, and other more subjective variables that included property or collateral location, market conditions, industry conditions, and sponsor's financial stability. Management reviewed each category and assigned an overall numeric grade for each loan to determine the loan's risk of loss and to provide a determination as to whether an individual loan was impaired and whether a specific loan loss allowance was necessary. A loan's grade of credit quality was determined quarterly.

All loans with a positive score did not require a loan loss allowance. Any loan graded with a neutral score or “zero” was subject to further review of the collectability of the interest and principal based on current conditions and qualitative factors to determine if impairment was warranted. Any loan with a negative score was deemed impaired and management then would measure the specific impairment of each loan separately using the fair value of the collateral less costs to sell.

Management estimated the loan loss allowance by calculating the estimated fair value less costs to sell of the underlying collateral securing the loan based on the fair value of the underlying collateral, and comparing the fair value to the loan’s net carrying value. If the fair value was less than the net carrying value of the loan, an allowance was created with a corresponding charge to the provision for loan losses. The allowance for each loan was maintained at a level the Trust believed would be adequate to absorb losses.

Under liquidation accounting, the Trust carries its loans receivable at the estimated amount of principal payments the Trust expects to receive over the holding period of the loan. Subsequent to the adoption of the plan of liquidation, the Trust utilizes the same grading system to assess the collectability of its loan portfolio. Any change in the credit quality of the loan receivable that changes the Trust’s estimate of the amount it expects to collect will be recorded as a change to the liquidation value of its loans receivable.

The table below summarizes the Trust’s loans receivable by internal credit rating at December 31, 2015 and 2014 (in thousands, except for number of loans):

	December 31, 2015		December 31, 2014	
Internal Credit Quality	Number of Loans	Liquidation Value of Loans Receivable	Number of Loans	Liquidation Value of Loans Receivable
Greater than zero	2	$ 5,280	3	$ 24,005
Equal to zero	1	—	1	—
Less than zero	1	—	1	—
	4	$ 5,280	5	$ 24,005

Non-Performing Loans

Prior to adopting the liquidation basis of accounting, the Trust considered a loan to be non-performing and placed loans on non-accrual status at such time as management determined it was probable that it would be unable to collect all amounts due according to the contractual terms of the loan. While on non-accrual status, based on the Trust’s judgment as to collectability of principal, loans were either accounted for on a cash basis, where interest income was recognized only upon actual receipt of cash, or on a cost-recovery basis, where all cash receipts reduced a loan’s carrying value. If and when a loan was brought back into compliance with its contractual terms, the Trust resumed accrual of interest.

As of July 31, 2014 and December 31, 2013, there was one non-performing loan with past due payments. A $348,000 provision for loan loss was recorded as of December 31, 2013. The Trust did not record any provision for loan loss for the seven months ended July 31, 2014.

Secured Financing Receivable

In August 2013 the Trust closed on an agreement to acquire its venture partner's ("Elad") 50% interest in the mezzanine lender with respect to the One South State Street, Chicago, Illinois property ("Lender LP") for $30,000,000. In connection with the transaction, the Trust entered into an option agreement with Elad granting Elad the right, but not obligation, to repurchase the interest in the venture. The option agreement provides Elad, as the transferor, the option to unilaterally cause the return of the asset at the earlier of two years from and after August 21, 2013 or an event of default on Lender LP's mezzanine debt. As such, Elad is able to retain control of its interest in Lender LP for financial reporting purposes as the exercise of the option is unconditional other than for the passage of time. As a result, for financial reporting purposes, the transfer of the financial asset was accounted for as a secured financing rather than an acquisition. The $30,000,000 acquisition price was recorded as a secured financing receivable. Under the going concern basis of accounting, the Trust recognized interest income on the secured financing receivable on an accrual basis in accordance with GAAP, at an annual interest rate of 15%. The Trust recorded $2,215,000 of interest income during the seven months ended July 31, 2014 and $1,386,000 during the year ended December 31, 2013.

9. Equity Investments

Under liquidation accounting, equity investments are carried at net realizable value. The Trust's nominal ownership percentages in its equity investments consist of the following at December 31, 2015 and December 31, 2014:

Venture Partner	Equity Investment	Nominal % Ownership at December 31, 2015	Nominal % Ownership at December 31, 2014
Elad Canada Ltd	WRT One South State Lender LP	50.0%	50.0%
Elad Canada Ltd	WRT-Elad One South State Equity LP	50.0%	50.0%
Atrium Holding	RE CDO Management LLC	50.0%	50.0%
Freed	Mentor Retail LLC	49.9%	49.9%
Inland	Concord Debt Holdings LLC	66.6%	66.6%
Inland	CDH CDO LLC	49.6%	49.6%
Marc Realty	Atrium Mall LLC	50.0%	50.0%
New Valley/Witkoff (1)	701 Seventh WRT Investor LLC	81.0%	81.0%
RS Summit Pointe (2)	RS Summit Pointe Apartments LLC	80.0%	80.0%
Serure/C&B High Line (3)	446 High Line LLC	83.6%	N/A
Freed (4)	Edens Plaza Associates LLC	N/A	<1%
Freed (2)(4)	Irving-Harlem Venture Limited	N/A	<1%
Gancar Trust (4)	Vintage Housing Holdings LLC	N/A	75.0%

(1) The Trust's investment in this venture provides the Trust with a 61.14% effective ownership interest in the underlying property.
(2) Investment was previously consolidated under going concern accounting. See Note 3 "Post Plan of Liquidation" for further discussion.
(3) Investment was reclassified as an equity investment as of December 31, 2015 due to a change in exit strategy. The investment was consolidated in previous filings. The nominal ownership percentage is based on the waterfall provision of the partnership. See Note 3 "Post Plan of Liquidation" for further discussion.
(4) The Trust's investment was sold or fully redeemed during the year ended December 31, 2015.

See Note 7 – Investment and Disposition Activities for information relating to 2015 activity with respect to equity investments.

At December 31, 2014 there is a basis differential for each investment between the Trust's carrying value of its investments and the basis reflected at the joint venture's level. The basis differential primarily relates to the difference between the net realizable value of the investment and the inside basis of the Trust's equity in the joint venture. The basis differential is accounted for in the Trust's calculation of the net realizable value.

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Equity Investment Impairments

During the fourth quarter of 2013, the Trust's equity investments in the Brooks Building, LLC ("223 West Jackson"), High Point Plaza, LLC ("High Point"), 1701 Woodfield, LLC ("1701 Woodfield"), and Enterprise Center, LLC (individually "Enterprise" and the aforementioned investments collectively the "Marc Investments") suffered declines in occupancy, increasing competition for tenants, and increasing costs to operate the investments. Additionally, recent discussions related to marketing available space to potential tenants, along with lease renewals with existing tenants, indicated a capital infusion from the Trust would be necessary to upgrade the investments to achieve rental rates in-line with the suburban Chicago, Illinois office market. The factors above along with increasing capital demands and rising cost of capital caused the Trust to reassess its business plan associated with the Marc Investments in the fourth quarter of 2013.

Subsequent to December 31, 2013 the Trust entered into an agreement with Marc Realty, its joint venture partner in these equity investments, to sell its interests in High Point, 1701 Woodfield, Enterprise Center along with its controlling interest in the River City property, located in Chicago, Illinois, which is consolidated, for a gross sales price of $6,000,000. The Trust considered the underlying investment characteristics and negotiations with Marc Realty in allocating the purchase price to the specific assets included in the transaction. Additionally, the Trust granted Marc Realty an option exercisable within two years to acquire its interest in 223 West Jackson.

Based on the factors noted above, the Trust concluded that each of the Marc Investments were other-than-temporarily impaired in the aggregate by $7,687,000 at December 31, 2013, when comparing each of their carrying values of $14,438,000 in the aggregate to each of their fair values of $6,751,000 in the aggregate and a corresponding impairment charge has been included in equity in income (loss) of equity investments in the Consolidated Statements of Operations and Comprehensive Income for the year then ended. The Trust separately tested the River City property for impairment and determined that the carrying value of River City was recoverable at December 31, 2013 when comparing the portion of the gross sales price attributable to the River City property to its carrying value.

During June 2014 the Trust was notified by Marc Realty of its intention to exercise its option to acquire the Trust's interest in 223 West Jackson prior to year end. The purchase price of the Trust's interest was dependent upon when the option was exercised and certain operating characteristics of the investment at the time of exercise. The Trust considered a probability analysis of various scenarios based on the notification of exercise and the Trust concluded that the carrying value of this investment exceeded its fair value. As a result, the Trust recorded an other-than-temporary impairment charge of $762,000 at June 30, 2014.

During the second quarter of 2014, the Trust, together with Sealy its venture partner in Northwest Atlanta Partners LP, agreed to market for sale the property held by the venture. In preparation for marketing the property, the venture obtained multiple third party valuations to provide a range of residual values. The fair value of the Trust's equity investment in Northwest Atlanta Partners LP was calculated using the following weighted average key Level 3 inputs: discount rate of 10.8%, terminal capitalization rate of 8.5%, market rent growth rate of 2.7% and expense growth rates of 2.8%. The Trust concluded that the carrying value of this investment exceeded its current fair value and the Trust recorded an other-than-temporary impairment charge of $1,660,000 at June 30, 2014.

Separate Financial Statements for Unconsolidated Subsidiaries

The Trust has determined that for the periods presented in the Trust's financial statements, certain of its unconsolidated subsidiaries have met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which the Trust is required, pursuant to Rule 3-09 of Regulation S-X, to attach separate financial statements as exhibits to its Annual Report on Form 10-K as follows:

Entity	Year(s) Determined Significant	Exhibit
CDH CDO LLC	2013	99.1
Vintage Housing Holdings LLC	2013	99.2
701 Seventh WRT Investor LLC and subsidiaries	2015, 2013	—

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The Trust was granted a waiver of the requirements to provide comparable unaudited Regulation S-X 3-09 financial statements for the year ended December 31, 2014 for its equity method joint venture investees CDH CDO LLC, Vintage Housing Holdings LLC and 701 Seventh WRT Investor LLC by the U.S. Securities and Exchange Commission. Audited financial statements for the year ended December 31, 2013 for CDH CDO LLC and Vintage Housing Holdings LLC are attached to this Form 10-K. Audited financial statements for the years ended December 31, 2015 and 2013 for 701 Seventh WRT Investor LLC will be filed as an amendment to this Form 10-K.

Combined Financial Statements for Unconsolidated Subsidiaries

Pursuant to Rule 4-08(g), the following summarized financial data for unconsolidated subsidiaries includes information for the following entities: Vintage Housing Holdings, LLC, WRT-Elad One South State Equity LP, WRT-Stamford LLC, 10 Metrotech Loan LLC, Mentor Retail LLC, 701 Seventh WRT Investor LLC, WRT-Fenway Wateridge LLC, Brooks Building LLC, High Point Plaza LLC, 1701 Woodfield LLC, Enterprise Center LLC, Atrium Mall LLC, Edens Plaza Associates LLC, Northwest Atlanta Partners LP, Concord Debt Holdings LLC, CDH CDO LLC and WRT-ROIC Lakeside Eagle LLC.

	Year Ended December 31,		
	2015	2014	2013
Income Statements			
Rental Revenue	$70,705	$94,432	$85,660
Interest, dividends and discount accretion	$ 6,874	$14,017	$40,229
Expenses	$78,165	$98,107	$93,344
Other loss	$ 747	$ 5,297	$23,188
Income (loss) from continuing operations	$ (1,333)	$ 5,045	$ 9,357

	December 31, 2015	December 31, 2014
Balance Sheets		
Investment in real estate	$ 876,400	$ 1,251,615
Total assets	$ 954,374	$ 1,453,983
Total debt	$ 693,013	$ 913,406
Total liabilities	$ 40,943	$ 179,224
Non controlling interests	$ 52,052	$ 88,363

The Trust had elected a one-month lag reporting period for Vintage Housing Holdings LLC, WRT-Elad One South State Equity LP and WRT-Fenway Wateridge LLC. The Trust had elected a three-month lag reporting period for 701 Seventh WRT Investor LLC.

The Trust was granted a waiver of the requirements to provide Regulation S-X 3-09 financial statements for its equity method joint venture investee WRT One South State Lender LP ("Lender LP") by the U.S. Securities and Exchange Commission. Lender LP met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for 2013 solely due to impairment charges recorded on other equity investments as discussed in this Note 9 and non-recurring income recorded by Lender LP in 2013.

Lender LP holds a single loan receivable with a face amount of $55,714,000 at December 31, 2015. The loan bears interest at a rate of 15% per annum, requires payments of interest only and matures December 2017. The loan was acquired at a discount to face and the discount is being accreted into income over the life of the loan.

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The balance sheets of Lender LP, on a going concern basis, are as follows (in thousands):

	December 31, 2015	December 31, 2014
Assets		
Loan receivable	$50,109	$44,014
Other assets, net	6,110	5,446
Total assets	$56,219	$49,460
Liabilities and Equity		
Accounts payable and accrued expenses	$ 2	$ 2
Other liabilities	—	—
Total liabilities	2	2
Equity	56,217	49,458
Total liabilities and equity	$56,219	$49,460

The statements of operations for Lender LP , on a going concern basis, are as follows (in thousands):

	Year Ended December 31, 2015	2014	2013
Revenue			
Interest income	$10,400	$10,123	$8,506
Management fee income	—	—	—
	10,400	10,123	8,506
Expenses			
General and administrative	—	—	86
Other expenses	—	—	—
	—	—	86
Net income	$10,400	$10,123	$8,420

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Statement of cash flows for Lender LP are as follows (in thousands):

	2015	2014	2013
Net cash provided by operating activities	$ 7,639	$ 7,865	$ 879
Net cash used in investing activities	$(3,998)	$ —	$ —
Net cash used in financing activities	$(3,641)	$(7,865)	$(5,952)
Cash and cash equivalents, end of year	$ —	$ —	$ —
Non cash investing and financing activity			
Distribution to partners	$ —	$ —	$(4,166)
Contribution from partners	$ —	$ 20	$ —

The Trust was granted a waiver of the requirements to provide Regulation S-X 3-09 financial statements for its equity method joint venture investee RE CDO Management LLC ("RE CDO") by the U.S. Securities and Exchange Commission. RE CDO met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for 2013 solely due to impairment charges recorded on other equity investments as discussed in this Note 9 and non-recurring income recorded by RE CDO in 2013.

RE CDO holds a 5.52% interest in (i) a first priority mortgage loan collateralized by land located in Las Vegas, Nevada (the "LV Land"), which loan bears interest at LIBOR plus 40% with a current pay rate of 7.5% and the balance accruing and compounding and which had an outstanding balance of $76,733,000 at December 31, 2015, and (ii) a second priority mortgage loan collateralized by the LV Land which bears interest at 10% per annum, all of which accrues, and which had an outstanding balance of $47,515,000 at December 31, 2015. The interest in the loan was acquired for $1,093,000 and RE CDO accounts for this investment on the cost recovery method.

RE CDO also holds the collateral management agreement for a collateralized debt obligation entity that holds loans and loan securities.

The balance sheets of RE CDO, on a going concern basis, are as follows (in thousands):

	December 31, 2015	December 31, 2014
Assets		
Loan receivable	$ 965	$1,002
Other assets, net	825	869
Total assets	$1,790	$1,871
Liabilities and equity		
Accounts payable and accrued expenses	$ 8	$ 12
Total liabilities	8	12
Equity	1,782	1,859
Total liabilities and equity	$1,790	$1,871

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The statements of operations for RE CDO, on a going concern basis, are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Revenue			
Management fee income	$113	$149	$ 226
	113	149	226
Expenses			
General and administrative	58	79	290
Other expenses	48	51	1,459
	106	130	1,749
Other income and expense			
Gain on sale of assets	—	—	8,940
Net income	$ 7	$ 19	$7,417

Statement of cash flows for RE CDO are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Net cash provided by (used in) operating activities	$ 97	$ 104	$ (7)
Net cash provided by investing activities	$ —	$ —	$ 8,940
Net cash used in financing activities	$ (84)	$(141)	$(8,993)
Cash and cash equivalents, end of year	$ 39	$ 26	$ 63

10. Debt

Mortgage Loans Payable

Mortgage loans payable are carried at their contractual amounts due under liquidation accounting. The Trust had outstanding mortgage loans payable of $172,095,000 and $296,954,000 at December 31, 2015 and 2014, respectively. The mortgage loan payments of principal and interest are generally due monthly, quarterly or semi-annually and are collateralized by applicable real estate of the Trust.

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The Trust's mortgage loans payable at December 31, 2015 and 2014 are summarized as follows (in thousands):

Location of Collateral	Maturity	Spread Over LIBOR (1)		Interest Rate at December 31, 2015	December 31, 2015	December 31, 2014
Chicago, IL	Mar 2016	—		5.75%	19,104	19,491
Greensboro, NC	Aug 2016	—		6.22%	13,600	13,600
Lisle, IL	Oct 2016	Libor + 2.5%		2.93%	5,459	5,713
Stamford, CT (4)(5)	Oct 2016	Libor + 2.0%	(3)	2.69%	33,448	44,923
Houston, TX (4)(5)	Oct 2016	Libor + 2.0%	(3)	2.69%	44,319	59,524
Lisle, IL	Mar 2017	—		5.55%	5,309	5,392
Orlando, FL	Jul 2017	—		6.40%	35,668	36,347
Plantation, FL	Apr 2018	—		6.48%	10,406	10,550
Churchill, PA	Aug 2024	—		3.50%	4,782	4,918
New York, NY	N/A	Libor + 2.5%	(2)	N/A	—	51,034
Phoenix, AZ (4)(5)	N/A	—		N/A	—	22,462
Cerritos, CA (6)	N/A	—		N/A	—	23,000
					$ 172,095	$ 296,954

(1) The one-month LIBOR rate at December 31, 2015 was 0.4295%. The one-month LIBOR rate at December 31, 2014 was 0.17125%.
(2) The loan has a LIBOR floor of 1%. Property was deconsolidated at December 31, 2015.
(3) The loan has an interest rate swap which effectively fixes LIBOR at 0.69%.
(4) These properties are cross-collateralized. Proceeds from property sales go 100% to repay the mortgage loan.
(5) A portion of the loan was satisfied during 2015 in connection with the sale of a property.
(6) The loan was satisfied during 2015 in connection with the sale of the property.

The following table summarizes future principal repayments of mortgage loans payable as of December 31, 2015 (in thousands):

Year	Amount
2016	$117,026
2017	40,482
2018	10,242
2019	157
2020	162
Thereafter	4,026
	$172,095

Notes Payable

In conjunction with the 2012 loan modification on the property located in Cerritos, California the Trust assumed a $14,500,000 B Note that bore interest at 6.6996% per annum and required monthly interest payments of approximately $12,000 with the balance of the interest accruing. The loan modification agreement provided for a participation feature whereby the B Note could be fully satisfied with proceeds from the sale of the property, after the Trust received a 9.0% priority return on its capital, during a specified time period as defined in the loan modification document. As a result of the loan modification, the B Note did not have a contractually specified settlement amount. As such, the B Note was recorded at the estimated settlement amount based on an estimated sale of the property. As discussed in Note 7 – Investment and Disposition Activities, the property was sold on September 16, 2015. No payment was due to the holder of the B Note in connection with the sale. The liquidation value of the B Note was $0 at December 31, 2014.

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11. Senior Notes Payable

In August 2012 the Trust issued a total $86,250,000 of its 7.75% Senior Notes (the "Senior Notes") at an issue price of 100% of par value. The Senior Notes matured on August 15, 2022 and bore interest at the rate of 7.75% per year, payable quarterly in arrears.

Pursuant to its securities repurchase plan, as of August 15, 2015 the Trust had acquired $14,995,000 of its outstanding Senior Notes in open market transactions for an aggregate price of $15,707,000. The Trust redeemed the Senior Notes in full effective August 15, 2015. The aggregate redemption price paid was $72,635,000 (or $25.484375 per $25.00 face amount Senior Note) which represents the face amount of the Senior Notes not owned by the Trust plus accrued and unpaid interest to, but not including, August 15, 2015.

12. Derivative Financial Instruments

The Trust has exposure to fluctuations in market interest rates. The Trust seeks to limit its risk to interest rate fluctuations through match financing on its assets as well as through hedging transactions. Under going concern accounting, the Trust's derivative financial instruments were classified as other assets and other liabilities on the balance sheet. As these instruments will not be converted to cash or other consideration, derivative financial instruments have been valued at $0 as of August 1, 2014 in accordance with liquidation accounting. These financial instruments are still in place and effective as of December 31, 2015. The Trust has accrued the estimated monthly settlement amounts for its swap agreements. This amount is included in the liability for estimated costs in excess of estimated receipts during liquidation.

Under going concern accounting, the effective portion of changes in fair value of derivatives designated and that qualify as cash flow hedges was recorded in accumulated other comprehensive income and was subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change, if any, in fair value of the derivatives was recognized directly in earnings.

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designed as cash flow hedges for the seven months ended July 31, 2014 and the twelve months ended December 31, 2013, respectively (in thousands):

	2014	2013
Amount of gain (loss) recognized in accumulated other comprehensive income on interest rate derivatives (effective portion)	$(200)	$ (72)
Amount of gain (loss) reclassified from accumulated other comprehensive income into income as interest expense (effective portion)	$ 7	$ (1)
Amount of gain (loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	$ —	$ —

13. Non-controlling Interests

Under going concern accounting, consolidated joint ventures are recorded on a gross basis with an allocation of equity to non-controlling interest holders. The following transactions affecting non-controlling interests occurred prior to August 1, 2014.

Houston, Texas Operating Property – During 2013 a wholly-owned subsidiary of the Trust acquired two quarter-unit limited partner interests from non-controlling interest partners, representing 2% of Westheimer Holding LP ("Westheimer") for an aggregate purchase price of $150,000. As of July 31, 2014, the Trust owned 32% of Westheimer. The Trust accounted for these purchases as equity transactions recording the difference in the $253,000 carrying value of the acquired non-controlling interest and the purchase price as a $103,000 increase in paid-in capital. The Trust sold its interest in this property on October 15, 2014.

Chicago, Illinois Operating Property – On March 5, 2014 the Trust sold its interest in its consolidated Chicago, Illinois property known as River City which resulted in a decrease in non-controlling interest of $3,764,000.

Norridge, Illinois Operating Property – On March 5, 2014 the Trust acquired the general partner interest in the Norridge Property. The consolidation of the property resulted in an increase in non-controlling interest of $16,391,000. The Trust sold its interest in this property on October 9, 2015.

The changes in the Trust's ownership interest in the subsidiaries impacted consolidated equity during the period as follows:

	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Net income attributable to Winthrop Realty Trust	$ 12,481	$ 28,778
Increase (decrease) in Winthrop Realty Trust paid in capital adjustments from transaction with non-controlling interests	—	103
Changes from net income attributable to Winthrop Realty Trust and transfers (to) from non-controlling interest	$ 12,481	$ 28,881

Under liquidation accounting, the presentation for joint ventures historically consolidated under going concern accounting is determined based on the Trust's planned exit strategy. Those ventures which the Trust intends to sell the underlying property are presented on a gross basis with a payable to the non-controlling interest holder. Those ventures which the Trust intends to sell its interest in the venture, rather than the property, are accounted for as an equity investment and are presented on a net basis without a non-controlling interest component.

14. Common Shares

The Trust's Common Shares have a par value of $1 per share with an unlimited number of shares authorized. There were 36,425,084 Common Shares issued and outstanding at December 31, 2015 and 2014.

15. Common Share Options

In May 2007 the Trust's shareholders approved the Winthrop Realty Trust 2007 Long Term Incentive Plan (the "2007 Plan") pursuant to which the Trust can issue options to acquire Common Shares and restricted share awards to its Trustees, directors and consultants. In May 2013 the Trust's shareholders approved an amendment to the 2007 Plan increasing the number of shares issuable under the plan to 1,000,000. During 2013 the Trust issued 600,000 Restricted Shares pursuant to the plan amendment. See Note 20 – Restricted Share Grants for details on the issuance of the Restricted Shares. There are 400,000 Common Shares reserved for issuance under the 2007 Plan as of December 31, 2015. No stock options have been issued.

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16. Discontinued Operations

During 2013 the Trust's office properties located in Deer Valley, Arizona; Lisle, Illinois (701 Arboretum) and Andover, Massachusetts and its retail properties in Seabrook, Texas and Denton, Texas were sold and are included in discontinued operations for all periods presented. During 2014 the Trust's residential property in Meriden, Connecticut and its office properties in Englewood, Colorado; Chicago, Illinois (River City); and Amherst, New York were sold and are included in discontinued operations for all periods presented. The Trust's retail property in Louisville, Kentucky, which was under contract to be sold, was classified as held for sale at July 31, 2014 and is included in discontinued operations for all periods presented.

Assets and liabilities of assets held for sale at July 31, 2014 consisted of land and building of $2,536,000 and accounts receivable of $58,000.

In March 2013 the Andover, Massachusetts property was classified as discontinued operations and sold. The property was sold for net proceeds of $11,538,000 and the Trust recorded a $2,775,000 gain on the sale of the property.

In June 2013 the Deer Valley, Arizona and Denton, Texas properties were classified as discontinued operations. The Deer Valley, Arizona property was sold in June 2013 for net proceeds of $19,585,000 and the Trust recorded a $6,745,000 gain on the sale of the property.

The Trust recorded an $824,000 impairment charge on the Denton, Texas property in 2012 as a result of a change to the anticipated holding period of this property. The Trust recorded an additional $154,000 impairment charge for this property in June 2013 as a result of the purchase contract. The property was sold in July 2013 and the Trust received net proceeds of $1,703,000.

In August 2013 the Seabrook, Texas property was classified as discontinued operations. The property was sold in August 2013 for net proceeds of $3,202,000 and the Trust recorded a $1,428,000 gain on the sale of the property.

In September 2013 the Trust's 701 Arboretum property located in Lisle, Illinois was classified as discontinued operations. The Trust had previously recorded a $3,000,000 impairment charge on this property in 2011 as a result of continued declines in occupancy. The Trust recorded an additional $2,750,000 impairment charge in 2013 as a result of the purchase contract. The property was sold in December 2013 for net proceeds of $2,351,000 and the Trust recorded a $58,000 gain on the sale.

The Meriden, Connecticut property was classified as discontinued operations as of December 31, 2013. A purchase and sale contract was signed for a gross sales price of $27,500,000 and the Trust received a non-refundable deposit of $500,000. The sale of the property was consummated on February 26, 2014. After transfer of the debt, the Trust received net proceeds of $5,106,000 and recorded a gain of $4,422,000 on the sale of the property.

In March 2014 the Chicago, Illinois property was classified as discontinued operations. The Trust sold to Marc Realty, its venture partner, its interest in the River City, Chicago, Illinois property for gross sale proceeds of $5,800,000. The Trust received $1,300,000 in cash and a note receivable for the remaining $4,500,000. The note bore interest at a rate of 6% per annum, increasing to 7% per annum on the first anniversary and to 8% on the second anniversary. The note required monthly payments of interest only and was scheduled to mature on March 1, 2017. The note was repaid in full during June 2014. The Trust recorded a $3,000 gain on the sale of its interest in River City.

In May 2014 the properties referred to as Crossroads I and Crossroads II located in Englewood, Colorado were classified as discontinued operations and sold for aggregate gross sale proceeds of $31,100,000. After costs and pro-rations the Trust received net proceeds of approximately $29,633,000 and recorded a gain of $5,723,000 on the sale of the properties.

In June 2014 the property located in Amherst, New York was classified as discontinued operations and sold for gross sale proceeds of $24,500,000. After costs, pro-rations and a reserve holdback the Trust received net proceeds of approximately $21,226,000 on the sale of the property. Upon completion of the parking area for the office property the Trust received $2,449,000 from the reserve in November 2014, which resulted in aggregate net proceeds of approximately $23,675,000. The Trust recorded a gain of $946,000 on the sale of the property.

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Results for discontinued operations for the seven months ended July 31, 2014 and the year ended December 31, 2013 are as follows (in thousands):

	Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Revenues	$ 3,220	$ 13,790
Operating expenses	(1,614)	(6,572)
Depreciation and amortization	(932)	(4,632)
Interest expense	(446)	(1,915)
Impairment loss	(87)	(2,904)
Gain on sale of real estate	11,094	11,005
Income from discontinued operations	$ 11,235	$ 8,772

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 intends to comply with the foregoing minimum dividend requirements. As of December 31, 2014, the Trust has net operating loss carryforwards of approximately $9,077,000 which will expire between 2023 and 2033. The Trust does not expect to utilize any of the net operating loss carryforwards to offset 2015 taxable income. The Trust treats certain items of income and expense differently in determining net income reported for financial and tax purposes.

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. Accordingly, the Trust has recorded state and local taxes of $126,000 for the seven months ended July 31, 2014 and $247,000 for the year ended December 31, 2013.

The 2014 and 2013 cash dividends per Series D Preferred Share for an individual shareholder’s income tax purposes were as follows:

	Ordinary Dividends	Capital Gains	Nontaxable Distribution	Cash Liquidating Distribution	Total Dividends Paid
2014	$ —	$ 1.16	$ —	$ 25.48	$ 26.64
2013	2.31	—	—	—	2.31

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The 2015, 2014 and 2013 cash dividends per Common Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains	Nontaxable Distribution	Cash Liquidating Distribution	Total Dividends Paid
2015	$ —	$ —	$ —	$ 4.50	$ 4.50
2014	—	0.49	—	—	0.49
2013	0.65	—	—	—	0.65

The following table reconciles GAAP net income attributable to the Trust to taxable income (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Net income (loss) attributable to Winthrop Realty Trust	$ 10,310	$ 12,481	$ 28,778
Book/Tax differences from depreciation and amortization expense	(8,744)	(2,626)	9,563
Book/Tax differences of accretion of discount	—	(3,407)	(4,121)
Book/Tax differences of unrealized gains	14,500	766	(73)
Book/Tax differences on gains/losses from capital transactions	(52,270)	11,053	(14,848)
Book/Tax differences on Preferred Shares	—	—	—
Book/Tax differences for impairment losses	—	9,399	2,904
Book/Tax differences on investments in unconsolidated joint ventures	9,912	(15,611)	(17,880)
Other book/tax differences, net	3,955	(13,918)	4,194
Book/Tax differences on dividend income	122	—	—
Book/Tax differences of market discount	18,039	9,615	—
Book/Tax difference due to liquidation accounting	50,978	33,812	—
Taxable income	$ 46,802	$ 41,564	$ 8,517

18. Commitments and Contingencies

In addition to the initial purchase price of certain loans and operating properties, the Trust has future funding commitments attributable to its 701 Seventh Avenue investment which total approximately $9,511,000 at December 31, 2015 with the option to fund its pro-rata share of additional capital calls in excess of the Trust's $125,000,000 commitment. The Trust's venture which owns the property located at 450 W 14 th Street, New York, New York is subject to a ground lease which expires on June 1, 2053. As of December 31, 2015, in connection with the ground lease, the venture has commitments of $1,592,000; $1,656,000; $1,791,000; $1,844,000; $1,900,000 and $103,884,000 for the years ending December 31, 2016, 2017, 2018, 2019, 2020 and thereafter, respectively. The Trust's venture which owns the property referred to as Atrium Mall in Chicago, Illinois is subject to a master lease with the State of Illinois which expires on September 30, 2034. As of December 31, 2015, in connection with the master lease, the venture has commitments of $440,000 for each of the years ending December 31, 2016, 2017, 2018, 2019 and 2020 and aggregate commitments of $6,047,000 thereafter. The Trust also has a ground lease related to its Orlando, Florida property which calls for ground rent of $2.00 per year through December 31, 2017 and then fair market value for each successive renewal term. The building lease requires the tenant to perform all covenants under the ground lease including the payment of ground rent.

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

See Note 19 – Related-Party Transactions for details on potential fees payable to FUR Advisors.

Churchill, Pennsylvania— In 2011 the Trust was conveyed title to the land underlying the Churchill, Pennsylvania property. Prior to the conveyance of the land, a Phase II environmental study was performed. The study found that there were certain contaminants at the property all of which were within permitted ranges. In addition, given the nature and use of the property currently and in the past as a laboratory that analyzes components and machinery that were utilized at nuclear power plants, it is possible that there may be contamination that could require remediation.

19. Related-Party Transactions

The activities of the Trust are administered by FUR Advisors pursuant to the terms of the Advisory Agreement between the Trust and FUR Advisors. FUR Advisors is controlled by and partially owned by the executive officers of the Trust. Pursuant to the terms of the Advisory Agreement, FUR Advisors is responsible for providing asset management services to the Trust and coordinating with the Trust's shareholder transfer agent and property managers. FUR Advisors is entitled to receive a base management fee and a termination fee and/or an incentive fee in accordance with the terms of the Advisory Agreement. In addition, FUR Advisors or its affiliate is entitled to receive property and construction management fees subject to the approval of the Independent Trustees of the Trust.

Base Asset Management Fee – FUR Advisors is entitled to receive a base management fee of 1.5% of equity as defined in the Advisory Agreement and a termination fee and/or an incentive fee in accordance with the terms of the Advisory Agreement. Additionally, FUR Advisors receives a fee equal to 0.25% of any equity contributions by unaffiliated third parties to a venture managed by the Trust. Under going concern accounting, base management fees were expensed and classified as related party fees in the Consolidated Statements of Operations.

In connection with the adoption of the plan of liquidation, the Trust accrues costs it expects to incur through the end of the liquidation. In this regard, at December 31, 2015 the Trust has accrued, based on its estimates of the timing and amounts of liquidating distributions to be paid to Common Shareholders, base management fees of $5,896,000 exclusive of the $1,508,000 included in related party fees payable. This amount is included in liabilities for estimated costs in excess of estimated receipts during liquidation. Actual fees incurred may differ significantly from these estimates due to inherent uncertainty in estimating future events.

Incentive Fee / Termination Fee— The incentive fee is equal to 20% of any amounts available for distribution in excess of the threshold amount and is only payable at such time, if at all, (i) when holders of the Trust's Common Shares receive aggregate dividends above the threshold amount or (ii) upon termination of the Advisory Agreement if the net value of the Trust's assets exceeds the threshold amount based on then current market values and appraisals. That is, the incentive fee is not payable annually but only at such time, if at all, as shareholders have received dividends in excess of the threshold amount (set at $569,963,000 on December 31, 2014 plus an annual return thereon equal to the greater of (x) 4% or (y) the 5 year U.S. Treasury Yield plus 2.5% (such return, the "Growth Factor") less any dividends paid from and after January 1, 2015). The incentive fee will also be payable if the Advisory Agreement is terminated, other than for cause (as defined) by the Trust or with cause by the Trust's Advisor, and if on the date of termination the net value of the Trust's assets exceeds the threshold amount. At December 31, 2015 the threshold amount required to be distributed before any incentive fee would be payable to FUR Advisors was $427,686,000, which was equivalent to $11.94 per Common Share. At December 31, 2015, based on the Trust's estimate of liquidating distributions, it is estimated that the Advisor would be entitled to an incentive fee of $15,305,000 in connection with the liquidation. This amount has been accrued and is included in liabilities for estimated costs in excess of estimated receipts during liquidation.

With respect to the termination fee, it is only payable if there is (i) a termination of the Advisory Agreement for any reason other than for cause (as defined) by the Trust or with cause by the Trust's Advisor, (ii) a disposition of all or substantially all of the Trust's assets, or (iii) an election by the Trust to orderly liquidate the Trust's assets. The termination fee, if payable, is equal to the lesser of (i) the base management fee paid to the Trust's Advisor for the prior twelve month period or (ii) either (x) in the case of a termination of the Advisory Agreement, 20% of the positive difference, if any between (A) the appraised net asset value of the Trust's assets at the date of termination and (B) the threshold amount less $104,980,000, or (y) in the case of a disposition or liquidation, 20% of any dividends paid on account of the Trust's Common Shares at such time as the threshold amount is reduced to $104,980,000, which, based on current estimates, will be achieved at such time as additional liquidating distributions of approximately $9.01 per Common Share in excess of the Growth Factor have been paid. For example, if the Trust had been liquidated at January 1, 2016, the termination fee would only have been payable if additional liquidating distributions of approximately $9.01 per Common Share had been paid, and then only until the total termination fee paid would have equaled $9,496,000 (the base management fee for the twelve months prior to the approved plan of liquidation), which amount would be achieved when total additional liquidating distributions paid per Common Share equaled approximately $10.05. At December 31, 2015 it is estimated that the Advisor will be entitled to a termination fee of $9,496,000 in connection with the liquidation. This amount has been accrued and is included in liabilities for estimated costs in excess of estimated receipts during liquidation.

Property Management and Construction Management— Winthrop Management LP ("Winthrop Management"), an affiliate of FUR Advisors and the Trust's executive officers, assumed property management responsibilities for various properties owned by the Trust. Winthrop Management receives a property management fee and construction management fee pursuant to the terms of individual property management agreements. Prior to the adoption of the plan of liquidation, property management fees were expensed and classified as property operating expenses and construction management fees were capitalized in accordance with GAAP.

On September 1, 2015 the Operating Partnership entered into a services agreement with Winthrop Management whereby the Operating Partnership will now perform leasing services to certain properties. The agreement will result in a net reduction in property management fees paid by the Trust.

The following table sets forth the fees and reimbursements paid by the Trust for the years ended December 31, 2015, 2014 and 2013 to FUR Advisors and Winthrop Management (in thousands):

	For the Years Ended December 31,		
	2015	2014	2013
Base Asset Management Fee (1)	$6,367	$ 9,040	$ 9,289
Property Management Fee	974	1,394	1,226
Construction Management Fee	130	378	397
	$7,471	$10,812	$10,912

(1) Includes fees on third party contributions of $27, $21 and $100 for the years ended December 31, 2015, 2014 and 2013, respectively.

At December 31, 2015, $1,508,000 payable to FUR Advisors and $333,000 payable to Winthrop Management were included in related party fees payable.

20. Restricted Share Grants

On February 1, 2013 the Board approved the issuance of 600,000 Restricted Shares to the Trust's Advisor, 500,000 of which were subject to the approval of the shareholders to the increase in the number of shares issuable under the 2007 Plan. The initial 100,000 Restricted Shares were issued on February 28, 2013. At the May 21, 2013 annual shareholders meeting the increase in shares issuable under the 2007 Plan from 100,000 to 1,000,000 was approved by the requisite number of shareholders and the remaining 500,000 shares were issued on May 28, 2013. The Restricted Shares are subject to forfeiture through May 5, 2016 (the "Forfeiture Period"). Except in limited circumstances, if the holder of the Restricted Shares does not remain in continuous employment with FUR Advisors or its affiliate through the Forfeiture Period, all of their rights to the Restricted Shares and the associated dividends held in escrow will be forfeited. Dividends will be paid on the issued Restricted Shares in conjunction with dividends on Common Shares not issued under the 2007 Plan. However, the recipients of the Restricted Shares will only receive dividends as if the shares vested quarterly over the Forfeiture Period, with the remaining dividends to be placed into escrow and paid to the holders at the expiration of the Forfeiture Period.

Under going concern accounting, until the awards were no longer subject to forfeiture, the Trust measured stock-based compensation expense at each reporting date for any changes in fair value and recognized the expense prorated for the portion of the requisite service period completed. Accordingly, the Trust recognized $1,450,000 and $899,000 in non-cash compensation expense for the seven months ended July 31, 2014 and the year ended December 31, 2013, respectively. Under liquidation accounting, compensation expense is no longer recorded as the vesting of the Restricted Shares does not result in cash outflow for the Trust.

In connection with the adoption of the plan of liquidation, the Trust's compensation committee has authorized amendments to the grant agreement to provide for an early expiration of the Forfeiture Period which now expires on May 5, 2016 and the reissuance of forfeited shares. In this regard, 10,000 Restricted Shares, which had previously been forfeited, were issued on September 5, 2014. Additionally, the Trust's compensation committee agreed to fully vest 8,750 Restricted Shares held by non-executive officers whose employment was terminated in connection with the plan of liquidation. As a result, there were 591,250 Restricted Shares issued and outstanding at December 31, 2015.

21. Future Minimum Lease Payments

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

Year	Amount
2016	$13,316
2017	12,978
2018	7,074
2019	5,167
2020	3,713
Thereafter	8,129
	$50,377

Siemens Real Estate, the Tenant at the Trust's property in Orlando, Florida, represented more than 10% of the base rental revenues of the Trust for the year ended December 31, 2015 contributing approximately 24.7%. This tenant represented approximately 18.8% of the total rentable square footage of the consolidated operating portfolio. The Trust had no tenants representing more than 10% of the base rental revenues of the Trust for the year ended December 31, 2014.

Under going concern accounting, these revenues are reported in the operating properties business segment.

22. Reportable Segments

The FASB guidance on segment reporting establishes standards for the way that public business enterprises report information about reportable segments in financial statements and requires that those enterprises report selected financial information about reportable segments in financial reports issued to shareholders.

Prior to the approval of the plan of liquidation, based on the Trust's method of internal reporting, management determined that it had three reportable segments: (i) the ownership of operating properties; (ii) the origination and acquisition of loans and debt securities secured directly or indirectly by commercial and multi-family real property – collectively, loan assets; and (iii) the ownership of equity and debt securities in other REITs – REIT securities. Subsequent to the adoption of the plan of liquidation, the Trust no longer makes operating decisions or assess performance in separate segments. Accordingly, the Trust has only one reporting and operating segment subsequent to July 31, 2014.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The operating properties segment included all of the Trust's wholly and partially owned operating properties. The loan assets segment included all of the Trust's activities related to real estate loans including loans receivable, loan securities and equity investments in loan related entities. The REIT securities segment included all of the Trust's activities related to the ownership of securities in other publicly traded real estate companies. In addition to its three reportable segments, the Trust reported non-segment specific income and expense under corporate income (expense).

The Trust defined operating income for each segment presented as all items of income and expense directly derived from or incurred by each reportable segment before depreciation, amortization, interest expense and other non-recurring non-operating items. Interest on cash reserves, general and administrative expenses and other non-segment specific income and expense items were reported under corporate income (expense).

The following table presents a summary of revenues from operating properties, loan assets and REIT securities and expenses incurred by each segment for the seven months ended July 31, 2014 and the year ended December 31, 2013 (in thousands):

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the Seven Months Ended July 31, 2014	Year Ended December 31, 2013
Operating Properties		
Rents and reimbursements	$ 46,313	$ 51,865
Operating expenses	(17,127)	(17,769)
Real estate taxes	(5,379)	(4,926)
Equity in income of preferred equity investment in Fenway—Wateridge	17	613
Equity in income of preferred equity investment in Vintage Housing Holdings	565	—
Equity in income (loss) of Marc Realty investments	(19)	(284)
Equity in loss of Sealy Northwest Atlanta	(288)	(469)
Equity in income of Vintage Housing Holdings	4,287	9,174
Equity in income of WRT-Elad	2,927	1,315
Equity in income of Mentor Retail	43	84
Equity in income of 701 Seventh Avenue	4,393	3,424
Equity in income of Fenway—Wateridge	142	183
Equity in income (loss) of Atrium Mall	7	(90)
Equity in loss of Edens Plaza Associates	(1)	—
Operating properties operating income	35,880	43,120
Depreciation and amortization expense	(15,957)	(17,275)
Interest expense	(9,323)	(13,157)
Impairment loss on investments in real estate	(9,200)	—
Impairment loss on equity investments	(2,422)	(7,687)
Settlement expense	—	(411)
Operating properties net income (loss)	(1,022)	4,590
Loan Assets		
Interest income	7,557	14,334
Discount accretion	2,086	4,121
Equity in income of Concord Debt Holdings	547	3,072
Equity in income of CDH CDO	1,065	1,033
Equity in income (loss) of Concord Debt Holdings (1)	87	64
Equity in income (loss) of CDH CDO (1)	1,326	4,926
Equity in loss of ROIC Lakeside Eagle	(20)	(25)
Equity in income of RE CDO Management	7	3,709
Equity in (loss) income of SoCal Office Loan Portfolio	—	(2)
Equity in income of WRT-Stamford	541	930
Equity in income of 10 Metrotech	—	3,284
Unrealized gain on loan securities carried at fair value	—	215
Loan assets operating income	13,196	35,661
General and administrative expense	(223)	(44)
Interest expense	(121)	(1,898)
Provision for loss on loans receivable	—	(348)
Loan assets net income	12,852	33,371
REIT Securities		
Gain on sale of securities carried at fair value	2	742
Unrealized gain (loss) on securities carried at fair value	—	(142)
REIT securities net income	2	600
Net Income from segments before corporate income (expense)	11,832	38,561
Reconciliations to GAAP Net Income:		
Corporate Income (Expense)		
Interest and other income	244	375
General and administrative	(4,060)	(4,312)
Related party fees	(5,548)	(9,289)
Transaction costs	(586)	(1,885)
Interest expense	(3,950)	(7,310)
Loss on extinguishment of debt	(564)	—
Federal, state and local taxes	60	(424)
Income (loss) from continuing operations before non-controlling interest attributable to Winthrop Realty Trust	(2,572)	15,716
Income from discontinued operations attributable to Winthrop Realty Trust	11,235	8,772
Non-controlling interest	3,818	4,290
Net income attributable to Winthrop Realty Trust	$ 12,481	$ 28,778

23. Variable Interest Entities

Consolidated Variable Interest Entities

Under going concern accounting, consolidated variable interest entities are those where the Trust is the primary beneficiary of a variable interest entity ("VIE"). The primary beneficiary is the party that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: 1) the power to direct the activities that, when taken together, most significantly impact the VIE's economic performance, and 2) the obligation to absorb losses or the right to receive the returns from the VIE that could be significant to the VIE. At July 31, 2014 the Trust had identified two consolidated variable interest entities: its Cerritos, California office property and 1515 Market Street, its office property located in Philadelphia, Pennsylvania. The 1515 Market Street property was sold on December 2, 2014. The Cerritos, California property was sold on September 16, 2015.

Variable Interest Entities Not Consolidated

Equity Method and Preferred Equity Investments – Under going concern accounting, the Trust reviewed its various equity method and preferred equity investments and identified six investments for which the Trust held a variable interest in a VIE at July 31, 2014. Of these six interests there were two investments for which the underlying entities did not have sufficient equity at risk to permit them to finance their activities without additional subordinated financial support. There were four additional entities for which the VIE assessment was primarily based on the fact that the voting rights of the equity holders were not proportional to their obligations to absorb expected losses and rights to receive residual returns of the legal entities. These unconsolidated joint ventures were those where the Trust was not the primary beneficiary of a VIE.

Loans Receivable and Loan Securities – Under going concern accounting, the Trust reviewed its loans receivable and loan securities and at July 31, 2014 two of these assets were identified as variable interests in a VIE as the equity investment at risk at the borrowing entity level was not considered sufficient for the entity to finance its activities without additional subordinated financial support. There was one investment where the equity holders lacked the right to receive returns due to the lender's participation interest in the debt.

Certain loans receivable and loan securities which had been determined to be VIEs were performing assets, meeting their debt service requirements. In these cases the borrower held legal title to the real estate collateral and had the power to direct the activities that most significantly impacted the economic performance of the VIE, including management and leasing activities. In the event of default under these loans, the Trust only had protective rights and its obligation to absorb losses was limited to the extent of its loan investment. The borrower was determined to be the primary beneficiary for those performing assets.

The Trust determined that it did not have the power to direct the activities of the properties collateralizing any of its loans receivable and loan securities. For this reason, management believed that it did not control, nor was it the primary beneficiary of these properties. Accordingly, the Trust accounted for these investments under the guidance for loans receivable and real estate debt investments.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Quarterly Results of Operations (Unaudited)

The following is an unaudited condensed summary of the results of operations by quarter for the seven months ended July 31, 2014. 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	July 31
2014			
Revenues	$24,560	$22,917	$8,479
Net income (loss) attributable to Winthrop Realty Trust	$ 641	$ 8,962	$2,879
Net income (loss) applicable to Common Shares	$ (2,242)	$ 6,079	$1,939
Per share			
Net income (loss) applicable to Common Shares, basic	$ (0.06)	$ 0.17	$ 0.05
Net income (loss) applicable to Common Shares, diluted	$ (0.06)	$ 0.17	$ 0.05

25. Subsequent Events

The Trust has performed an evaluation of subsequent events through the date of issuance of the consolidated financial statements and noted no items requiring adjustments of the consolidated financial statements or additional disclosures.

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A – CONTROLS AND PROCEDURES

Evaluationof Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2015. Based on such evaluation, the Trust's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Trust's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

The Trust's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Trust's internal control over financial reporting is a process which was designed under the supervision of the Trust's principal executives and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Trust's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Trustees of the Trust; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Trust's assets that could have a material effect on our financial statements.

As of December 31, 2015 the Trust's management conducted an assessment of the effectiveness of the Trust's internal control over financial reporting. The Trust's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013) in "Internal Control—Integrated Framework." Based on that assessment and those criteria, we concluded that our internal control over financial reporting is effective as of December 31, 2015.

The effectiveness of the Trust's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in this Form 10-K.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting during our last fiscal quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

None

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about Trustees of the Trust may be found under the caption “Election of Trustees” presented in our Proxy Statement for the Annual Meeting of Shareholders, expected to be held in May 2016, which we refer to as the Proxy Statement. That information is incorporated herein by reference.

The information in the Proxy Statement under the captions “Executive Officers” “Section 16(a) Beneficial Ownership Reporting Compliance”, “Audit Committee Financial Expert” and “Code of Ethics” presented in the Proxy Statement is incorporated herein by reference.

ITEM 11 – EXECUTIVE COMPENSATION

The information in the Proxy Statement under the captions “Compensation of Trustees” and “Executive Compensation” presented in the Proxy Statement is incorporated herein by reference.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in the Proxy Statement under the caption “Security Ownership of Trustees, Officers and Others” presented in the Proxy Statement is incorporated herein by reference.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information in the Proxy Statement under the caption “Certain Transactions and Relationships” and “Independence of Trustees” presented in the Proxy Statement is incorporated herein by reference.

ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information in the Proxy Statement under the captions “Compensation of Trustees” and “Principal Accountant Fees and Services” presented in the Proxy Statement is incorporated herein by reference.

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PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules.

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm on page 43 of Item 8.

Management's Report on Internal Control over Financial Reporting on page 89 of Item 9A.

Consolidated Statements of Net Assets (Liquidation Basis)—December 31, 2015 and 2014 on page 44 of Item 8.

Consolidated Statements of Changes in Net Assets (Liquidation Basis) – Year Ended December 31, 2015 and the Five Months Ended December 31, 2014 on page 45 of Item 8.

Consolidated Statements of Operations and Comprehensive Income (Going Concern Basis)—For the Seven Months Ended July 31, 2014 and the Year Ended December 31, 2013 on page 46 of Item 8.

Consolidated Statements of Equity (Going Concern Basis)—For the Seven Months Ended July 31, 2014 and the Year Ended December 31, 2013 on page 47 of Item 8.

Consolidated Statements of Cash Flows (Going Concern Basis)—For the Seven Months Ended July 31, 2014 and the Year Ended December 31, 2013 on pages 48 and 49 of Item 8.

Notes to Consolidated Financial Statements on pages 50 through 88 of Item 8.

(2) Financial Statement Schedules:

Schedule III – Real Estate and Accumulated Depreciation.

Schedule IV – Mortgage Loans on Real Estate

All Schedules, other than III and IV, are omitted, as the information is not required or is otherwise furnished.

The Trust's unconsolidated joint venture, 701 Seventh WRT Investors LLC, meets the definition of a significant subsidiary under S-X 210.1-02(w) and financial statements for this entity will be filed as an amendment to the Form 10-K.

(b) Exhibits.

The exhibits listed on the Exhibit Index on page 96 are filed as a part of this Report or incorporated by reference.

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WINTHROP REALTY TRUST

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: March 2, 2016

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

Dated: March 2, 2016

By: /s/ John A. Garilli
John A. Garilli
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Michael L. Ashner	Trustee	March 2, 2016
/s/ Carolyn Tiffany	Trustee	March 2, 2016
Arthur Blasberg, Jr. Howard Goldberg Thomas McWilliams Lee Seidler Steven Zalkind		
By: /s/ Carolyn Tiffany Carolyn Tiffany, as attorney-in-fact	Trustee	March 2, 2016

WINTHROP REALTY TRUST

SCHEDULE III

REAL ESTATE AND ACCUMULATED DEPRECIATION

At December 31, 2015

(amounts in thousands)

	Location		Encumbrance	Initial Cost to Company: Land	Initial Cost to Company: Building and Improvements	Gross Amounts at Which Carried at Close of Period: Land	Gross Amounts at Which Carried at Close of Period: Building and Improvements	Gross Amounts at Which Carried at Close of Period: Accumulated Depreciation (2)	Gross Amounts at Which Carried at Close of Period: Net Liquidation Adjustment (1)	Total	Date Acquired	Life
Office	Orlando	FL	$ 35,668	$ —	$ 17,248	$ —	$ 17,290	$ (4,196)		$ 13,094	11/2004	40 yrs
Office	Plantation	FL	10,406	—	8,915	4,000	8,935	(2,169)		10,766	11/2004	40 yrs
Office	Chicago	IL	19,104	—	23,635	—	28,326	(6,280)		22,046	10/2005	40 yrs
Office	Lisle	IL	5,459	3,774	16,371	3,774	8,576	(806)		11,544	2/2006	40 yrs
Office	Lisle	IL	5,309	780	2,803	780	3,492	(690)		3,582	2/2006	40 yrs
Other	Jacksonville	FL	—	2,166	8,684	2,166	10,305	(715)		11,756	11/2004	40 yrs
Other	Churchill	PA	4,782	—	23,834	—	9,705	(4,301)		5,404	11/2004	40 yrs
Other	Greensboro	NC	13,600	1,961	16,482	1,952	16,643	(1,152)		17,443	11/2012	40 yrs
Other	Stamford	CT	33,448	5,707	73,460	5,707	73,557	(1,414)		77,850	10/2013	40 yrs
Other	Houston	TX	44,319	16,167	88,769	16,167	89,844	(1,861)		104,150	10/2013	40 yrs
	Net Liquidation Adjustment (1)								76,227	76,227		
	Total		$ 172,095	$30,555	$ 280,201	$34,546	$ 266,673	$ (23,584)	$ 76,227	$353,862		

The changes in total real estate for the period January 1, 2015 thru December 31, 2015 are as follows:

Balance as of January 1, 2015	$ 557,325,000
Capital expenditures	3,632,000
Liquidation adjustment, net	(12,580,000)
Deconsolidation of property	(113,949,000)
Disposals	(80,566,000)
Balance as of December 31, 2015 (liquidation basis)	$ 353,862,000

(1) Under the liquidation basis of accounting, real estate holdings are now carried at their estimated net realizable values. As a result, the net liquidation adjustment is the net adjustment that the Trust has made to the carrying value of the properties in order to reflect their liquidation values.

(2) Depreciation expense will not be recorded subsequent to July 31, 2014 as a result of the adoption of the plan of liquidation.

The aggregate cost of the properties for federal income tax purposes was approximately $248,382.

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SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
(amounts in thousands)

The following is a reconciliation of real estate assets and accumulated depreciation:

	Year Ended December 31, 2015	2014	2013
Real Estate			
Balance at beginning of period	$ 587,952	$ 670,868	$421,989
Additions during the period:			
Other acquisitions	—	55,923	258,153
Improvements, etc.	3,632	10,273	6,165
Liquidation adjustment	(12,580)	166,603	—
Other additions	—	—	41,967
Deductions during this period:			
Cost of real estate sold	(82,793)	(99,679)	(27,974)
Other deductions	—	—	—
Asset impairments	—	(9,287)	(2,799)
Deconsolidation of property	(118,765)	(140,491)	—
Disposal of fully amortized assets	—	(5,293)	(1,082)
Transfer of discontinued operations	—	(60,965)	(25,551)
Balance at end of period	$ 377,446	$ 587,952	$670,868
Accumulated Depreciation			
Balance at beginning of period	$ 30,627	$ 56,448	$ 51,553
Additions charged to operating expenses		10,595	13,671
Disposal of properties	(2,227)	(5,268)	(4,946)
Deconsolidation of property	(4,816)	(16,017)	—
Transfer (to) from discontinued operations, net (1)	—	(9,838)	(2,748)
Disposal of fully amortized assets	—	(5,293)	(1,082)
Balance at end of period	$ 23,584	$ 30,627	$ 56,448

(1) In 2014, the Englewood, Colorado; Chicago, Illinois (River City); Louisville, Kentucky; and Amherst, New York properties were placed into discontinued operations. In 2013, the Deer Valley, Arizona; Meriden, Connecticut; Lisle, Illinois; Andover, Massachusetts; Denton, Texas and Seabrook, Texas properties were placed into discontinued operations.

Schedule IV
Mortgage Loans on Real Estate
December 31, 2015
(Amounts in thousands)

Type of Loan	Location	Interest Rate	Contractual Maturity Date	Periodic Payment Terms	Senior Liens	Face Value	Outstanding Principal	Carrying Amount (1)
Whole Loan	Chicago, IL	10.0%	09/10/17	Interest Only	—	$2,497	$ 2,497	$ 2,511
B-Note Other	Kauai, HI	6.618%	01/06/17	Amortizing	27,896	2,756	2,756	2,769
Mezzanine	Shirley, NY	12.0%	05/01/16	Interest Only	16,194	1,486	1,486	—
Whole Loan	Churchill, PA	LIBOR + 3.75%	08/01/16	Interest Only	—	333	333	—
						$7,072	$ 7,072	$ 5,280

(1) Carrying amount represents the estimated amount expected to be collected on disposition of the loan, plus contractual interest receivable at December 31, 2015.

Reconciliation of Mortgage Loans on Real Estate:

The following table reconciles Mortgage Loans for the years ended December 31, 2015, 2014 and 2013.

	2015	2014	2013
Balance at January 1	$ 24,005	$ 101,100	$211,250
Purchase and advances	—	35,992	22,314
Interest received, net	(190)	(283)	(514)
Repayments / Sale Proceeds	(18,535)	(120,194)	(75,407)
Loan accretion	—	2,086	4,121
Discount accretion received in cash	—	(5,865)	(37)
Liquidation adjustment	—	6,071	—
Change in liquidation value	—	5,098	—
Elimination of 1515 Market Street in consolidation	—	—	(60,279)
Provision for loss on loans receivable	—	—	(348)
Balance at December 31	$ 5,280	$ 24,005	$101,100

EXHIBIT INDEX

Exhibit	Description	Page Number
3.1	Second Amended and Restated Declaration of Trust as of May 21, 2009 - Incorporated by reference to Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q for the period ended June 30, 2009.	-
3.2	By-laws of Winthrop Realty Trust as amended and restated on November 3, 2009 - Incorporated by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K filed November 6, 2009.	-
3.3	Amendment to By-laws - Incorporated by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K filed March 6, 2010.	-
4.1	Form of certificate for Common Shares of Beneficial Interest - Incorporated by reference to Exhibit 4.1 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008.	-
4.2	Agreement of Limited Partnership of WRT Realty L.P., dated as of January 1, 2005 - Incorporated by reference to Exhibit 4.1 to the Trust's Current Report on Form 8-K filed January 4, 2005.	-
4.3	Amendment No. 1 to Agreement of Limited Partnership of WRT Realty, L.P., dated as of December 1, 2005 - Incorporated by reference to Exhibit 4.4 to the Trust's Form 10-K filed March 15, 2012.	-
4.4	Amendment No. 2 to Agreement of Limited Partnership of WRT Realty, L.P., dated as of November 28, 2011 – Incorporated by reference to the Trust's Current Report on Form 8-K filed November 28, 2011.	-
4.5	Amendment No. 3 to Agreement of Limited Partnership of WRT Realty, L.P., dated as of March 23, 2012 – Incorporated by reference to the Trust's Current Report on Form 8-K filed March 23, 2012.	-
4.6	Amended and Restated Certificate of Designations of 9.25% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest - Incorporated by reference to the Trust's Current Report on Form 8-K filed March 23, 2012.	-
4.7	Form of Specimen Certificate for the 9.25% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest - Incorporated by reference to Exhibit 4.2 to Trust's Form 8-A filed with the Securities and Exchange Commission on November 23, 2011.	-
10.1	Stock Purchase Agreement between the Trust and FUR Investors, LLC, dated as of November 26, 2003, including Annex A thereto, being the list of Conditions to the Offer - Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed December 1, 2003.	-
10.2	Third Amended and Restated Advisory Agreement dated February 1, 2013, between the Trust, WRT Realty L.P. and FUR Advisors LLC - Incorporated by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed February 4, 2013.	-
10.3	Exclusivity Services Agreement between the Trust and Michael L. Ashner - Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 8-K filed December 1, 2003.	-

EXHIBIT INDEX

10.4	Amendment No. 1 to Exclusivity Agreement, dated November 7, 2005—Incorporated by reference to Exhibit 10.7 to the Trust's Current Report on Form 8-K filed November 10, 2005.	-
10.5	Amendment No. 2 to Exclusivity Agreement, dated February 1, 2013—Incorporated by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K filed February 4, 2013.	-
10.6	Covenant Agreement between the Trust and FUR Investors, LLC—Incorporated by reference to Exhibit 10.5 to the Trust's Current Report on Form 8-K filed December 1, 2003.	-
10.7	Amendment No. 1 to Covenant Agreement, dated February 4, 2013—Incorporated by reference to Exhibit 10.3 to the Trust's Current Report on Form 8-K filed February 4, 2013.	-
10.8	Winthrop Realty Trust 2007 Long Term Stock Incentive Plan—Incorporated by reference to the Trust's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 30, 2007.	-
10.9	Restricted Share Award Agreement, dated February 1, 2013, between Winthrop Realty Trust and Michael L. Ashner—Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 8-K filed February 4, 2013.	-
10.10	Restricted Share Award Agreement, dated February 1, 2013, between Winthrop Realty Trust and Carolyn Tiffany—Incorporated by reference to Exhibit 10.4 to the Trust's Current Report on Form 8-K filed February 4, 2013.	-
21	List of Subsidiaries	*
23.1	Consent of Independent Registered Accounting Firm – PricewaterhouseCoopers LLP	*
23.2	Consent of Independent Registered Accounting Firm – KPMG LLP (CDH CDO LLC financials)	*
23.3	Consent of Independent Registered Accounting Firm – Pricewaterhouse Coopers LLP (Vintage Housing Holdings LLC Financials)	*
24	Power of Attorney	*
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.	*
99.1	Consolidated Financial Statements of CDH CDO LLC	*
99.2	Consolidated Financial Statements of Vintage Housing Holdings, LLC	*
101.INS	XBRL Report Instance Document	*
101.SCH	XBRL Taxonomy Extension Schema Document	*
101.CAL	XBRL Taxonomy Calculation Linkbase Document	*
101.LAB	XBRL Taxonomy Label Linkbase Document	*
101.PRE	XBRL Presentation Linkbase Document	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*

* filed herewith

Exhibit 21

Entity	State of Formation
446-High Line LLC	New York
450 SPE Manager, Inc.	New York
701 Seventh JV LLC	Delaware
701 Seventh Partners LLC	Delaware
701 Seventh WRT Investor LLC	Delaware
Atrium Mall LLC	Delaware
CDH CDO LLC	Delaware
Cerritos Corporate Partners Inc.	California
Concord Debt Holdings LLC	Delaware
FT-Churchill Lender LLC	Delaware
FT-FIN Acquisition LLC	Delaware
FT-Florida Property LLC	Delaware
FT-Florida Property Manager LLC	Delaware
FT-Marc Class B LLC	Delaware
FT-Marc Loan LLC	Delaware
FT-Ontario Holdings LLC	Delaware
FT-Ontario Parking LLC	Delaware
FT-Ontario Parking Manager LLC	Delaware
FT-Ontario Property LLC	Delaware
FT-Ontario Property Manager LLC	Delaware
FT-Orlando Property LLC	Delaware
FT-Orlando Property Manager LLC	Delaware
FT-WD Property LLC	Delaware
Mentor Retail, L.L.C.	Illinois
RE CDO Management LLC	Delaware
RS Summit Pointe Apartments LLC	Delaware
SRE Weststate LLC	Delaware
WRP Management LLC	Delaware
WRT One South State Lender L.P.	Delaware
WRT Realty L.P.	Delaware
WRT TRS Management Corp.	Delaware
WRT-1050 Corporetum Holdings LLC	Delaware
WRT-1050 Corporetum Property LLC	Delaware
WRT-1050 Corporetum Property Manager LLC	Delaware
WRT-550/650 Corporetum Property LLC	Delaware
WRT-550/650 Corporetum Property Manager LLC	Delaware
WRT-701 Seventh LLC	Delaware
WRT-CDH II LLC	Delaware
WRT-CDO LLC	Delaware
WRT-Concord LLC	Delaware
WRT-Elad One South State Equity L.P.	Delaware
WRT-High Line LLC	Delaware

WRT-Highgrove Property GP LLC	Delaware
WRT-Highgrove Property L.P.	Delaware
WRT-Lake Brandt Property LLC	Delaware
WRT-Lender (Poipu) LLC	Delaware
WRT-Lender LLC	Delaware
WRT-LP LLC	Delaware
WRT-Mentor Equity LLC	Delaware
WRT-Mosaic Property GP LLC	Delaware
WRT-Mosaic Property L.P.	Delaware
WRT-NV ST Holdings LLC	Delaware
WRT-Property Holdings LLC	Delaware
WRT-Rockwell LLC	Delaware
WRT-Springing Member LLC	Delaware
WRT-ST LLC	Delaware
WRT-State Street Lender LLC	Delaware
WRT-Summit Pointe LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-183927) and Form S-3D (No. 333-161664) of Winthrop Realty Trust and subsidiaries of our report dated March 2, 2016, relating to the consolidated financial statements, financial statement schedules, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 2, 2016

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-183927) and Form S-3D (No. 333-161664) of Winthrop Realty Trust and subsidiaries of our report dated March 11, 2014, with respect to the consolidated balance sheet of CDH CDO LLC as of December 31, 2013 and the related consolidated statements of operations, changes in members' capital, and cash flows for the year then ended, and all related financial statement schedules, which report appears in the December 31, 2015 annual report on Form 10-K of Winthrop Realty Trust.

/s/ KPMG LLP
Boston, Massachusetts
March 1, 2016

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-183927) and Form S-3D (No. 333-161664) of Winthrop Realty Trust and subsidiaries of our report dated March 31, 2014, relating to the consolidated financial statements of Vintage Housing Holdings, LLC, which report appears in Winthrop Realty Trust's Annual Report on Form 10-K for the year ended December 31, 2015.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 2, 2016

WINTHROP REALTY TRUST

ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2015

Power of Attorney – Trustees

Each of the undersigned, a Trustee of Winthrop Realty Trust, which anticipates filing with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, an Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the “Form 10-K”), does hereby constitute and appoint each of Michael L. Ashner and Carolyn Tiffany, with full power of substitution and resubstitution, as attorney to sign for him and in his name the Form 10-K and any and all amendments and exhibits thereto, and any and all other documents to be filed with the Securities and Exchange Commission pertaining to the Form 10-K, with full power and authority to do and perform any and all acts and things whatsoever required or necessary to be done in the premises, as fully to all intents and purposes as he could do if personally present, hereby ratifying and approving the acts of said attorney and any such substitute.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his hand this 25 th day of February, 2016.

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

/s/ Howard Goldberg
Howard Goldberg

/s/ Thomas McWilliams
Thomas McWilliams

/s/ Lee Seidler
Lee Seidler

/s/ Steven Zalkind
Steven Zalkind

Exhibit 31.1

WINTHROP REALTY TRUST
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

CERTIFICATIONS

I, Michael L. Ashner, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 2, 2016

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

Exhibit 31.2

WINTHROP REALTY TRUST
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015

CERTIFICATIONS

I, John A. Garilli, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 2, 2016

/s/ John A. Garilli

John A. Garilli
Chief Financial Officer

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 for the annual period ended December 31, 2015, 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: March 2, 2016	/s/ Michael L. Ashner
	Michael L. Ashner Chief Executive Officer
Date: March 2, 2016	/s/ John A. Garilli
	John A. Garilli Chief Financial Officer

Exhibit 99.1

CDH CDO LLC

Consolidated Financial Statements

December 31, 2013 and 2012 (unaudited)

(With Independent Auditors' Report Thereon)

CDH CDO LLC

Table of Contents

Independent Auditors' Report

The Members
CDH CDO LLC:

We have audited the accompanying consolidated financial statements of CDH CDO LLC and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in members' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of CDH CDO LLC and its subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

The accompanying consolidated balance sheet as of December 31, 2012, and the consolidated statements of operations, members' capital and cash flows for the years ended December 31, 2012 and 2011 were not audited by us and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Boston, Massachusetts
March 11, 2014

CDH CDO LLC

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands)

	2013	2012 (unaudited)
Assets		
Cash and cash equivalents	$ 1,915	$ 1,885
Restricted cash	50	805
Real estate debt investments carried at fair value	180,094	185,060
Securities carried at fair value	56,395	95,994
Land, building, and improvements, net	—	19,909
Intangible assets, net	—	1,665
Interest and other receivables	912	1,030
Other assets	75	1,423
Total assets	$239,441	$ 307,771
Liabilities and Capital		
Liabilities:		
Collateralized debt obligation carried at fair value	$166,657	$ 191,345
Mortgage note payable	—	22,293
Interest rate swap liability	7,245	11,413
Other liabilities	2,341	5,423
Total liabilities	176,243	230,474
Members' capital:		
Members' capital	63,084	77,195
Noncontrolling equity interest	114	102
Total capital	63,198	77,297
Total liabilities and capital	$239,441	$ 307,771

See accompanying notes to consolidated financial statements.

CDH CDO LLC

Consolidated Statements of Operations

Years ended December 31, 2013, 2012 (unaudited) and 2011 (unaudited)

(In thousands)

	2013	2012 (unaudited)	2011 (unaudited)
Income:			
Interest income on real estate debt investments and securities	$ 16,828	$ 17,381	$ 16,064
Expenses:			
Interest expense	6,356	6,647	8,563
Fees and expenses paid to related party	1,000	1,000	1,000
General and administrative	625	1,247	1,904
Total expenses	7,981	8,894	11,467
Net investment income	8,847	8,487	4,597
Realized and unrealized gain (loss) from investments:			
Realized gain on securities carried at fair value	—	1,690	6,084
Realized loss on securities carried at fair value	(6)	(40)	(5,500)
Realized gain on real estate debt investments carried at fair value	13,367	1,897	2,972
Realized loss on sale of real estate debt investments carried at fair value	—	—	(122)
Realized loss on extinguishment of collateralized debt obligation	(5,041)	(4,161)	(2,584)
Total realized gain (loss) from investments, net	8,320	(614)	850
Unrealized gain on interest rate swaps	4,168	2,254	430
Unrealized gain on securities carried at fair value	2,424	7,065	5,310
Unrealized gain (loss) on real estate debt investments carried at fair value	2,441	(10,501)	(3,967)
Unrealized (loss) gain on collateralized debt obligation carried at fair value	(37,488)	(2,407)	28,676
Total unrealized (loss) gain from investments, net	(28,455)	(3,589)	30,449
Total unrealized and realized (loss) gain from investments	(20,135)	(4,203)	31,299
Net (loss) income from continuing operations	(11,288)	4,284	35,896
Discontinued operations:			
Loss from discontinued operations	(216)	(880)	(750)
Gain on extinguishment of debt related to discontinued operations	4,756	—	—
Loss on sale from discontinued operations	(2,911)	—	—
Total income (loss) from discontinued operations	1,629	(880)	(750)
Net (loss) income	(9,659)	3,404	35,146
Net income attributable to the non controlling interest	(12)	(12)	(12)
Net (loss) income attributable to members	$ (9,671)	$ 3,392	$ 35,134

See accompanying notes to consolidated financial statements.

CDH CDO LLC

Consolidated Statements of Changes in Members' Capital

Years ended December 31, 2013, 2012 (unaudited) and 2011 (unaudited)

(In thousands)

	WRT CDH II LLC	Lexington CDH II LLC	Inland American (CDH II) Sub, LLC	Noncontrolling interest	Total
Balance at December 31, 2010 (unaudited)	$11,123	11,122	24,954	114	47,313
Distributions to members	(480)	(480)	(1,367)	(24)	(2,351)
Net income	11,711	11,711	11,712	12	35,146
Balance at December 31, 2011 (unaudited)	22,354	22,353	35,299	102	80,108
Distributions to members	(2,895)	(535)	(2,773)	(12)	(6,215)
Net income	2,261	—	1,131	12	3,404
Transfer of Ownership	21,818	(21,818)	—	—	—
Balance at December 31, 2012 (unaudited)	43,538	—	33,657	102	77,297
Distributions to members	(2,041)	—	(2,399)	—	(4,440)
Net loss	(5,007)	—	(4,664)	12	(9,659)
Transfer of Ownership	(6,590)	—	6,590	—	—
Balance at December 31, 2013	$29,900	—	33,184	114	63,198

See accompanying notes to consolidated financial statements.

CDH CDO LLC

Consolidated Statements of Cash Flows

Years ended December 31, 2013, 2012 (unaudited) and 2011 (unaudited)

(In thousands)

	2013	2012 (unaudited)	2011 (unaudited)
Cash flows from operating activities:			
Net (loss) income	$ (9,659)	$ 3,404	$ 35,146
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	841	2,056	1,897
Realized gain on sale of securities carried at fair value	—	(1,690)	(6,084)
Realized loss on securities carried at fair value	6	40	5,500
Realized gain on sale of real estate debt investments carried at fair value	(13,367)	(1,897)	(2,972)
Realized loss on sale of held property	2,911	—	—
Realized loss on sale of real estate debt investments carried at fair value	—	—	122
Realized loss on extinguishment of collateralized debt obligation	5,041	4,161	2,584
Realized gain on extinguishment of debt	(4,756)	—	—
Unrealized gain on interest rate swaps	(4,168)	(2,254)	(430)
Unrealized gain on securities carried at fair value	(2,424)	(7,065)	(5,310)
Unrealized (gain) loss on real estate debt investments carried at fair value	(2,441)	10,501	3,967
Unrealized loss (gain) on collateralized debt obligations carried at fair value	37,488	2,407	(28,676)
Changes in operating assets and liabilities:			
Interest and other receivables	118	149	(403)
Other assets	1,348	(1,194)	49
Other liabilities	(3,082)	1,586	(786)
Net cash provided by operating activities	7,856	10,204	4,604
Cash flows from investing activities:			
Repayment of real estate debt investments carried at fair value	7,407	4,843	51,082
Proceeds from sales of securities carried at fair value	—	13,000	23,196
Proceeds from disposition of real estate debt investments	13,367	8,592	35,971
Purchase of real estate debt investments carried at fair value	—	—	(75,650)
Repayment of securities carried at fair value	42,017	3,239	9,175
Purchase of securities carried at fair value	—	—	(52,018)
Proceeds from foreclosure of property	—	—	80
Proceeds from sale of property	17,822	—	—
Purchase of fixed assets	—	(2,239)	(467)
Change in restricted cash	755	1,136	40,179
Net cash provided by investing activities	81,368	28,571	31,548
Cash flows from financing activities:			
Repayment of mortgage payable	(17,537)	(595)	(1,075)
Repayment of collateralized debt obligation carried at fair value	(67,217)	(30,754)	(28,654)
Repayment of related-party notes payable	—	—	(3,498)
Distributions to members	(4,440)	(6,203)	(2,327)
Distributions to noncontrolling interests	—	(12)	(24)
Net cash used in financing activities	(89,194)	(37,564)	(35,578)
Net increase in cash and cash equivalents	30	1,211	574
Cash and cash equivalents at beginning of year	1,885	674	100
Cash and cash equivalents at end of year	$ 1,915	$ 1,885	$ 674

See accompanying notes to consolidated financial statements.

CDH CDO LLC

Consolidated Statements of Cash Flows

Years ended December 31, 2013, 2012 (unaudited) and 2011 (unaudited)

(In thousands)

	2013	2012 (unaudited)	2011 (unaudited)
Supplemental cash flow information:			
Interest paid	$6,778	$ 7,175	$ 8,950
Noncash investing and financing activities:			
Supplemental disclosure of noncash investing and financing activities:			
Restricted cash acquired	$ —	$ —	$ 1,886
Land, building, and improvements	—	—	22,821
Mortgage note payable	—	—	23,963

See accompanying notes to consolidated financial statements.

(1) Description of Business

CDH CDO LLC (the Company) is a Delaware limited liability company that was formed on August 26, 2010. The Company is organized as a limited liability company (LLC) and at the time of formation was owned one-third each by WRT CDH II LLC (Winthrop), Lexington CDH II LLC (Lexington), and Inland American (CDH II) Sub, LLC (Inland), collectively, the Members. On May 1, 2012, Winthrop purchased the one-third interest of Lexington and now owns two-thirds of the Company. On February 25, 2013, Winthrop sold a 17% member interest in the Company to Inland. As a result of the sale, Winthrop now owns 49.67% and Inland owns 50.33% of the Company. In accordance with the sale, the Limited Liability Company Agreement of the company was amended to reflect this change in member ownership.

In connection with the formation of the Company, Inland made an initial capital contribution of $10,635,000, which was used to acquire the Company's initial assets, 100% of the common shares of Concord Debt Funding Trust (Concord REIT), a Maryland real estate investment Trust, and other initial permitted investments acquired by the Company pursuant to its LLC agreement. This acquisition of assets and liabilities has been accounted for on a fair value basis as a result of the change of control on August 26, 2010. The remainder of the opening balance of members' capital represents the excess fair value of the Company's assets over liabilities of $24,466,000 upon formation of the Company and was equally allocated among the Members. Winthrop is not required to make any additional capital contributions and Inland is committed to invest up to a maximum of $14,000,000. Through its wholly owned direct and indirect subsidiaries, the Company acquires real estate whole loans and subordinate real estate debt investments such as B-notes, and mezzanine loans, and commercial real estate securities including collateralized mortgage-backed securities (CMBS), which are also referred to as either pool bonds or rake bonds. A rake bond is a junior interest in a securitized mortgage loan, which has been structured in one or more classes of CMBS and issued in a transaction that solely relates to one particular mortgage loan.

The Company's wholly owned subsidiary, Concord REIT, which was formed by the Company's predecessors in 2006, had a capital structure that consisted of 100,000 common shares and 102 shares of 12% cumulative redeemable preferred shares, which are characterized as noncontrolling equity interest on the balance sheet. The Company owns 100% of the common shares of Concord REIT while the preferred shares are owned by individuals associated with Winthrop and Lexington. These shares represent the noncontrolling equity interest of the Company. Concord REIT has the right to redeem the preferred shares if the Board of Trustees of Concord REIT determines that either (i) it is no longer required or necessary for the entity to qualify as a real estate investment trust (REIT) or (ii) keeping the preferred shares outstanding is no longer necessary for the entity to qualify as a REIT.

Through its subsidiaries, Concord Real Estate CDO 2006-1 Ltd (CDO-1), which wholly owns Concord Real Estate CDO 2006-1 LLC (the Co-Issuer), Concord REIT completed a nonrecourse collateralized debt obligation (CDO) transaction in December 2006 whereby certain real estate related and other assets were contributed to the CDO. Concurrent with the CDO transaction, CDO-1 and the Co-Issuer issued $413,850,000 of investment grade floating-rate notes (the CDO-1 bonds) and $51,150,000 of preferred shares. Concord REIT retains ownership of CDO-1's preferred shares.

The Company also owns 100% interest in WRP Management LLC (WRP Management), an entity that provides management services to CDO-1. WRP Management contracted with an affiliate of the Company, WRP Sub-Management LLC, to act as administrative manager to the Company.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its subsidiaries, which are either majority owned or controlled by the Company. The Company identifies entities for which control is achieved through means other than through voting rights (a variable interest entity or VIE) through the analysis as set forth in ASC 810, Consolidation of Variable Interest Entities, and determines when and which business enterprise, if any, should consolidate the VIE. In addition, the Company discloses information pertaining to such entities wherein the Company is the primary beneficiary or other entities wherein the Company has a significant variable interest. All significant intercompany transactions and balances have been eliminated.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant estimates in the consolidated financial statements include the valuation of the Company’s real estate debt investments, securities, and CDOs. Actual results could differ materially from those estimates.

(c) Concentration of Credit Risk

The Company maintains cash deposits and restricted cash deposits, which balances from time to time, may exceed federally insured limits. The Company believes it mitigates its risk of loss by maintaining its cash deposits with major financial institutions. To date, the Company has not experienced any losses of its cash deposits. Real estate debt investments and available-for-sale securities can potentially subject the Company to concentrations of credit risk. Management of the Company performs ongoing credit evaluations of borrowers and valuations of the real property and interests that collateralize the Company’s investments.

(d) Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less are considered to be cash equivalents. The Company places its cash and cash equivalents in major financial institutions.

(e) Restricted Cash

The Company had restricted cash of $50,000 and $805,000 at December 31, 2013 and 2012, respectively. The December 31, 2013 restricted cash consists of $50,000 held by the CDO for current expenses. The December 31, 2012 restricted cash consists of $50,000 held by the CDO for current expenses and $755,000 held in escrow for future payments of taxes, insurance, and capital expenditures by the holder of the mortgage note payable.

(f) Fair Value Measurements

The Company has elected the fair value option to measure certain of the Company's financial instruments including real estate debt investments, securities, and its CDO (see notes 4, 6 and 8). The fair value of these financial instruments is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price) and changes in the fair value are recorded in earnings as unrealized gain or loss in the consolidated statements of operations.

(g) Real Estate Debt Investments

Loans are stated at the estimated fair value. Interest income is recorded on the accrual basis in accordance with the terms of the respective loan. Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans.

The Company recognizes interest income on nonperforming real estate debt investments using the cash-basis method. The accrual of interest on loans is discontinued when principal or interest payments are past due 90 days or when, in the opinion of management, it is probable it will be unable to collect contractual principal and interest in the normal course of business. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. As of December 31, 2013, there is one real estate debt investment with a fair market value of $0 on a nonaccrual basis.

(h) Land, Building, and Improvements, net

Land, building, and improvements 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 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 shorter of the estimated useful life of the improvement or the term of the lease of the tenant.

Upon the acquisition or the change in control accounted for as a business combination of real estate, the Company assesses the fair value of the acquired assets (including land, buildings, and improvements and identified intangibles such as above- or below-market leases and acquired

(Continued)

in-place leases and tenant relationships) and acquired liabilities and the Company allocates purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections and utilizes 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.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the “as-if-vacant” value is then allocated to land, building, and improvements and fixtures and equipment based on management’s determination of the fair values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance, and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions.

Real estate investments and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset group may not be recoverable. Recoverability of real estate investments to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated from the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments in 2013, 2012, or 2011. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of carrying amount or fair value less costs to sell. The assets and liabilities are classified separately as held-for-sale in the consolidated balance sheets and are no longer depreciated.

Intangible AssetsIn estimating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market 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 a liability and amortized into rental revenue over the noncancelable 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 noncancelable portion of the respective leases. In-place lease values are based upon the Company’s evaluation of the specific characteristics of each tenant lease. Factors considered include estimates of carrying costs during a hypothetical lease-up period considering current market conditions and costs to execute similar leases. The in-place leases are recorded as intangible assets and amortized as a charge to amortization expense.

(i) Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities on the balance sheet at their respective fair values. On the date a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge) or as (2) a derivative trading instrument. There were no derivative contracts accounted for as hedges. The Company carries derivatives at their respective fair value on the balance sheet and recognizes any subsequent changes in fair value in its statement of operations.

(j) Members' Capital

Capital contributions, distributions, and profits and losses are allocated in accordance with the terms of the Company's LLC agreement.

(k) Revenue Recognition

The Company accounts for its leases with tenants as operating leases with rental revenue recognized on a straight-line basis over the minimum noncancelable term of the lease. The straight-line rent adjustment increased revenue by $205,000, $519,000 and $57,000 in 2013, 2012, and 2011 respectively, over actual cash received.

Leases typically provide for reimbursement to the Company of common area maintenance costs, real estate taxes, and other operating expenses. Operating expense reimbursements are recognized as earned.

The Company recognizes lease termination payments as a component of rental revenue in the period received, provided that the Company has no further obligations under the lease; otherwise, the lease termination payment is amortized on a straight-line basis over the remaining obligation. There were no lease termination payments received in 2013, 2012, and 2011.

(l) Income Taxes

Concord REIT is organized and conducts its operations to qualify as a REIT and to comply with the provisions of the Internal Revenue Code with respect thereto. A real estate investment trust is generally not subject to federal income tax on the portion of its REIT taxable income, which is distributed to its shareholders, provided that at least 90% of taxable income is distributed and certain other requirements are met. Additionally, 75% of a REIT's gross income must be derived from interest on obligations secured by mortgages on real property or on interests in real property.

Taxes on income, as applicable, are the responsibility of the individual members. Accordingly, no provision for federal or state income taxes has been recorded.

The Company reviews its tax positions under accounting guidance that requires that a tax position may only be recognized in the financial statements if it is more likely than not that the tax position will prevail if challenged by tax authorities. The Company believes it is more likely than not that our tax positions will be sustained in any tax examination. We have no income tax expense, deferred tax assets, or deferred tax liabilities associated with any such uncertain tax positions for the operations of any entity included in the consolidated results of operations.

(m) Recently Issued Accounting Standards

On December 16, 2011, FASB issued ASU No. 2011-11: Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities, which requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the financial statements

(Continued)

particularly for transactions related to derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The new disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013. The new disclosures are required for all prior comparative periods presented. The adoption did not have a material impact on the Company's consolidated financial statements.

(3) Fair Value Measurement

Accounting guidance establishes a fair value measurement framework, provides a single definition of fair value based on the assumptions that market participants would use in pricing an asset or liability, and requires expanded disclosure summarizing fair value measurements.

The statement establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are inputs that the market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Value Option

The Company elects the fair value option for real estate debt investments, securities, and CDOs at the Company's inception and on an ongoing basis. The Company elects the fair value option to mitigate a divergence between accounting and economic exposure. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur.

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

(a) Real Estate Debt Investments

Real estate debt investments are nonpublic investments in loan assets collateralized by real estate. Determining the fair value of nonpublic investments involves a significant degree of management judgment as no quoted prices exist and such investments are generally very illiquid. Due to the unique nature of the individual properties collateralizing the Company's loans, the Company uses the income or market approach, as deemed appropriate. Fair value determination through the income approach is estimated through the use of a discounted cash flow model. In addition to the characteristics of the underlying loans (including principal, contractual interest rate and contractual fees), key inputs to the model include interest rates, prepayment rates, and credit spreads. Fair value estimates from internal valuation techniques are then verified, where possible, to prices obtained from independent valuation specialists that use primarily a discounted cash flow model using similar inputs for valuation. Real estate debt investments are classified as Level 3 of the fair value hierarchy since valuation models are based on significant inputs that are unobservable in the market.

(b) Securities

The securities portfolio comprises commercial mortgage-backed securities. The Company considers the availability of quoted market prices. If quoted market prices are not available for the specific security, the Company may estimate the value of such instruments using a combination of observed transaction prices, independent pricing services, and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity. Management also considers the performance of the loans and collateral underlying the securities, the estimated value of the collateral supporting such loans, and a consideration of local, industry, and broader economic trends and factors. Because significant judgment and unobservable market inputs are used in the estimation of these metrics and the ultimate determination of fair value, this valuation methodology has been characterized as Level 3 in the fair value hierarchy.

(c) Collateralized Debt Obligation

The Company uses a third-party pricing model to establish values for the CDO. The model derives value through a discounted cash flow methodology that considers credit risk factors and discount rate assumptions. Management also performs further analysis giving consideration to one or more of the following criteria as appropriate: (i) interest rates for liabilities of comparable quality and maturity, (ii) the value and performance of the underlying collateral, (iii) local, industry, and broader economic trends and factors, and (iv) recent market transactions. Because significant judgment is used in the ultimate determination of fair value, this valuation methodology has been characterized as Level 3 in the fair value hierarchy.

(d) Derivative Financial Instruments

The Company has determined that the inputs used to value its derivatives fall primarily within Level 2 of the fair value hierarchy. Currently, the Company uses interest rate swaps to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities.

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The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

(e) Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013 and 2012 (in thousands):

	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at December 31, 2013
Assets:				
Cash and cash equivalents	$ 1,915	—	—	1,915
Restricted cash	50	—	—	50
Real estate debt investments	—	—	180,094	180,094
Securities	—	—	56,395	56,395
Liabilities:				
Collateralized debt obligation	$ —	—	166,657	166,657
Derivatives	—	7,245	—	7,245

	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at December 31, 2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Assets:				
Cash and cash equivalents	$ 1,885	—	—	1,885
Restricted cash	805	—	—	805
Real estate debt investments	—		185,060	185,060
Securities	—	—	95,994	95,994
Liabilities:				
Collateralized debt obligation	$ —	—	191,345	191,345
Derivatives	—	11,413	—	11,413

(f) *Changes in Level 3 Fair Value Measurements*

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2013 and 2012 (in thousands):

	Real estate debt investments	Securities	Collateralized debt obligations
Fair value, December 31, 2010 (unaudited)	$ 219,619	77,977	(270,277)
Total unrealized and realized gains (losses)	(1,117)	5,894	26,092
Repayments of real estate debt investments and securities	(51,082)	(9,175)	—
Repayment on collateralized debt obligation	—	—	28,654
Purchase of real estate debt investments and securities	75,650	52,018	—
Sale of real estate debt investments and securities	(35,971)	(23,196)	—
Fair value, December 31, 2011 (unaudited)	207,099	103,518	(215,531)
Total unrealized and realized gains (losses)	(8,604)	8,715	(6,568)
Repayments of real estate debt investments and securities	(4,843)	(3,239)	—
Repayment on collateralized debt obligation	—	—	30,754
Purchase of real estate debt investments and securities	—	—	—
Sale of real estate debt investments and securities	(8,592)	(13,000)	—
Fair value, December 31, 2012	185,060	95,994	(191,345)

	Real estate debt investments	Securities	Collateralized debt obligations
Total unrealized and realized gains (losses)	$ 15,808	2,418	(42,529)
Repayments of real estate debt investments and securities	(7,407)	(42,017)	—
Repayment on collateralized debt obligation	—	—	67,217
Purchase of real estate debt investments and securities	—	—	—
Sale of real estate debt investments and securities	(13,367)	—	—
Fair value, December 31, 2013	$ 180,094	56,395	(166,657)
Change in unrealized gain/(loss) included in earnings related to investments and obligations still held at December 31, 2013	$ 2,474	2,636	(37,488)
Change in unrealized gain/(loss) included in earnings related to the investments still held at December 31, 2012 (unaudited)	(10,501)	7,065	(2,407)
Change in unrealized gain/(loss) included in earnings related to investments and obligations still held at December 31, 2011 (unaudited)	(3,967)	5,310	28,676

The Company received a payment amounting to $13,367 in the year ended December 31, 2013 from one real estate debt investments that had been previously written off, and had a fair value of $0 at December 31, 2012.

The following table presents additional quantitative information at December 31, 2013, about assets measured at fair value on a recurring and nonrecurring basis for which the Company has utilized Level 3 significant unobservable inputs to determine fair value (dollars in thousands).

December 31, 2013					
Financial instruments	Fair value	Valuation technique	Unobservable input	Unobservable input value or range	Weighted average
Real estate debt investments	$ 180,094	Discounted cash flow	Discount rate	4.17% to 7.92%	6.21%
Securities	56,395	Discounted cash flow	Discount rate	0.73% to 72.99%	8.09%
Collateralized debt obligations	(166,657)	Discounted cash flow	Discount rate	14.39% to 37.34%	18.50%

(Continued)

The following table presents additional quantitative information at December 31, 2012, about assets measured at fair value on a recurring and nonrecurring basis for which the Company has utilized Level 3 significant unobservable inputs to determine fair value (dollars in thousands).

December 31, 2012 (unaudited)

Financial instruments	Fair value	Valuation technique	Unobservable input	Unobservable input value or range	Weighted average
Real estate debt investments	$ 185,060	Discounted cash flow	Discount rate	4.20% to 12.40%	6.85%
Securities	95,994	Discounted cash flow	Discount rate	1% to 111%	8.95%
Collateralized debt obligations	(191,345)	Discounted cash flow	Discount rate	12% to 143%	15.16%

(g) Transfers between Level 1, Level 2, and Level 3 of the Fair Value Hierarchy

There were no transfers of assets or liabilities between Levels 1, 2, or 3 of the fair value hierarchy during the years ended December 31, 2013 and 2012.

(h) Fair Value of Financial Instruments

All financial instruments on the Company’s consolidated balance sheets are carried at fair value.

(4) Real Estate Debt Investments

Real estate debt investments, consisting of whole loans, B-note participation interests, and mezzanine loans, are held for investment and are carried at their estimated fair value. Whole loans are loans to borrowers who are typically seeking capital for use in property acquisition and are predominantly collateralized by first mortgage liens on real property. B-notes are junior positions of whole loans. Mezzanine loans are loans that are subordinate to a conventional first mortgage loan, including B-notes and senior to the borrower’s equity in a transaction. These loans may be in the form of a junior participating interest in the senior debt. Mezzanine financing may take the form of loans collateralized by pledges of ownership interests in entities that directly or indirectly control the real property or subordinated loans collateralized by second mortgage liens on the property.

The following tables are a summary of the Company’s real estate debt investments at December 31, 2013 and 2012 (in thousands):

	2013	
	Real estate debt investments at fair value	Loan count
Whole loans	$ 71,900	4
B-notes	39,586	4
Mezzanine loans	68,608	4
Total loans	$ 180,094	12

	2012 (unaudited)	
	Real estate debt investments at fair value	Loan count
Whole loans	$ 75,929	5
B-notes	39,614	5
Mezzanine loans	69,517	4
Total loans	$ 185,060	14

The following table sets forth the maturity dates for the Company's real estate debt investments at December 31, 2013 and 2012 (in thousands):

December 31, 2013	Number of loan assets maturing	Par value (2)	Fair value (3)	Percentage of total
Year of maturity (1):				
2014	5	$ 100,594	72,655	41%
2015	3	49,463	34,980	19
2016	3	60,625	63,155	35
2017	—	—	—	—
2018 and thereafter	1	10,000	9,304	5
Total real estate debt investments	12	$ 220,682	180,094	100%

(1) The December 31, 2013 weighted average maturity is 1.54 years. The calculation of weighted average maturity is based upon the remaining initial term and does not take into account any maturity extension period or the ability to prepay the investment after a negotiated lock-out period, which may be available to the borrower. The weighted average maturity with the exercise of any extension options is 1.54 years.

(2) At December 31, 2013, included in the par value amounts are two loans with an aggregate par value of $43,159 which have been written down to $0.

(3) Of the 12 real estate debt investments, there is one loan that is not performing and its fair value is $0. The remaining 11 loans included in the fair value at December 31, 2013 are performing loans.

December 31, 2012	Number of loan assets maturing (unaudited)	Par value (2) (unaudited)	Fair value (3) (unaudited)	Percentage of total (unaudited)
Year of maturity (1):				
2013	4	$ 65,444	21,299	12%
2014	2	51,500	49,704	27
2015	4	54,043	39,547	21
2016	3	63,450	65,966	36
2017 and thereafter	1	10,000	8,544	4
Total real estate debt investments	14	$ 244,437	185,060	100%

(1) The December 31, 2012 weighted average maturity is 2.17 years. The calculation of weighted average maturity is based upon the remaining initial term and does not take into account any maturity extension period or the ability to prepay the investment after a negotiated lock-out period, which may be available to the borrower. The weighted average maturity with the exercise of any extension options is 2.24 years.

(2) At December 31, 2012, included in the par value amounts are three loans with an aggregate par value of $59,509 which have been written down to $0.

(3) Of the 14 real estate debt investments, there are two loans that are not performing and their fair value is $0. The remaining 12 loans included in the fair value at December 31, 2012 are performing loans.

During the year ended December 31, 2013, the Company sold one loan for total proceeds of $13,367. The Company recognized a net realized gain of $13,367 from the sale in the year. The Company had previously recognized an accumulated unrealized loss of $16,350 related to this loan as of the beginning of the year.

During the year ended December 31, 2012, the Company sold two loans for total proceeds of $8,592. The Company recognized a net realized gain of $292 from the sale in the year. The Company had previously recognized an accumulated unrealized loss of $3,700 related to this loan as of the beginning of the year.

Credit Risk Concentrations

Concentrations of credit risk arise when a number of borrowers, tenants, or issuers related to the Company’s investments are engaged in similar business activities or located in the same geographic location and are similarly affected by changes in economic conditions. The Company monitors its portfolio to identify potential concentrations of credit risk.

The Company's real estate debt investments contain concentrations in the following asset types, categorized by industry as a percentage of the unpaid principal balance and fair value of real estate debt investments as of December 31, 2013 and 2012:

	2013	
Asset type	Unpaid principal balance	Fair value
Office	46%	58%
Hospitality	37	29
Mixed use	10	13
Industrial	7	—
Total	100%	100%

	2012 (unaudited)	
Asset type	Unpaid principal balance	Fair value
Office	50%	57%
Hospitality	33	28
Mixed use	8	2
Industrial	9	13
Total	100%	100%

As of December 31, 2013, two loans exceeded 10% of the Company's assets, and for the year ended December 31, 2013, three loans generated more than 10% of the Company's revenue. As of December 31, 2012, two loans exceeded 10% of the Company's assets, and for the year ended December 31, 2012, three loans generated more than 10% of the Company's revenue.

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(5) Land, Building, and Improvements and Related-Party Note Payable

On April 1, 2011, the Company obtained control of an office building located in San Antonio, Texas which it accounted for as a business combination. The previous owner of the property was in default of their financial covenants and the mortgage loan was in special servicing. Since the controlling holder of the debt was a related party, a modification was negotiated where the Company would become the successor borrower, the maturity would include two-one-year extension options subject to a 6% Debt Yield Test (tested only to the Senior Participation) and monthly pay downs to the Senior Participation to the extent of available excess cash. As a result of the change in control, the Company consolidated the operations of the property. The fair value of the assets and liabilities was calculated by an independent third-party valuation firm and reviewed by management. The assets and liabilities at the time the company obtained control were allocated as follows (in thousands):

	Amount
Land, building, and improvements	$ 18,049
In-place lease value	1,703
Above-market leases	354
Below-market leases	(258)
In-place tenant relationship	2,303
Other intangibles	411
Accounts receivable and other assets	90
Cash and restricted cash	1,966
Mortgage note payable	(23,963)
Accounts payable and accrued liabilities	(655)

The property was sold on August 29, 2013 and the mortgage note payable was settled for $17,537,000 which resulted in a realized gain on the extinguishment of debt of $4,756,000. A loss on the sale of the property and write off of the related assets and liabilities of $2,911,000 was recognized.

The Company had purchased an interest rate cap (the Cap) that matured on July 31, 2013. The Cap effectively fixed the interest rate on the mortgage note payable at 2% per annum on a notational amount of $22,417,000.

The Company held no land, building, improvements or intangible assets at December 31, 2013. The Company held Intangible Assets with a gross carrying value $4,513,000 at December 31, 2012. The Intangible Assets had accumulated amortization of $2,848,000 at December 31, 2012.

(Continued)

Major classes of fixed assets at December 31, 2012 are as follows (in thousands):

	2012 (unaudited)
Land	$ 11,779
Building	5,363
Building improvements	878
Tenant improvements	2,720
Construction in progress	113
Less accumulated depreciation	(944)
Net land, building, and improvements	$ 19,909

Amortization expense was $522,888 and $1,607,369 for the years ended December 31, 2013 and December 31, 2012, respectively.

(6) Securities Carried at Fair Value

The Company has a portfolio of loan securities that included 9 investments in pool bonds and 1 investment in a rake bond at December 31, 2013, and 14 investments in pool bonds and 1 investment in a rake bond at December 31, 2012. These bonds are marked to fair value on a continuous basis.

The cost and fair value of securities at fair value were as follows (in thousands):

	2013				
	Par value	Cost basis	Unrealized gains	Unrealized loss	Fair value
CMBS:					
Rake bonds	$ 10,508	10,722	35	—	10,757
Pool bonds	49,743	43,037	3,192	(591)	45,638
Total securities at fair value	$ 60,251	53,759	3,227	(591)	56,395

	2012 (unaudited)				
	Par value	Cost basis	Unrealized gains	Unrealized loss	Fair value
CMBS:					
Rake bonds	$ 10,719	11,047	—	(114)	10,933
Pool bonds	101,680	77,882	7,533	(354)	85,061
Total securities at fair value	$112,399	88,929	7,533	(468)	95,994

The tables below show the fair value of investments in securities that have been in an unrealized loss position for less than 12 months or for 12 months or longer at December 31, 2013 and 2012 (in thousands):

	2013					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
CMBS:						
Rake bonds	$ —	—	—	—	—	—
Pool bonds	34,849	(591)	—	—	34,849	(591)
Total securities	$ 34,849	(591)	—	—	34,849	(591)

	2012 (unaudited)					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
CMBS:						
Rake bonds	$ 10,933	(114)	—	—	10,933	(114)
Pool bonds	—	—	510	(354)	510	(354)
Total securities	$ 10,933	(114)	510	(354)	11,443	(468)

The following tables present the amortized cost and fair value of securities by contractual maturity dates as of December 31, 2013 and 2012 (in thousands):

	2013	
	Cost	Fair value
CMBS – rake bonds:		
Due within 1 year	$ —	—
After 1 but within 5 years	10,722	10,757
Total CMBS – rake bonds	10,722	10,757
CMBS – pool bonds:		
Due within 1 year	2,647	2,855
After 1 but within 5 years	29,327	32,208
After 5 but within 10 years	11,063	10,575
Total CMBS – pool bonds	43,037	45,638
Total securities	$53,759	56,395

(Continued)

	2012 (unaudited)	
	Cost	Fair value
CMBS – rake bonds:		
Due within 1 year	$ —	—
After 1 but within 5 years	11,047	10,933
Total CMBS – rake bonds	11,047	10,933
CMBS – pool bonds:		
Due within 1 year	653	925
After 1 but within 5 years	27,843	28,885
After 5 but within 10 years	49,386	55,251
Total CMBS – pool bonds	77,882	85,061
Total securities	$88,929	95,994

Changes in fair value of securities are reflected in the consolidated statements of operations as unrealized gain or losses on securities. During the year ended December 31, 2013, the Company received payoffs of five securities for total proceeds of $35,000,000. The Company had recognized an accumulated unrealized gain of $200,000 at the beginning of the year related to these securities.

(7) Variable Interest Entities

A reporting entity is required to perform an analysis to determine if its variable interests give it a controlling financial interest in a VIE. The analysis required under ASC 810 identifies the primary beneficiary of a VIE as the entity having both of the following: (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. FASB's accounting guidance on consolidation requires a VIE to be consolidated by its primary beneficiary.

In addition, a reporting entity must assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining if it has the power to direct the activities of the VIE that most significantly affect the entity's economic performance. FASB requires ongoing reassessments of whether a reporting entity is the primary beneficiary of a VIE. Specifically, the list of reconsideration events includes a change in facts and circumstances where the holders of an equity investment at risk as a group lose the power to direct the activities of the entity that most significantly affect the entity's economic performance. In addition, a troubled debt-restructuring is also defined as a reconsideration event.

At December 31, 2013 and 2012, the Company identified two real estate debt investments and one security with an aggregate carrying value of zero to be variable interests in VIEs. These investments were deemed VIEs primarily based on the fact that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. The Company has determined that it is not the primary beneficiary of the VIEs as it does not have voting or other rights that allow the Company to exercise control over the borrower entity nor do they have participation features that would require the Company to absorb expected losses or be entitled to receive expected residual returns of the borrower entity.

(8) Collateralized Debt Obligation

As of December 31, 2013 and 2012, the CDO-1 bonds, which represent the Company's CDO, have a consolidated outstanding principal balance of $192,648,000 and $259,865,000 and a fair value of $166,657,000 and $191,345,000, respectively. The CDO is collateralized by assets, consisting primarily of whole loans, B-notes, mezzanine loans, and securities with an aggregate par value of approximately $291,639,492 (fair value of $236,489,713) at December 31, 2013, which serves as collateral for the CDO-1 bonds.

The seven investment grade tranches of the CDO-1 bonds were issued with floating rate coupons with a combined weighted average rate of 0.7163% and 0.6921% at December 31, 2013 and 2012, respectively, and have a maturity of December 21, 2016. The seven investment grade tranches are treated as a secured financing and are nonrecourse to the Company. Interest proceeds received from investments collateralizing the CDO-1 bonds are distributed to holders of the CDO notes on a monthly basis.

The following tables present the Company's CDO at December 31, 2013 and 2012 (in thousands):

	Notes and certificates originally issued	Outstanding balance at December 31, 2013	Borrowing spread to LIBOR	Unaudited Ratings (Moody's/ S&P)
Class A-1	$ 202,275	76,398	0.28%	A1/BB+
Class A-2	23,250	23,250	0.34	Baa3/BB
Class B	46,500	46,500	0.41	Ba3/B-
Class C	20,925	10,000	0.45	B2/CCC+
Class D	37,200	6,000	0.75	Caa1/CCC-
Class E	22,087	8,087	1.20	Caa2/CCC-
Class F	24,413	22,413	1.75	Caa3/CCC-
Total notes	376,650	192,648		
Class G (trust certificates)	18,600	—	N/A	
Class H (trust certificates)	18,600	—	N/A	
Total	$ 413,850	192,648		

	Notes and certificates originally issued (unaudited)	Outstanding balance at December 31, 2012 (unaudited)	Borrowing spread to LIBOR (unaudited)	Unaudited Ratings (Moody's/ S&P) (unaudited)
Class A-1	$ 202,275	143,615	0.28%	A1/BBB
Class A-2	23,250	23,250	0.34	Baa3/BB
Class B	46,500	46,500	0.41	Ba3/B-
Class C	20,925	10,000	0.45	B2/CCC+
Class D	37,200	6,000	0.75	Caa1/CCC-
Class E	22,087	8,087	1.20	Caa2/CCC-
Class F	24,413	22,413	1.75	Caa3/CCC-
Total notes	376,650	259,865		
Class G (trust certificates)	18,600	—	N/A	
Class H (trust certificates)	18,600	—	N/A	
Total	$ 413,850	259,865		

CDO-1 is subject to covenants that are both financial and nonfinancial in nature. Significant covenants include cash coverage and collateral quality tests. CDO-1 was in compliance with its financial covenants at December 31, 2013 and 2012. On February 4, 2013, the Thanksgiving Loan defaulted due to foreclosure. Due to this default, the par value test was not satisfied which resulted in interest payments that otherwise would be payable to the Class D, E, and F being used to amortize the Class A-1 Notes. The Thanksgiving loan was sold on July 5, 2013 and the par value test was satisfied on the note valuation report dated July 25, 2013. The CDO matures on December 21, 2016.

(9) Derivative Financial Instruments

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and expected cash amounts, the value of which is determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings. The notional amounts of these agreements were $137,887,000 at December 31, 2013 and 2012.

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. The Company's interest rate swaps are not designated as cash flow hedges. Interest expense related to these interest rate swaps amounted to $4,678,000 and $4,677,000 in 2013 and 2012, respectively, and is included in interest expense on the consolidated statements of operations.

Changes in the fair value of derivatives are recorded directly to earnings and the Company recognized $4,168,000 and $2,254,000 of unrealized gain for the years ended December 31, 2013 and 2012, respectively. The tables below present the fair value of the Company's derivative financial instruments as presented on the consolidated balance sheets as of December 31, 2013 and 2012 (in thousands):

	Balance sheet location	Liability derivatives: Fair value December 31, 2013	Fair value December 31, 2012 (unaudited)	Notional amount December 31, 2013	Notional amount December 31, 2012 (unaudited)
Derivatives not designated as hedging instruments:					
Interest rate cap	Derivative liabilities	$ —	—	—	22,417
Interest rate swaps	Derivative liabilities	7,245	11,413	137,887	137,887
Total derivatives not designated as hedging instruments		$ 7,245	11,413	137,887	160,304

	Fair values of derivative instruments: Location of gain (loss) recognized in income on derivative	Amount of gain (loss) recognized in income on derivative
Derivatives not designated as hedging instruments:		
Interest rate swaps	Unrealized gain on interest rate swaps	$ 4,168,000
Total derivative fair value gains – net		$ 4,168,000

(10) Dividends

In order for the Company's consolidated subsidiary, Concord REIT, to maintain its status as a REIT, it must distribute, at a minimum, an amount equal to 90% of its taxable income to its shareholders. For the years ended December 31, 2013 and 2012, dividends comprised 100% ordinary dividends. Because taxable income differs from cash flow from operations due to noncash revenues and expenses, the Company may generate operating cash flow in amounts below or in excess of its dividends.

At December 31, 2013 and 2012, the Company's members' capital was $51,370,598 and $49,755,800 for federal tax reporting purposes as compared to $63,084,000 and $77,196,000 for financial reporting purposes, respectively.

(11) Related-Party Transactions

For the years ended December 31, 2013, 2012 and 2011, the Company paid advancing agent fees to Concord Debt Holdings LLC in the amount of $41,000, $48,000 and $57,000, respectively.

The Company has accrued fees of $250,000 for the years ended December 31, 2013, 2012 and 2011, respectively, due to WRP Sub-Management LLC, an affiliate of Winthrop for providing administrative and management services.

During 2013 and 2012, the Company received advances for tenant improvements from a related third party. These advances will increase the mortgage debt upon completion of the improvements.

On October 6, 2011, the Company purchased from an affiliate of Winthrop a $14,000,000 real estate debt investment at par, bearing interest at LIBOR + 3.00%.

During 2011, the Company purchased Class E notes of CDO-1's CDO for $748,000 with a carrying value of $675,000 and a face value of $9,000,000 from an affiliate of Winthrop. Those notes were subsequently canceled.

During 2011, the Company reimbursed an affiliate of Winthrop $3,498,000 for an unsecured loan with carrying amount of $3,498,000 at December 31, 2010, along with accrued interest at a rate of 12%.

(12) Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

In January 2010, the trustee for CDO-1 refused to cancel the CDO-1 bonds held by Concord REIT. CDO-1 brought an action in the Delaware Court of Chancery (the Court) seeking declaratory relief that the bonds held by Concord REIT should be canceled and no longer remain outstanding. If the bonds remain outstanding obligations, CDO-1 will not satisfy certain of its par value tests. This would result in funds available for interest payments and distributions on certain of the CDO-1 bonds being used instead to redeem the most senior class of CDO-1 bonds, thereby reducing the cash flow to Concord REIT from CDO-1.

The parties in the action brought cross summary judgment motions, which were heard on April 21, 2010. On May 14, 2010, the Court ruled in favor of CDO-1 and issued a ruling that the bonds be deemed canceled effective January 2010. However, on June 14, 2010, the trustee for CDO-1 issued a notice to appeal the Court's ruling. On March 4, 2011, the Court ruled in favor of the Concord REIT. The Delaware Supreme Court affirmed the Court's ruling that the bonds submitted for cancellation should be deemed no longer outstanding effective January 2010.

In December 2011, Concord Real Estate CDO 2006 1, Ltd. (the CDO), Cedarwoods CRE CDO II, Ltd., Resource Real Estate Funding CDO 2006 1 Ltd., and TCG Holdings I LLC (collectively, the Plaintiffs), brought an action in New York Supreme Court (the trial court in New York) against Galante Holdings, Inc., Trimont Real Estate Advisors, Hotspur Resorts Nevada, Ltd. Aberdeen Realty Holdings, Ltd., Keycorp Real Estate Capital Markets, Inc., and Douglas S. Rohrer (collectively, the Defendants). The action sought to enjoin the sale of the mortgage loan relating to the JW Marriott Hotel in Las Vegas, Nevada (the JW Loan). Both Concord and CDO hold CMBS bonds for which the JW Loan is an underlying asset.

As a condition to obtaining the injunction, in January 2012, the New York Appellate Court required that the Plaintiffs post a $2,000,000 surety bond. In this regard, one of the Plaintiffs (the Guaranteeing Plaintiff) agreed to guaranty the obligations under the surety bond. The CDO and each of the other Plaintiffs entered into an agreement with the Guaranteeing Plaintiff pursuant to which the CDO agreed to pay its pro rata share (25%) of any payments required to be made by the Guaranteeing Plaintiff to the surety bond issuer as well as 50% of any amounts that the two other co Plaintiffs were obligated to the extent they breached their obligations. Concord, which also holds a bond in the CMBS that contains the JW Loan, agreed to provide cash collateral for the CDO's obligations to the guaranteeing Plaintiff. Accordingly, such amount was characterized as restricted funds. Management believes that the likelihood of a claim on such amounts is remote. As of December 31, 2013, this litigation has been resolved in favor of the plaintiffs and the company was reimbursed $463,000 of legal fees incurred due to this litigation.

(13) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Company evaluated subsequent events after the consolidated balance sheet date of December 31, 2013 through March 11, 2014, which was the date the consolidated financial statements were available to be issued.

Exhibit 99.2

Vintage Housing Holdings, LLC

Consolidated Financial Statements

December 31, 2013, 2012 (unaudited) and the period from June 24, 2011 (inception) through December 31, 2011 (unaudited)

Vintage Housing Holdings, LLC

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Members of Vintage Housing Holdings, LLC:

We have audited the accompanying consolidated balance sheet of Vintage Housing Holdings, LLC and its subsidiaries as of December 31, 2013, and the related consolidated statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vintage Housing Holdings, LLC and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLC
Boston, MA
March 31, 2014

Vintage Housing Holdings, LLC
Consolidated Balance Sheets
December 31, 2013 and 2012 (unaudited)
(in thousands)

	2013	2012 (unaudited)
ASSETS		
Investment in rental property, net	$375,467	$345,780
Cash and cash equivalents	6,762	5,352
Restricted cash	28,733	41,693
Accounts receivable, net of allowance	63	97
Prepaid expenses and other assets	472	413
Lease intangibles, net	86	88
Goodwill	17,897	17,897
Deferred costs, net	1,559	1,868
TOTAL ASSETS	$431,039	$413,188
LIABILITIES AND EQUITY		
Mortgages and notes payable	$315,026	$292,371
Interest rate swaps	2,199	4,388
Accounts payable, accrued liabilities and other liabilities	7,678	7,660
Deferred tax credit liability	28,793	38,913
Payable to affiliates	4,886	4,918
TOTAL LIABILITIES	358,582	348,250
COMMITMENTS AND CONTINGENCIES		
Members’ capital	54,956	47,568
Non-controlling interests	17,501	17,370
TOTAL LIABILITIES AND EQUITY	$431,039	$413,188

See notes to consolidated financial statements.

Vintage Housing Holdings, LLC
Consolidated Statements of Operations
For the Years Ended December 31, 2013 and 2012 (unaudited) and the Period from June 24, 2011 (inception) through December 31, 2011 (unaudited)
(in thousands)

	2013	2012 (unaudited)	Period from June 24, 2011 (inception) through December 31, 2011 (unaudited)
Revenue:			
Rental income	$42,930	$ 40,252	$ 17,853
Other operating income	1,827	1,873	937
Total revenue	44,757	42,125	18,790
Operating expenses:			
Salaries and employee benefits	5,367	4,893	2,189
Repairs and maintenance	3,525	3,362	1,314
Utilities	4,915	4,688	2,180
Property management fee	1,586	1,464	642
Real estate taxes	545	566	315
Property insurance	976	791	316
Other operating expenses	2,614	2,441	989
Depreciation	11,198	10,283	4,679
Amortization	45	5,333	4,775
Total operating expenses	30,771	33,821	17,399
Other income (expense):			
Deferred tax credit income	10,120	11,400	5,465
Interest income	26	42	17
Interest expense	(3,907)	(6,217)	(4,690)
Other financial income (expense)	(3,607)	(3,211)	(1,361)
Other income (expense)	(113)	(173)	(201)
Related party fees and expenses	(1,933)	(1,959)	(967)
Total other income (expense)	586	(118)	(1,737)
Net income (loss)	14,572	8,186	(346)
Net loss attributable to non-controlling interests	1,130	798	1,162
Net income attributable to Vintage Housing Holdings, LLC	$15,702	$ 8,984	$ 816

See notes to consolidated financial statements.

Vintage Housing Holdings, LLC
Consolidated Statements of Equity
For the Years Ended December 31, 2013 and 2012 (unaudited) and the
Period from June 24, 2011 (inception) through December 31, 2011 (unaudited)
(in thousands)

	Gancar Trust	WRT-VHH LLC	Total Members' Capital	Non-Controlling Interest	TOTAL
Balance, June 24, 2011	$ 8,400	$ 25,200	$ 33,600	$ 17,682	$51,282
Contributions	300	2,041	2,341	2,192	4,533
Distributions	(703)	(1,561)	(2,264)	(291)	(2,555)
Purchase of non-controlling interests	—	3,970	3,970	(3,970)	—
Net income (loss)	193	623	816	(1,162)	(346)
Balance, December 31, 2011 (unaudited)	8,190	30,273	38,463	14,451	52,914
Contributions	760	7,309	8,069	5,238	13,307
Distributions	(2,896)	(6,022)	(8,918)	(551)	(9,469)
Purchase of non-controlling interests	—	970	970	(970)	—
Net income (loss)	3,702	5,282	8,984	(798)	8,186
Balance, December 31, 2012 (unaudited)	9,756	37,812	47,568	17,370	64,938
Contributions	—	—	—	2,000	2,000
Distributions	(2,759)	(5,555)	(8,314)	(739)	(9,053)
Net income (loss)	6,818	8,884	15,702	(1,130)	14,572
Balance, December 31, 2013	$13,815	$ 41,141	$ 54,956	$ 17,501	$72,457

See notes to consolidated financial statements.

Vintage Housing Holdings, LLC
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012 (unaudited) and from June 24, 2011 (inception) through December 31, 2011 (unaudited)
(in thousands)

	2013	2012 (Unaudited)	Period from June 24, 2011 (inception) through December 31, 2011 (Unaudited)
Cash flows from operating activities			
Net Income (loss)	$ 14,572	$ 8,186	$ (346)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	11,198	10,283	4,679
Amortization (including amortization of deferred financing costs and fair value of debt)	692	5,168	4,695
Non cash portion of interest expense	(10,120)	(11,400)	(5,465)
Interest related to change in derivative values	(2,189)	1,053	2,019
Changes in:			
Restricted cash held in escrows	(609)	(502)	(263)
Accounts receivable	34	(2)	—
Prepaid expenses and other assets	(59)	(60)	2,120
Accounts payable, accrued liabilities and other liabilites	18	982	2,862
Payable to affiliates	(32)	3,413	645
Net cash provided by operating activities	13,505	17,121	10,946
Cash flows from investing activities			
Investment in rental property	(185)	(2,989)	(22,267)
Investment in construction phase property	(40,700)	(35,450)	(5,779)
Restricted cash held in escrows	14,469	(11,538)	(9,562)
Net cash used in investing activities	(26,416)	(49,977)	(37,608)
Cash flows from financing activities			
Proceed from mortgage note payable	25,000	37,420	17,800
Principal payments on mortgage note payable	(2,659)	(3,954)	(1,177)
Deferred financing costs	(67)	(879)	(59)
Restricted cash held in escrows	(900)	(3,904)	(3,208)
Capital contributions	—	9,039	24,361
Capital distributions	(8,314)	(8,918)	(2,264)
Capital contribution from non-controlling interest	2,000	5,238	1,157
Capital distributions to non-controlling interest	(739)	(551)	(291)
Purchase of non-controlling interest	—	(970)	(3,970)
Net cash provided by financing activities	14,321	32,521	32,349
Net increase (decrease) in cash and cash equivalents	1,410	(335)	5,687
Cash and cash equivalents, beginning	5,352	5,687	—
Cash and cash equivalents, end	$ 6,762	$ 5,352	$ 5,687
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 5,460	$ 4,757	$ 1,927
Cash paid for real estate taxes	$ 550	$ 566	$ 309
Capitalized interest	$ 480	$ 764	$ —
Supplemental disclosure of cash flow information			
Capital expeditures in accounts payable, accrued liabilities and other liabilities	$ —	$ 829	$ —
Capital contributions	$ —	$ —	$ 15,550
Assumption of mortgages and notes payable	$ —	$ —	$ 256,859
Capital contributions from NCI	$ —	$ —	$ 1,035
Fair value of assets acquired	$ —	$ —	$ 361,853
Fair value of liabilites assumed	$ —	$ —	$ 304,331

See notes to consolidated financial statements.

Note 1 – Organization

Vintage Housing Holdings, LLC (the "Company") was formed as a limited liability company under the laws of the State of California and is owned by WRT-VHH LLC ("WRT") and the Gancar Trust ("Gancar"). On June 24, 2011, the Company acquired the general partnership/managing member interests in 25 multifamily and senior housing operating properties (each property individually an "Operating Property" and collectively the "Operating Properties"). WRT contributed cash of $18,200 plus developer fees and advances receivable from the Operating Properties valued at $7,000 for an effective 75% interest in the Company and Gancar contributed developer fees receivable and advances receivable from the Operating Properties valued at $8,400 for an effective 25% interest in the Company.

The Operating Properties were syndicated as limited partnerships (each limited partnership individually the "Operating Partnership" and collectively the "Operating Partnerships") to provide low income housing tax credits to investors. At the time of syndication, the limited partners contributed cash in exchange for an ownership interest in the Operating Partnership and the rights to the respective tax credits. In all cases, the general partner ownership interest in each Operating Partnership is less than 1%. However, the general partner controls the day to day operations of each Operating Property, holds a majority of the voting rights in each Operating Partnership and has the obligation to absorb losses or receive benefits from each Operating Partnership. As such it was determined that the Company has control and consolidates the Operating Partnerships as of June 24, 2011, the date of acquisition. The assets acquired and the liabilities assumed are accounted for at their respective fair values as of the acquisition date in accordance with business combination accounting guidance. Any interests in the Operating Partnerships not owned directly by the Company are classified as non-controlling interests in the consolidated financial statements of the Company.

Each Operating Partnership is subject to its own partnership agreement. Income and loss for each Operating Partnership is allocated to the Company and the non-controlling interests based on a hypothetical liquidation at book value. Distributions of cash are made from the Operating Partnerships to the Company and the non-controlling interests in accordance with each individual partnership agreement.

Distributions of cash are made from the Company to WRT and Gancar in accordance with the LLC agreement of the Company. Cash is distributed first to WRT until it has received a 12% annual return on its contributions, second to Gancar until it has received a 12% annual return on its contributions and third 50/50 to WRT and Gancar. Income and loss of the Company is allocated based on a hypothetical liquidation at book value at each reporting date.

In August 2011 WRT made a $1,500 loan to the Company to be used to acquire the general partner interest in a new development property located in Tacoma, Washington. The loan bore interest at 12% per annum with no payments due until such time as the property was converted to an operating property. In 2012, the loan was converted to a preferred equity interest which entitles WRT to a 12% preferred return, plus a return of its equity, to be paid from cash flow from this property.

WRT contributed an additional $4,300 to the Company in September 2011. The funds were used to acquire the remaining general partnership interests in seven of the Operating Partnerships. The Company accounted for this purchase as an equity transaction. WRT is entitled to receive 100% of the cash attributable to these interests until such time as it has received its $4,300 capital contribution back plus a 12% return thereon.

In June 2012 the Company completed the acquisition of the general partnership/managing member interests in two additional low income housing tax credit communities located in Elk Grove, California and Reno, Nevada. The acquisition was completed in stages throughout 2011 and 2012. The acquisition was funded Through contributions from WRT of $1,711 in 2011 and $529 in 2012 and contributions from Gancar of $300 in 2011 and $260 in 2012.

(in thousands)

Also in June 2012, the Company acquired the general partner interest in a new development property located in Lynwood, Washington. The acquisition was funded by capital contributions of $1,500 from WRT and $500 from Gancar. WRT contributed an additional $4,000 for the acquisition which entitles it to a 12% preferred return on this amount, plus a return of the $4,000 equity, which is to be paid from cash flow from this property.

In November 2012 WRT contributed an additional $750 to the Company to be used to acquire the general partner interest in a new development property located in Marysville, Washington. WRT is entitled to receive a 12% preferred return, plus a return of its equity, to be paid from cash flow of this property.

At December 31, 2013, the Company owns general partnership interests, certain developer fees, and advances receivable from 30 partnerships owning multifamily and senior housing properties located in California, Idaho, Missouri, Nevada, Oregon and Washington. As of December 31, 2013, WRT has contributed $39,490 and Gancar has contributed $9,460.

Note 2 – Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its subsidiaries, which are either wholly owned or controlled by the Company. The Company identifies entities for which control is achieved through means other than through voting rights (a variable interest entity or VIE) through the analysis as set forth in ASC 810 *Consolidation of Variable Interest Entities* and determines when and which business enterprise, if any, should consolidate the VIE. All 30 Operating Properties are considered VIES and the Company has determined it is the primary beneficiary of the underlying VIEs. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions in determining the values of assets and liabilities and the reported amounts of revenue and expenses during the reporting period.

Estimates and evaluations are susceptible to change and actual results could differ from the estimates and evaluations.

Investment in Rental Property

Rental property is carried at cost. Depreciation for financial reporting purposes is computed using the straight-line method, as follows:

Buildings and improvements	35-40 years
Land improvements	10-15 years
Furniture and fixtures	5-13 years

Expenditures for repairs and maintenance are expensed as incurred.

Costs for the acquisition, development and construction of properties are capitalized to investments in rental property. The company capitalizes costs incurred during construction that are directly attributable to ready the asset for its intended use. The company ceases the capitalization of these costs as assets are placed in service or upon suspension of construction activities.

Upon the acquisition of real estate, the Company assesses the fair value of acquired assets (including land, buildings and improvements, and identified intangibles) and acquired liabilities and the Company allocates the purchase price based on these assessments. The Company assesses fair value based on estimated cash flow projections and utilizes 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. If the acquisition is determined to be a business combination, then the related acquisition costs will be expensed. If the acquisition is determined to be an asset acquisition, then the related acquisition costs will be capitalized.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land, building and improvements and fixtures and equipment based on management's determination of the fair values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases.

Impairment of Long-Lived Assets

The Company reviews its rental property and purchased intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, the Company compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited).

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with initial maturities of three months or less. The Company maintains cash and cash equivalents in financial institutions in excess of insured limits, but believes this risk is mitigated by only investing in or through major financial institutions.

Restricted Cash

Restricted cash held in escrow accounts includes cash reserves for real estate taxes, insurance premiums, tenant security deposits, operating reserves, hedge reserves, replacement reserves, bond cost reserves, principal reserves and other costs pursuant to the bond and loan agreement. The classification of restricted cash within the consolidated statements of cash flows is determined by the nature of the escrow account. Activity in escrow accounts related to real estate taxes, insurance, tenant security deposits and operating reserves is classified as operating activity. Any activity in escrow accounts related to replacement reserves is classified as investing activity. Any debt service reserves are classified as financing activity.

Accounts Receivable and Bad Debts

Accounts receivable are recorded at the contractual amount and do not bear interest. Past due balances are reviewed individually for collectability. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Derivative Financial Instruments

The Company's interest rate swaps and interest rate caps are carried on the balance sheet at fair value. An interest rate swap or interest rate cap is carried as an asset if the counterparty would be required to pay the Company or as a liability if the Company would be required to pay the counterparty. The swaps and caps are not designated as cash flow hedges therefore the change in value is reflected in interest expense. Interest rate caps are carried on the balance sheet as a component of deferred loss.

Deferred costs and Amortization

Tax credit monitoring fees are amortized over their respective tax credit compliance period using the straight line method and are included in amortization expense. Direct financing fees include costs incurred in containing debt are deferred and amortized over the terms of the related agreements as a component of interest expense.

Goodwill

The Company has generated goodwill through the acquisition of certain of its consolidated general partner interests. The Company tests its goodwill for impairment annually. No impairment loss has been recognized during years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited).

Rental Income

Rental income is recognized as rentals become due, which approximates recognition on a straight-line basis over the related lease term. Leases generally have terms of one year and do not include future rent escalation. Rental payments received in advance are deferred until earned. All leases between the Company and tenants of the properties are operating leases.

Deferred Tax Credits

Upon syndication of the Operating Partnerships, investors acquired limited partnership interests in exchange for an obligation by the general partner to provide Internal Revenue Code Section 42 Low Income Housing Tax Credits. As the owner of the general partner interests, the Company is responsible for ensuring that the Operating Properties maintain tax credit compliance. Generally, tax credits may be utilized by the limited partners ratably over a 10 year period, however compliance is required to be maintained for 15 years. If the Operating Properties do not maintain compliance, the general partner is liable for any tax credit deficiencies arising from the non-compliance.

At inception, the Company evaluated the stream of tax credits it was obligated to provide the limited partners based on the remainder of each Operating Property's applicable tax credit period. At June 24, 2011 the Company recorded a deferred tax credit liability of $51,136. The Company amortizes this liability using the straight line method on a property by property basis over each respective tax credit period. The Company recorded deferred tax credit income of $10,120, $11,400 and $5,465 for the years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited), respectively. At December 31, 2013 and 2012 (unaudited), the Company had a deferred tax credit liability of $28,793 and $38,913, respectively.

The Company also considers, on an annual basis, whether it should record any liability associated with its obligation to maintain tax credit compliance for the remaining five years subsequent to the delivery of the tax credits. The Company considers whether it is probable the Internal Revenue Service would seek to recapture any previously delivered tax credits. The Company would record an expense and corresponding liability to the extent any tax credit recapture was probable. No tax credit recapture liability or expense was recorded for the years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited).

Other Financial Expense

Other financial expense include costs incurred related to servicing the bonds as defined in each Trust Indenture. These costs include trustee fees, issuer fees, remarketing fees, compliance fees, liquidity fees and credit enhancement fees.

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities.

Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and other liabilities approximate fair value as they are short-term in nature.

Note 3 - Fair Value Measurements

The accounting standards establish a framework for measuring fair value as well as disclosures about fair value measurements. They emphasize that fair value is a market based measurement, not an entity-specific measurement. Therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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

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

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

Recurring Measurements

Derivative Financial Instruments

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

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting as well as any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

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

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2013, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Recurring Basis	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 2)	Total
Assets				
Interest rate caps	$ —	$ 572	$ —	$ 572
Liabilities				
Interest rate swaps	—	2,199	—	2,199

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 (unaudited), according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Interest rate caps	$ —	$ 820	$ —	$ 820
Liabilities				
Interest rate swaps	—	4,388	—	4,388

There were no inter-level transfers of assets or liabilities during the years ended December 31, 2013 and 2012.

Financial Instruments Not Reported at Fair Value

The carrying value and estimated fair value of financial instruments not recorded at fair value on a recurring basis but required to be disclosed at fair value were as follows (in thousands):

	December 31, 2013				
			Fair value hierarchy level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Mortgages and notes payable	$315,026	$309,594	$ —	$ —	$309,594

	December 31, 2012 (unaudited)				
			Fair value hierarchy level		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Mortgage and notes payable	$292,371	$286,189	$ —	$ —	$286,189

(in thousands)

Note 4 - Investment in Rental Property

Investment in rental property is comprised of the following:

	2013	2012 (unaudited)
Land	$ 63,064	$ 63,064
Land improvements	21,315	21,315
Buildings and improvements	244,419	235,241
Furniture and fixtures	18,893	17,615
Construction in progress	53,936	23,507
Total rental property	401,627	360,742
Accumulated depreciation	26,160	14,962
Investment in rental property, net	$375,467	$ 345,780

Note 5 - Related Party Transactions

Development Fee

The Company enters into development agreements with an affiliate of Gancar. The agreements provide for development fees for services performed in connection with the development of the properties. The fees are payable from cash flows, as defined. As of December 31, 2013 and 2012 (unaudited), the aggregate outstanding fee payable, including interest, of $4,393 and $4,587 respectively was included in payable to affiliates. The interest expense related to the developer fees was $67, $103 and $70 for the years ended December 31, 2013 and 2012 (unaudited) and the period from June 24, 2011 (inception) through December 31, 2011 (unaudited) and is included in related party fees and expenses.

Asset Management Fee

Asset management services are provided by an affiliate of Gancar. The asset management fee equals an annual amount of $1,380. For the years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited), asset management fees of $1,380, $1,380 and $707, respectively are included in related party fees and expenses. Outstanding payables of $76 and $56 at December 31, 2013 and 2012 (unaudited) were included in payable to affiliates.

Several partnership agreements provide for the payment of an asset management fee to a non-controlling interest partner. The asset management fees are paid from cash flows as defined by the partnership agreements. For the years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited), asset management fees to the non-controlling interest partners of $335, $327 and $116, respectively are included in related party fees and expenses. At December 31, 2013 and 2012 (unaudited), the outstanding asset management fees payable to the non-controlling interest partners of $248 and $232 were included in payable to affiliates.

Managing General Partner Fee

The managing general partner of each consolidated entity is entitled to a managing general partner fee. For the years ended December 31, 2013 and 2012 (unaudited) and for the period from June 24, 2011 (inception) through December 31, 2011 (unaudited), managing general partner fees of $151, $149 and $74, respectively are included in related party fees and expenses.

Advance from Affiliate

The Company was advanced funds from an affiliate of Gancar. The advance does not bear interest and is payable on demand. As of December 31, 2013 and 2012 (unaudited), $169 and $43, respectively is payable.

Note 6 - Mortgages and Notes Payable

The Company had outstanding mortgage loans payable and notes payable (collectively the "Mortgages") of $315,026 and $291,371 at December 31, 2013 and 2012 (unaudited), respectively. The Mortgages were funded with the proceeds of state issued bonds. The Mortgage loan payments of principal and interest are generally due monthly.

The Mortgages are collateralized with a first mortgage on the properties and assignment of rents. The Mortgages are further collateralized with direct pay irrevocable transferable credit enhancement instruments with either Fannie Mae or Freddie Mac. Payments under the credit enhancement instruments, if any, are required to be repaid pursuant to the terms of the reimbursement agreements.

The Company's mortgages and notes payable at December 31, 2013 and 2012 (unaudited) are summarized as follows:

(in thousands)

Description	Interest Rate (1)	Maturity Date	Principal Outstanding December 31, 2013	Principal Outstanding December 31, 2012
Agave Associates	SIFMA	10/2036	$ 14,600	$ 14,600
Agave Associates	3.50%	12/2036	2,500	2,500
Vintage at Bend	SIFMA	12/2036	5,395	5,500
Vintage at Bremerton	SIFMA	5/2033	6,200	6,200
Vintage at Burien	SIFMA	1/2038	6,680	6,780
Vintage at Everett	SIFMA	1/2038	16,180	16,395
Forest Creek Apartments	SIFMA	6/2040	13,680	13,680
Hamilton Place Seniors	SIFMA	7/2033	3,590	3,590
Hamilton Place Seniors	5.88%	7/2014	38	100
Holly Village Apartments	SIFMA	7/2032	6,855	7,025
Larkin Place Apartments	SIFMA	7/2033	4,825	4,825
Vintage at Richland	SIFMA	1/2038	7,535	7,535
Rosecreek Senior Living	SIFMA	12/2037	3,262	3,321
Vintage at Sequim	SIFMA + 2.00%	3/2038	6,227	6,299
Silver Creek Apartments	SIFMA	12/2037	12,775	12,985
Vintage at Spokane	SIFMA	8/2040	16,295	16,295
Seven Hills/ St Rose	SIFMA	10/2035	14,770	14,770
Seven Hills/ St Rose	0.00%	10/2052	300	300
The Bluffs Apartments	SIFMA	10/2035	18,300	18,700
The Bluffs Apartments	3.00%	7/2033	8	8
Twin Ponds Apartments	SIFMA +1.05%	1/2038	5,515	5,515
Vintage at Vancouver	SIFMA + 1.80%	3/2036	7,725	7,725
Bouquet Canyon Seniors	6.38%	7/2028	10,699	11,035
Vintage at Chehalis	3.06%	6/2040	8,190	8,190
Elk Creek Apartments	6.24%	11/2039	7,297	7,348
Falls Creek Apartments	6.08%	12/2040	8,262	8,325
Heritage Place Apartments	8.37%	7/2015	1,727	1,772
Heritage Place Apartments	1.00%	5/2039	488	505
Vintage at Mt. Vernon	3.58%	1/2037	8,430	8,540
Vintage at Napa	5.08%	6/2034	5,887	6,032
Vintage at Silverdale	2.83%	9/2039	14,880	14,880
Twin Ponds Apartments	6.20%	1/2038	1,169	1,287
Vintage at Vancouver	8.12%	12/2017	530	638
Vista Sonoma Senior Living	6.56%	1/2032	9,755	10,028
Vintage at Tacoma	4.61%	7/2029	17,800	17,800
Urban Center (Construction Phase)	0.82%	1/2047	41,400	16,400
Quilceda Creek Apartments	3.36%	7/2030	21,020	21,020
Contractual Debt Balance			330,789	308,448
Fair value adjustment (2)			(15,763)	(16,077)
Carrying value of debt			$ 315,026	$ 292,371

Notes to Floating Rate Debt Schedule:

(1) SIFMA = Securities Industry and Financial Markets Association Municipal Swap Index.

SIFMA was .06% at December 31, 2013

Each of the Vintage floating rate debt instruments is subject to an interest rate cap ranging from 5.5% to 8.25%

(2) The fair value adjustment is amortized over the term of the respective debt through interest expense.

(in thousands)

Future scheduled principal maturities (not including fair market value adjustments) are as follows at December 31, 2013:

Year	Amount
2014	$ 4,503
2015	6,528
2016	5,169
2017	5,828
2018	9,137
Thereafter	299,624
	$330,789

Note 7 - Concentration of Credit Risk

The Company maintains its cash balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2013 and 2012 (unaudited).

Note 8 - Commitments and Contingencies

Tax Credits

The Company's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of the Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

Ground Rent

The Company has a ground lease obligation with respect to one of its Operating Properties. The ground lease calls for base rent of $108 per annum, increasing every five years by a percentage which is equal to the percentage increase in the average monthly unit rent over the preceding five year period. Ground rent expense for 2013 was $120. The ground lease expires on December 31, 2073.

Future minimum rental payments under terms of the fixed non-cancelable ground lease under which the company is the lessee as of December 31, 2013 are as follows:

2014 (1)	$ 120
2015 (1)	$ 120
2016 (1)	$ 120
2017 (1)	$ 120
2018 (1)	$ 120
Thereafter (1)	$6,475

(1) Future minimum rent payments do not include estimates of rent changes required by the lease agreements. Therefore payments may differ from those presented.

Note 9 – Subsequent Events

Events that occur after the balance sheet date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through March 31, 2014 and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.