



WINTHROP REALTY TRUST

2010 ANNUAL REPORT



Dear Fellow Shareholders:

March 2011

2010 was an exceptional year for Winthrop, demonstrating to those who follow us the successful execution of our strategy of pursuing value opportunity in our preferred real estate asset classes throughout the capital stack. Through 2010 and the first quarter of 2011, we invested approximately \$180 million in defaulted or defaulting first mortgage debt, rake bonds, mezzanine loans and distressed assets. As the appetite for risk in the market and the investment environment improved, we were able to evolve our investment strategies to adjust to these changes as they occurred. We expect 2011 will continue to be an extremely favorable environment for executing our strategy and we intend to make the most of it.

Looking forward to the balance of 2011, it is our view that the tale of two markets described in our 2009 shareholder letter continues. Rapid price appreciation in gateway cities combined with an increasing influx of debt and equity capital has served to benefit certain asset classes particularly trophy office buildings and hotels in these cities, as well as class A apartment properties in most major markets. But the anemic economic recovery continues to retard operating fundamentals and price growth for the overwhelming majority of real estate assets in most non-gateway markets. With real estate lenders' balance sheets significantly restored and a continued low interest environment, we expect to see the days of "pretend and extend" lending grind to a halt in 2011. Consequently, we are planning for a new round of opportunities based on growing lender sales of first mortgage and fulcrum junior debt. Related to the foregoing will be the need of borrowers to source equity capital to restructure their debt by way of straightforward recapitalization or discounted pay-off of their obligations. We see these related opportunities as the principal sources of our investment strategy for 2011. If well selected, the downside risk to our capital is simply repayment with a market return while the upside benefit is an attractive risk adjusted equity return.

Of growing interest to us is the emergence of "control transactions" in which an investment in a controlling entity—for example an operating manager, general partner or collateral manager—provides our company with a potential basket of investment opportunities through the underlying real estate assets overseen by the controlling entity. Our recent agreements to invest in Vintage Housing Holdings LLC and the acquisition of the collateral management agreements for three CDOs as well as our agreement with Axxcess Capital to source tenant-in-common and other multi-ownership opportunities for us is reflective of this strategy. We believe that these and future transactions will substantially enhance our ability to participate in restructurings and recapitalizations.

We exited 2010 with our existing operating properties' portfolio, including our joint ventures, consisting of 40 properties containing 8.5 million square feet. The newest additions to our office operating properties, Crossroads at Meridian I and II located in the Denver submarket of Englewood and the Deer Valley Professional Building, a medical office building located in

Phoenix have been experiencing positive leasing. These properties which were approximately 50% leased when acquired have a cost basis of \$75 per square foot for the two Crossroads properties and \$150 per square foot for Deer Valley, both of which are significantly below their replacement value. These investments, which we acquired through foreclosure, are illustrative of the kinds of distressed opportunities which reflect our loan to own strategy.

As we discussed previously, we continue to face some challenges in our legacy property portfolio, specifically, our suburban Chicago properties along with our Northwest Atlanta properties which we hold in our Sealy joint venture. The markets in which these properties operate have experienced significant occupancy weakness from which we are not immune and we have been working with lenders to restructure the debt in order to preserve our investment. Our other operating properties, downtown Chicago and the net leased properties continue to perform well and we would consider increasing our portfolio for these type of assets.

As noted earlier, our decision to focus our investment strategy on loan assets resulted in a considerable growth in the loan portfolio as our efforts at sourcing loan investments has been well rewarded. With the benefit of hindsight, our investing in 2010 was more overweighting, rather than underweighting, risk. As mentioned before, the biggest risk that we see to our existing loan asset portfolio and future loan investments is repayment at par in view of the capital market issues described previously. For example, at the time of our 2009 initial investment in the debt secured by Metropolitan Tower we anticipated we would end up with an equity stake in the property. In March 2011, however, we were repaid \$23.5 million on our \$11.5 million investment. While this tightening of debt pricing has limited the opportunities in distressed debt, it conversely has likely created value for Concord, our debt venture with Inland American Real Estate Trust and Lexington Realty Trust, particularly after the recent Delaware Supreme Court victory.

Finally, our REIT securities portfolio continues to serve us well. The investments made in 2009 provided exceptional returns at a time of market turmoil. Beginning in 2010 as the market appreciated and prices increased, we began the disposition of these investments and redeployment of the capital consistent with our previously described strategy. Our ability to move our capital throughout the capital stack relatively quickly continues to be of singular advantage to our company.

Please review our Supplemental Information, which we post to our website at www.winthropreit.com, as it contains a wealth of information related to each of our investments. We have endeavored to make the performance of our company transparent and straightforward in helping the investment community understand and evaluate our diversified investment approach. This is an ongoing effort for which we are seriously focused. We welcome any comments you might have in this regard. We believe strongly in Winthrop and want to constantly improve the information flow to assist in discerning the value we are creating.

As an opportunistic investor, this is our time. Since January 2010 we have invested and committed to invest approximately \$207.7 million in transactions which we believe to be extremely accretive to the value of our shares. Our acquisition team has been working in overdrive to source new pipelines of attractive opportunities. As large shareholders we are fully aligned with all our stakeholders and we look forward to continuing to implement our strategy to build long term value.

We are grateful and wish to acknowledge the efforts of our team who have worked, sometimes under very exigent circumstances, to enhance the value of our existing assets and identify opportunities for new investments. We, together with our Board of Trustees, hope to see you at our annual shareholders meeting on May 10, 2011 at 11:00 A.M. local New York time.

Michael L. Ashner

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Chairman of the Board and
Chief Executive Officer

Carolyn B. Tiffany

A handwritten signature in black ink, featuring a stylized 'C' and 'B' followed by a long, sweeping horizontal stroke.

President

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**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, 2010

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

02114

(Address of principal executive offices)

(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
Common shares, \$1.00 par value

Name of Exchange on Which Registered
New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

As of March 1, 2011, there were 27,088,347 Common Shares outstanding.

At June 30, 2010, the aggregate market value of the Common Shares held by non-affiliates was \$229,464,877.

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, 2010, are incorporated by reference into Part III hereof.

WINTHROP REALTY TRUST
CROSS REFERENCE SHEET PURSUANT TO ITEM G,
GENERAL INSTRUCTIONS TO FORM 10-K

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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 distributions by us;
- the ownership, management and operation of properties;
- potential acquisitions or dispositions of our properties, assets or other businesses;
- our policies regarding investments, acquisitions, 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;
- supply of real estate investment opportunities and demand;
- trends affecting us or our assets;
- the effect of acquisitions or dispositions on capitalization and financial flexibility;
- the anticipated performance of our assets and of acquired properties and businesses, including, without limitation, statements regarding anticipated revenues, cash flows, funds from operations, earnings before interest, depreciation and amortization, property net operating income, operating or profit margins and sensitivity to economic downturns or anticipated growth or improvements in any of the foregoing; and
- our ability, and that of our assets and acquired properties and businesses to grow.

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.

SHARE SPLIT

In November 2008 Winthrop Realty Trust effected a 1-for-5 reverse stock split, which we refer to as the Reverse Split, of its Common Shares of Beneficial Interest, which we refer to as Common Shares, pursuant to which each of five shares of its Common Shares issued and outstanding as of the close of the market on November 28, 2008 were automatically combined into one Common Share, subject to the elimination of fractional shares. All Common Share and per Common Share data included in this Annual Report on Form 10-K and the accompanying Consolidated Financial Statements and Notes thereto have been adjusted to reflect this Reverse Split.

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 are engaged in the business of owning real property and real estate related assets which we categorize into three reportable segments: (i) the ownership of investment properties, including properties in joint ventures consolidated or accounted for on an equity method basis, which we refer to as operating properties; (ii) the origination and acquisition of senior loans, mezzanine loans and debt securities secured directly or indirectly by commercial and multi-family real property, which loans we refer to as loan assets; and (iii) the ownership of equity and debt securities in other real estate investment trusts (REITs), which we refer to as REIT securities.

At December 31, 2010 we held (i) interests in operating properties totaling \$373,142,000 and containing approximately 8.5 million square feet of rentable space, (ii) loan assets totaling \$134,269,000, (iii) REIT securities with a market value of \$33,032,000 and (iv) cash and cash equivalents of \$45,257,000.

Our executive offices are located at 7 Bulfinch Place, Suite 500, Boston, Massachusetts 02114 and Two Jericho Plaza, Jericho, NY 11753. Our telephone number is (617) 570-4614 and our web site is located at <http://www.winthropreit.com>. The information contained on our web site does not constitute part of this Annual Report on Form 10-K. On our web site 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.

History

We began operations in 1961 under the name First Union Real Estate Equity and Mortgage Investments. Effective December 31, 2003, FUR Investors LLC acquired 32% of our then outstanding Common Shares and FUR Advisors LLC, which we refer to as FUR Advisors or our Advisor, was retained as our external advisor, our Board of Trustees was substantially reconstituted and Michael Ashner was appointed Chief Executive Officer and he entered into an exclusivity agreement with the Trust. Since January 1, 2004, we have been externally managed by FUR Advisors. Both FUR Advisors and FUR Investors LLC are separate entities controlled by Mr. Ashner, owned by our current executive officers and senior management, including Mr. Ashner, and members of senior management of AREA Property Partners, formerly known as Apollo Real Estate Advisors Inc., a New York based real estate investment fund.

Commencing January 1, 2004, we began to seek out more opportunistic investments across the real estate spectrum, whether they be operating properties, loan assets or REIT securities. On January 1, 2005 we elected to form the Operating Partnership and contributed all of our assets to the Operating Partnership in exchange for 100% of the ownership interests in the Operating Partnership. Our Operating Partnership structure, commonly referred to as an umbrella partnership real estate investment trust, provides us with additional flexibility when acquiring properties as it enables us to acquire properties for cash and/or by issuing to sellers, as a form of consideration, limited partnership interests in our operating partnership thereby enabling us to structure transactions which may defer tax gains for a seller while preserving our available cash for other purposes.

Management

Under the terms of the Advisory Agreement between FUR Advisors and us, FUR Advisors administers our affairs including seeking, servicing and managing our investments. For providing these and other services, FUR Advisors receives a base management fee and is entitled to an incentive fee after common shareholders have received a return of a specified amount which is based on a fixed price for Common Shares outstanding at December 31, 2003 plus the issuance price for Common

Shares issued thereafter together with a cumulative 7% annual return thereon. See “Employees” below for a description of the fees payable to FUR Advisors.

Pursuant to our bylaws, 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, either directly or upon the conversion of any of our Series B-1 Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest, which we refer to as our Series B-1 Preferred Shares, or Series C Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest, which we refer to as our Series C 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

We are engaged in the business of owning and managing real property and real estate related assets. Our business objective is to maximize long term shareholder value through a total return value approach to real estate investing. As a result of our emphasis on total return, while we seek to achieve a stable, predictable dividend for our shareholders, we do not select or manage our investments for short-term dividend growth, but rather towards achieving overall superior total return. We believe this approach will ultimately result in long term increased share value.

We are a diversified REIT and as such we are able to invest in transactions which a dedicated REIT with narrow investment parameters would be unable to consider resulting in a broad range of investment opportunities. These opportunities include different investment types, sectors, and geographic areas all at varying levels in the capital stack. As such, from time to time the types of real estate investments we will acquire may vary. In addition, because of our size we are able to make investments in transactions that are smaller and would generally be disregarded by larger real estate investors. In this regard, as opportunities present themselves and as market conditions dictate, we will focus our investment activity in one or more of our three business segments (i) operating properties; (ii) loan assets; and (iii) REIT securities, and aggressively pursue such opportunities. That is, subject to economic and credit market conditions, we will seek to:

- acquire operating properties of specific property types and locations that we believe:
 - are undervalued,
 - present an opportunity to outperform the marketplace while providing recurring current or potentially recurring cash flow, or
 - can provide superior returns through an infusion of capital and/or improved management;
- acquire portfolios or interests in portfolios at properties within characteristics similar to the above;
- acquire loan assets using the same criteria for operating properties, as well as consideration of loan assets that may present an opportunity for us to acquire through foreclosure an equity interest in the underlying real estate collateral;
- acquire securities issued by other REITs we believe are undervalued; and
- divest investments as they mature in value to the point where we may be unlikely to achieve better than market returns in order to redeploy capital to what we believe to be higher yielding opportunities. Consistent with our total return approach to investing, it is not possible to predict when we will exit any particular investment.

We acquire assets through direct ownership as well as through strategic alliances and ventures. Our primary sources of income are rental income and tenant recoveries from leases of our operating properties, interest income and discount accretion from our loan assets, and interest and dividend income and appreciation from our investments in REIT securities.

Based on market conditions in 2010, we focused our investment activity in our loan asset segment. We seek to enter into ventures with third parties who have a presence, experience and expertise in specific geographic areas and/or specific asset types. Further, with respect to ventures that we manage we seek to enhance our total return with asset management and other fees, and promoted economic interests and appreciation. We currently expect that our focus on loan assets will continue in 2011. Currently we expect to concentrate our investment activities in assets that we believe are higher quality office, retail and multi-family properties, along with high-end hospitality assets as we expect these will be the first to recover. We generally do not pursue those investments in which there is a significant component of raw land, development risk, specialty real estate or condominiums, unless the condominium project can be converted to a conventional multi-family property.

To enhance our total return, we utilize leverage. We seek to limit risk associated with utilization of leverage by seeking to make our investments through discrete single purpose entities in which we do not guaranty, other than customary

environmental and recourse carve-out guarantees, the debt of our single purpose subsidiaries, thereby limiting the risk of loss to that particular investment or joint venture.

As a REIT, we are dependent primarily on external equity and debt financing to fund the growth of our business because of the distribution requirements for a REIT which significantly limits our ability to re-invest cash flow and capital proceeds. We have historically used public equity markets, joint venture equity, and secured financing as our primary sources of capital including raising capital through public offerings as we did in September 2010. We expect to continue to fund our investments through one or a combination of: cash reserves, borrowings under our credit facility, redeployment of capital from timely asset sales, property loans, the issuance of debt or equity securities and the formation of joint ventures. Finally, we maintain a stock purchase and dividend reinvestment plan which enables our existing shareholders to reinvest their dividends as well as purchase additional shares at a discounted price.

Assets

Loan Assets

The following table sets forth certain information relating to our loans receivable, carried at historical cost, and loan securities carried at fair value. All information presented is as of December 31, 2010. Dollars are stated in thousands.

Name	Loan Position	Asset Type	Location	Stated Interest Rate (1)	Carrying Amount (2)	Par Value	Maturity Date (3)	Senior Debt (4)
<u>Loans Receivable</u>								
Beverly Hilton (10)	B Note	Hotel	Beverly Hills, CA	Libor + 1.74%	\$ 7,899	\$ 10,000	08/09/11	\$ 166,000
Metropolitan Tower	B Note	Office	New York, NY	Libor + 1.51%	10,312	15,000	11/01/11	81,559
Westwood *	Whole loan	Office	Phoenix, AZ	11.00%	3,500	3,500	04/30/12	-
Siete Square	B Participation	Office	Phoenix, AZ	10.37%	2,488	2,500 (5)	06/09/12	3,000
Moffett Towers *	B Note	Office	Sunnyvale, CA	Libor + 6.48%	21,752	21,603	07/31/12	108,786
160 Spear	B Note	Office	San Francisco, CA	9.75%	6,674	15,000 (5)	06/09/13	35,000
160 Spear	Mezzanine	Office	San Francisco, CA	15.00%	3,029	3,000	06/09/13	50,000
Legacy Orchard *	Secured	Corporate Loan	n/a	15.00%	9,750	9,750 (5)	10/31/14	-
San Marbeya *	Whole loan	Multi-Fam	Tempe, AZ	5.88%	26,966	30,930	01/01/15	-
Rockwell *	Mezzanine	Industrial	Shirley, NY	12.00%	255	1,496	05/01/16	17,045
500-512 7th Ave *	B Note	Office	New York, NY	7.19%	9,954	11,638	07/11/16	253,673
180 N. Michigan (6)	Mezzanine	Office	Chicago, IL	8.50%	1,862	1,862	12/31/16	18,080
Wellington Tower	Mezzanine	Mixed use	New York, NY	6.79%	2,456	3,501	07/11/17	22,500
CDH CDO LLC *	Unsecured	n/a	n/a	12.00%	3,498	3,498	12/30/15	-
					<u>\$ 110,395</u>			
<u>Loan Securities</u>								
WBCMT 2007 WHL8	CMBS	Hotel	Various	Libor + 1.75%	\$ 45	1,130	06/09/12	1,470,264
Metropolitan Tower*	Rake Bonds	Office	New York, NY	(7)	6,668	8,748	11/01/11	72,812
West Olive	Rake Bonds	Office	Burbank, CA	(8)	4,606	6,364	02/28/13	15,666
Concord CDO-1 *	CDO Bonds	Various	Various	Libor + 1.20%	662	662 (5)	12/25/46	288,025
					<u>\$ 11,981</u>			
<u>Loans in Equity Investment (9)</u>								
Riverside Plaza*	B Note	Retail	Riverside, CA	12.00%	\$ 7,883	7,800	12/01/12	54,400

* Loan Asset was acquired by the Trust in 2010. Additional loan asset details are described below.

- (1) Represents contractual interest rates without giving effect to loan discount and accretion. The stated interest rate may be significantly different than the Trust's effective interest rate on certain loan investments.
- (2) Carrying amount includes all applicable accrued interest and accretion of discount.
- (3) After giving effect to all contractual extensions.
- (4) Debt which is senior to our loan.
- (5) Par Value is presented at the borrowers discounted payoff option (DPO) amount.
- (6) Represents a tenant improvement and capital expenditure loan collateralized by a subordinate mortgage or the ownership interest in the property owner.
- (7) Ranges from Libor + 1.15% to Libor + 1.35%.
- (8) Ranges from Libor + 0.65% to Libor + 1.60%.
- (9) Equity investment amounts are presented based on the Trust's 50% ownership percentage.
- (10) Under contract to sell at par. Expected closing in July 2011.

Loan Asset Acquisitions

500-512 Seventh Avenue - New York, New York – B Note - On July 9, 2010 we acquired for \$19,825,000 a \$23,499,000 performing B note in a first mortgage loan which is subordinate to a \$253,673,000 A note in the mortgage loan. The A note and B note are collateralized by a 1,188,000 square foot office building located at 500-512 Seventh Avenue New York, New York. The B note bears interest at 7.19% and has a scheduled maturity date of July 11, 2016. In August, 2010 we sold a participation in the B note as described in the “Loan Asset Modifications” section below.

San Marbeya Apartments - Tempe, Arizona - First Mortgage Loan - On July 23, 2010 we acquired for \$26,990,000 a \$31,106,000 performing first mortgage loan. The loan is collateralized by a 276 unit apartment complex referred to as San Marbeya Apartments located in Tempe, Arizona. The loan bears interest at a blended rate of 5.88% and has a scheduled maturity date of January 1, 2015. In January 2011 we sold a senior participation in this first mortgage loan as described in the “Loan Asset Modifications” section below.

Rockwell – Shirley, New York – Mezzanine Loan - On August 31, 2010 we acquired from Concord Debt Holdings, LLC, which we refer to as Concord, for \$235,000 a \$1,497,000 performing mezzanine loan. The loan is collateralized by a 129,660 square foot industrial/warehouse complex in Shirley, New York. The loan bears interest at 12% and has a scheduled maturity date of May 1, 2016.

Legacy Orchard – Corporate Loan - On October 22, 2010 we acquired for \$9,750,000 an existing \$39,000,000 performing loan made to a private real estate equity fund and then modified the loan to provide for: (i) an interest rate of 15% on the \$9,750,000 investment amount; (ii) collateral in the form of a \$3,000,000 million letter of credit, a first mortgage on land and a security interest in other assets; (iii) a scheduled maturity date of October 31, 2014 and, (iv) subject to the satisfaction of certain conditions by the borrower a discounted payoff option after one year of \$9,750,000.

Westwood Business Park - Phoenix, Arizona - Whole Loan - On October 29, 2010 we acquired for \$4,100,000, a first mortgage loan secured by an interest in four class B office buildings, containing 91,100 square feet of office space in Phoenix, Arizona. Upon acquisition of the loan, the borrower made a principal payment of \$600,000 and the loan was restructured to reduce the then outstanding principal to \$3,500,000 and to provide for a future funding component which allows the borrower to draw up to \$400,000 to fund 50% of the tenant improvement and leasing commission costs on new leases. The loan bears interest at 11% and has a scheduled maturity date of October 31, 2011.

Moffett Towers – Sunnyvale, California – B Note - On October 29, 2010 we acquired at par a \$21,428,000 senior participation in a B note secured by a first mortgage lien on a 951,000 square foot, recently constructed class A office complex located in Sunnyvale, California. The loan bears interest at Libor plus 6.48% (with a Libor floor of 1.5%) and has a scheduled maturity date of January 31, 2012.

Metropolitan Tower - New York, New York - Rake Bonds – On December 30, 2010, pursuant to a purchase option, we acquired from Concord Debt Funding Trust, which we refer to as CDFT, for \$5,250,000 two rake bonds with an aggregate face amount of approximately \$8,748,000, a weighted average interest rate of Libor plus 1.30% which have a scheduled maturity date of November 1, 2011. The rake bonds are secured by the 260,000 square feet of office space constituting the office portion of Metropolitan Tower located in New York, New York. On December 30, 2010 in connection with the acquisition of the Metropolitan Tower rake bonds CDFT borrowed \$3,498,000 from us in the form of an unsecured loan. The loan bears interest at 12% and has a scheduled maturity date of December 30, 2015.

Loan Asset Modifications

Siete Square – Phoenix, Arizona – B Note Participation - On February 5, 2010, we restructured our loan into a \$3,000,000 Sub-Participation A interest which bears interest at 8% and a \$4,219,000 Sub-Participation B interest. We sold the Sub-Participation A interest at par to Concord Real Estate CDO-1, Ltd., which we refer to as CDO-1, on the same date.

500-512 Seventh Avenue - New York, New York - B Note Participation - On August 4, 2010, we restructured our loan and sold a 50% pari passu participation interest in the B note for a purchase price of \$9,859,000 which represented one-half of our cost basis in the B note.

San Marbeya Apartments, Tempe, Arizona-First Mortgage Loan - On January 14, 2011, we restructured our loan into a \$15,150,000 senior participation, which bears interest at 4.85%, and a \$15,744,000 junior participation, which bears interest at 6.4%. We concurrently sold the senior participation to CDO-1 at par.

Loan Asset Acquisitions and Conversions to Operating Properties

Crossroads II at Meridian, Englewood Colorado- On June 11, 2010 we acquired for \$8,100,000 a \$10,031,000 non-performing first mortgage loan collateralized by an 118,000 square foot, class A office building located at 9780 Mount Pyramid Court, Englewood Colorado, known as Crossroads II at Meridian. On November 17, 2010 we foreclosed on the first mortgage loan and acquired the property.

Deer Valley Medical Center, Deer Valley, Arizona - On June 28, 2010 we acquired for \$10,257,000 a \$20,491,000 non-performing first mortgage loan collateralized by an 86,000 square foot, class A medical office building known as the Deer Valley Professional Center. On August 6, 2010 we foreclosed on the first mortgage loan and acquired the property.

Newbury Apartments - Meriden, Connecticut - On September 2, 2010 we acquired from Concord for \$550,000 a non-performing mezzanine loan with a face amount of \$3,500,000, which was collateralized by a 180 unit multi-family apartment complex located in Meriden, Connecticut. The loan was subordinate to a non-performing first mortgage loan with a principal balance of approximately \$23,875,000. On October 29, 2010 we foreclosed on the equity interest in the property owner resulting in our becoming the indirect owner of the property subject to the first mortgage loan.

In February 2011 we reached an agreement with the first mortgage lender to repay all past due interest and fees of approximately \$853,000, to fund escrows of approximately \$83,000, to prepay March's debt service inclusive of escrows of approximately \$150,000 and to pay a modification fee of approximately \$119,000 (0.5% of the loan balance). In exchange the lender waived all defaulted interest, modified the payments to interest only and extended the maturity date to February 1, 2014.

Loan Asset Acquired and Repaid During the Year

Driver Building - San Diego, California – On May 14, 2010 we acquired at par a non-performing \$6,540,000 first mortgage loan. On August 27, 2010 we received full repayment on the outstanding principal, stated and defaulted interest as well as late fees.

1701 E. Woodfield Road - Schaumburg, Illinois - On July 1, 2010 we acquired for \$8,200,000 a \$10,408,000 performing first mortgage loan collateralized by a 174,400 square foot office building located at 1701 E. Woodfield Road, Schaumburg, Illinois, a suburb of Chicago. The property is owned in a joint venture with Marc Realty. Simultaneously with the acquisition of this loan, the venture made a principal payment on the loan of \$3,200,000 (both Marc Realty and us contributed 50% each) and the loan was modified to reduce the balance to \$5,000,000, increase the interest rate to 8% per annum and extend its maturity to July 1, 2011. The joint venture subsequently repaid the outstanding principal and interest on September 28, 2010 from the proceeds of a new first mortgage loan.

Scripps Center, Costa Mesa, California – Rake Bonds - On July 16, 2010 we acquired from Concord for \$1,200,000 two rake bonds with an aggregate face amount of \$2,273,000. The bonds were repaid at face on December 1, 2010.

Loan Asset Acquisitions and Other Loan Asset Transaction Activity through our Equity Investments

Riverside Shopping Center, Riverside, California – On June 28, 2010 we formed a 50%-50% joint venture entity which acquired at par a 12% \$15,600,000 B participation in a performing \$70,000,000 first mortgage loan. The first mortgage loan is collateralized by a 405,000 square foot retail center located in Riverside, California.

Peter Cooper Village/Stuyvesant Town Investments, New York, New York - On August 6, 2010 we formed a joint venture, PSW NYC LLC, which we refer to as PSW NYC, in which we held a 22.5% interest, to acquire 100% of the \$300,000,000 face amount of certain mezzanine loans indirectly collateralized by an 11,227 unit apartment complex in New York City for a purchase price of \$45,000,000, with the intention of foreclosing on the collateral. As a result of an action brought by the first mortgage lender PSW NYC was prohibited from foreclosing. To settle the matter with the first mortgage lender, PSW NYC agreed to sell to the first mortgage lender the mezzanine loans for the original cost (\$45,000,000) paid by PSW NYC.

Concord, CDH CDO and Lex-Win Concord LLC - On August 26, 2010, we, together with our two joint venture partners in Concord, restructured the investment such that each partner now holds a one-third interest in Concord and in a newly formed entity, CDH CDO LLC, which we refer to as CDH CDO. As part of the restructuring, Concord transferred to CDH CDO for \$10,635,000 the equity interest in CDFT, the sole equity owner of CDO-1. The purchase price was funded by a capital contribution from one of our joint venture partners which contribution is entitled to a priority return of 10% per annum. Also during 2010 and the first quarter of 2011, Concord satisfied its obligations under its Credit Suisse repurchase agreement and one of its RBS repurchase agreements. As a result, Concord's sole remaining obligations are with its KeyBank credit facility and its RBS repurchase agreement with respect to its interest in the Sofitel hotel in New York, New York. Although Concord remains in violation of certain debt covenants under both of these remaining obligations, Concord's debt is non-recourse to us and Concord's lenders' sole recourse with respect to defaults is limited to the value of Concord's assets.

In January 2010, CDFT submitted for cancellation certain bonds issued by CDO-1 and held by CDFT. The trustee for CDO-1 refused to cancel such bonds and CDO-1 brought an action in the Delaware Court of Chancery seeking declaratory relief that such bonds should be cancelled and no longer remained outstanding. Pending the court's decision, the trustee escrowed all payments on account of the bonds and distributions payable to CDFT from CDO-1's assets. In addition, the trustee also escrowed any principal payments that could otherwise have been used for reinvestment by CDO-1 in additional or replacement assets. In May 2010 the Delaware Court of Chancery issued a ruling that the bonds submitted for cancellation should be deemed no longer outstanding effective January 2010. The trustee appealed the ruling and on March 4, 2011, the Delaware Supreme Court affirmed the Delaware Court of Chancery's ruling that the bonds submitted for cancellation should be deemed no longer outstanding effective January 2010. As a result, we expect the trustee to release the funds held in escrow thereby enabling CDO-1 to make all current and past due payments on its remaining bonds as well as to pay distributions to CDFT, which distributions will be used by CDFT to repay the loan of \$3,498,000 made by us on December 30, 2010 and the purchase price owed by CDFT to us on account of its purchase of CDO-1 bonds originally purchased by us and which CDFT had an option to acquire. In addition, we expect that the trustee will release the approximately \$33,497,000 in principal payments received and held in the CDO-1 reinvestment account which may be used by CDO-1 to acquire new assets for the benefit of CDO-1's noteholders and CDFT. Furthermore, assuming CDO-1 continues to satisfy its financial tests set forth in its indenture, we expect that CDO-1 will continue to make distributions to CDFT, which in turn will make distributions to its equity holders including us.

Operating Properties

In addition to the loans that were converted to operating properties through foreclosure previously discussed, we made the following acquisitions in 2010:

Operating Property Acquisitions

Crossroads I at Meridian - Englewood, Colorado - On December 22, 2010 we acquired for \$8,700,000 an 118,000 square foot, class A office building located at 9800 Mount Pyramid Court, Englewood, Colorado known as Crossroads I at Meridian, which is adjacent to the Crossroads II property we acquired through foreclosure in November 2010.

Land Acquisitions

Kroger Properties - During the first quarter of 2010 we exercised our option to acquire the land underlying six of the properties held in land estates which were scheduled to expire on October 31, 2010 and were leased to the Kroger Company. The acquisition of the six land parcels was consummated on November 1, 2010 at an aggregate purchase price of approximately \$4,209,000.

Plantation, Florida - On November 22, 2010 we exercised our option and acquired the land underlying the Plantation, Florida property leased to BellSouth Telecommunication, Inc. for a purchase price of \$4,000,000.

Andover, Massachusetts - On December 20, 2010 we exercised our option and acquired the land underlying the Andover, Massachusetts property leased to PAETEC Communications, Inc. for a purchase price of \$1,200,000.

REIT Securities

At December 31, 2010 our investments in REIT securities consisted of the following (in thousands):

	Cost	Fair Value
REIT Preferred Shares	\$ 15,757	\$ 28,547
REIT Common Shares	3,590	4,485
	<u>\$ 19,347</u>	<u>\$ 33,032</u>

Revolving Line of Credit

For information on our Revolving Line of Credit, see ITEM 8 – Financial Statements and Supplementary Data, Note 10.

Employees

As of December 31, 2010, we had no employees. Our affairs are administered by our Advisor, pursuant to the terms of the Advisory Agreement, which includes providing asset management services and coordinating with our shareholder transfer agent and property managers. Under the Advisory Agreement, during 2009 we paid 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. For purposes of the calculation, the 15,754,495 Common Shares outstanding at January 1, 2009 were valued at \$11.00 and with respect to the 1,496,000 Series B-1 Preferred Shares outstanding after giving effect to the repurchases of Series B-1 Preferred Shares during the fourth quarter of 2008 and the first quarter of 2009 were valued at \$25.00 per Series B-1 Preferred Share. Any additional future conversions, redemptions or repurchases of the Series B-1 Preferred Shares do not reduce the base equity for purposes of the base management fee calculation.

Effective January 1, 2010, the Advisory Agreement was amended so that the determination of the issuance price of Common Shares reverted back to the pre 2009 definition such that the fee is to be calculated on the actual issuance price of Common Shares instead of a fixed price for Common Shares issued prior to January 1, 2009. This change will result in an increase, without giving effect to any additional shares issuances, to the annual advisory fee payable to FUR Advisors of approximately \$2,100,000 over what would have been paid without the amendment, which increase was phased in with 54% of the increase being paid during 2010. The full impact of the increase will be recognized in 2011.

Pursuant to the terms of the Advisory Agreement, in addition to receiving a base management fee, FUR Advisors is entitled to receive an incentive fee for administering the Trust. FUR Advisors, or its affiliate, is also entitled to receive property and construction management fees at commercially reasonable rates, as determined by our independent Trustees. The incentive fee which is equal to 20% of any amounts available for distribution in excess of a threshold amount (as defined) is only payable at such time, if at all, (i) when holders of our Common Shares receive aggregate distributions above a 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 a return of invested capital (based on initial share issuance price) plus a 7% annual return thereon (the threshold amount) or, if the Advisory Agreement is terminated, if the assets of the Trust exceed the threshold amount. At December 31, 2010 the threshold amount was approximately \$468,193,000, which was equivalent to \$16.58 per diluted Common Share.

Competition

We have competition with respect to our acquisition of operating properties and our acquisition and origination of loan assets with many other companies, including other REITs, insurance companies, commercial banks, private investment funds, hedge funds, specialty finance companies and other investors. Some competitors may have a lower cost of funds and access to

funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or make different risk assessments, which could allow them to consider a wider variety of investments. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

We will continue to capitalize on the acquisition and investment opportunities that our Advisor brings to us as a result of its acquisition experience as well as our partners in ventures. 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

Business segment data may be found under ITEM 8 – Financial Statements Note 20 and Supplementary Data.

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 June 14, 2010, following our 2010 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, property owners, loan originators and holders and equity investors as well as a number of risks involved in our investment, operating, and capital strategy policy that not all REITs may have. Material factors that may adversely affect our business operations and financial conditions are summarized below.

Risks incidental to real estate investments.

As a REIT our investments are limited to direct ownership and operation of operating properties, loan assets secured, directly or indirectly, by operating assets, and investments in other REITs. Accordingly, an investment in us depends upon our financial performance and the value of our operating properties held from time to time as well as those securing our loan assets, and those held by the REITs in which we invest, 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;
- increases 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 you as dividends.

We may change our investment and operational policies.

We may change our investment and operating strategy either voluntarily or as result of changing economic conditions, including our policies with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions at any time which could result in our making investments that are different from, and possibly riskier than, our current investments. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect our financial condition, results of operations, share price and our ability to make distributions.

We may not be able to invest our cash reserves in suitable investments.

As of December 31, 2010, we had approximately \$45,257,000 of cash and cash equivalents available for investment. Our ability to increase entity value is dependent upon our ability to grow our asset base by investing these funds, as well as additional funds which we may raise or borrow, in real estate related assets that will ultimately generate more favorable returns.

We may not be able to obtain capital to make investments.

As a REIT, we are dependent primarily on external financing to fund the growth of our business because one of the requirements for a REIT is that it distribute at least 90% of its annual REIT taxable income, subject to certain adjustments, to its shareholders. Accordingly, to the extent we are unable to obtain debt or equity financing it will likely have a material adverse affect on our financial condition and results of operations, our stock price and our ability to pay dividends to our shareholders.

We are subject to significant competition and we may not compete successfully.

We have significant competition with respect to our acquisition of operating properties and our acquisition and origination of loan assets with many other companies, including other REITs, insurance companies, commercial banks, private investment funds, hedge funds, specialty finance companies and other investors some of which may have a lower cost of funds and access to funding sources that are not available to us. In addition, many of our competitors have greater resources than we do and for this and other reasons, we may not be able to compete successfully for particular investments.

Investing through ventures presents additional risks.

Our investments in ventures present additional risks such as our having objectives that differ from those of our partners or in the investments we make, becoming involved in disputes concerning operations, or possibly competing with those persons for investments unrelated to our venture. In addition, where we do not control the venture, we rely on the internal controls and financial reporting controls of our partners and, as such, their failure to comply with applicable standards may adversely affect us.

Investing in private companies involves specific risks.

We have held and may acquire additional ownership interests in private companies not subject to the reporting requirements of the SEC. Investments in private businesses involve a higher degree of business and financial risk, which can result in substantial losses and accordingly should be considered speculative. There is generally no publicly available information about these private companies, and we will rely significantly on the due diligence of our Advisor to obtain information in connection with our investment decisions.

Our due diligence may not reveal all of the liabilities associated with a proposed investment and may not reveal other weaknesses.

There can be no assurance that due diligence by our Advisor in connection with a new investment will uncover all relevant facts which could adversely affect the value of the investment and the success of the investment.

We face risks associated with property acquisitions.

We acquire properties and portfolios of properties, including large portfolios that would increase our size and potentially alter our capital structure. Although we enter into these acquisitions with the belief that they will enhance our future financial performance, the success of such transactions is subject to a number of factors, including the risk that:

- we may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;
- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and
- we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and manage new properties in a way that allows us to realize cost savings and synergies.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership. This acquisition structure has the effect, among other factors, of reducing the amount of tax depreciation we can deduct over the tax life of the acquired properties, and typically requires that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions on dispositions could limit our ability to sell an asset during a specified time, or on terms, that would be favorable absent such restrictions.

Acquired properties may subject us to known and unknown liabilities.

Properties that we acquire may be subject to 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 an acquired 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 acquired properties could include:

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

Failure to renew expiring leases could adversely affect our financial condition.

We are subject to the risk that, upon expiration, leases may not be renewed, the space may not be relet or the terms of renewal or reletting, including the cost of any required renovations, may be less favorable than the prior or current lease terms. This risk is substantial with respect to our net leased properties as single tenants lease 100% of each property. Thirteen of our properties, containing an aggregate of approximately 2,560,000 square feet of space are net leased to six different tenants. Leases accounting for approximately 5% of the aggregate annualized base rents from our operating properties for 2010, representing approximately 5% of the net rentable square feet at the properties, are scheduled to expire in 2011. The lease at our Churchill, Pennsylvania property which accounted for approximately \$3,100,000 in annual rental revenue in 2010, expired December 31, 2010. Other leases grant tenants early termination rights upon payment of a termination penalty. Lease expirations will require us to locate new tenants and negotiate replacement leases with them. The costs for tenant improvements, tenant concessions and leasing commissions with respect to new leases are traditionally greater than costs relating to renewal leases. If we are unable to promptly relet or renew leases for all or a substantial portion of the space subject to expiring leases, or if the rental rates upon such renewal or reletting are significantly lower than expected, our revenue and net income could be adversely affected.

We are subject to risks associated with the financial condition of our 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 addition, a tenant may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of such tenant's lease and cause a reduction in our cash flow. If this were to occur at a net lease property, the entire property would become vacant.

We cannot evict a tenant solely because of its filing for bankruptcy. A bankruptcy court, however, may authorize a tenant to reject and terminate its lease. In such a case, our claim against the tenant for past due rent and unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. In any event, it is unlikely that a bankrupt tenant will pay the entire amount it owes us under a lease. The loss of rental payments from tenants could adversely affect our financial condition and results of operations.

Similarly, if a tenant at a property securing a loan asset fails to meet its rental obligations, the borrower may have insufficient funds to satisfy the debt service resulting in a default on our loan asset. 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.

The loss of a major tenant could adversely affect our financial condition.

We are and expect that we will continue to be subject to a degree of tenant concentration at certain of our operating properties and the properties securing our loan assets. As indicated above, we are subject to risks associated with the financial condition of our tenants and tenants at properties securing our loan assets. 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 results of operations. 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 financial condition and results of operations.

We may experience increased operating costs, which might reduce our profitability.

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 and limit our ability to make distributions to shareholders.

We leverage our portfolio, which may adversely affect our financial condition and results of operations.

We seek to leverage our portfolio through borrowings. Our return on investments and cash available for distribution to holders of our Series B-1 and Series C Preferred Shares and Common Shares may be reduced to the extent that changes in market conditions make new borrowings or refinancing of existing debt difficult or even impossible or cause the cost of our financings to increase relative to the income that can be derived from the assets. Our debt service payments reduce the cash available for distributions to holders of Series B-1 and Series C Preferred Shares and Common Shares. 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. A decrease in the value of the assets may lead to a requirement that we repay certain existing or future credit facilities. We may not have the funds available, or the ability to obtain replacement financing, to satisfy such repayments.

Interest rate fluctuations may reduce our investment return.

Certain of our loan obligations and loan assets have floating interest rates. In such cases, an increase in interest rates would increase our loan obligations while a decrease in interest rates would decrease the interest received on our loan assets. Where possible we seek 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 or a decrease in interest received on our loan assets.

We engage in hedging transactions that may limit gains or result in losses.

We have and may continue to use hedging instruments in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Further, we have and could in the future recognize losses on a hedge position which adversely affects our financial condition and results of operations. In addition, we run the risk of default by a counterparty to a hedging arrangement.

We may be unable to refinance our existing debt or preferred share financings or obtain favorable refinancing terms.

We are subject to the normal risks associated with debt and preferred share financings, including the risk that our cash flow will be insufficient to meet required payments of principal and interest on debt and distributions and redemption payments to holders of preferred shares and the risk that indebtedness on our properties, or unsecured indebtedness, will not be able to be renewed, repaid or refinanced when due, or that the terms of any renewal or refinancing will not be as favorable as the terms of such indebtedness. These risks are exacerbated by the current tightened lending requirements for real estate related assets and in some cases the inability to refinance real estate indebtedness. If we were unable to refinance indebtedness or preferred share financings on acceptable terms, or at all, we might be forced to dispose of one or more of our investments on disadvantageous terms, which might result in losses to us, which could have a material adverse affect on us and our ability to pay distributions to our holders of Preferred Shares and Common Shares. Furthermore, if a property is mortgaged or a loan pledged to secure payment of indebtedness and we are unable to meet the debt payments, the lender could foreclose upon the property or the loan, appoint a receiver or obtain an assignment of rents and leases or pursue other remedies, all with a consequent loss of revenues and asset value to us. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements.

The loans we invest in 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.

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 on the investment.

The subordinate loan assets we invest are subject to risks relating to the structure and terms of the transactions, and there may not be sufficient funds or assets to satisfy our subordinate notes, which may result in losses to us.

We invest in loan assets that are subordinate in payment and collateral to more senior loans. If a borrower defaults or declares bankruptcy, after the more senior obligations are satisfied, there may not be sufficient funds or assets remaining to satisfy our subordinate notes. Because each transaction is privately negotiated, subordinate loan assets can vary in their structural characteristics and lender rights, including our rights to control the default or bankruptcy process. The subordinate loan assets that we invest in may not give us the right to demand foreclosure as a subordinate debtholder. Furthermore, the presence of intercreditor agreements, co-lender agreements and participation agreements may limit our ability to amend the loan documents, assign the loans, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy and borrower litigation can significantly increase the time needed for us to acquire possession of underlying collateral in the event of a default, during which time the collateral may decline in value. In addition, there are significant costs and delays associated with the foreclosure process.

The widening of credit spreads could have a negative impact on the value of our loan asset and REIT debt securities.

The fair value of our loan assets is dependent upon the yield demanded on these assets by the market based on the underlying credit as well as general economic conditions. Although many of our directly held loan assets were purchased at significant discounts, a further deterioration of the real estate markets or a large supply of these loan assets available for sale combined with reduced demand will generally cause the market to require a higher yield on these loan assets, resulting in a higher, or "wider," spread over the benchmark rate of such loan assets. Under these conditions, the value of the loan assets in our portfolio would decline.

Our investments in REIT debt securities are also subject to changes in credit spreads as their value is dependent upon the yield demanded on these securities by the market based on the underlying credit. Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these real estate securities, resulting in the use of a higher, or "wider," spread over the benchmark rate to value such securities. Under such conditions, the value of our REIT debt securities portfolio would tend to decline. Such changes in the market value of our portfolio may adversely affect our financial condition and results of operations.

The deterioration of the credit markets has had an adverse impact on the ability of borrowers to obtain replacement financing.

The deterioration of credit markets has made it extremely difficult for borrowers to obtain mortgage financing. The inability of borrowers to obtain replacement financing has led and will likely continue to 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 continued 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 has and will affect our operations and viability in a number of ways including:

- Depressing prices for our investments, operating properties 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;
- Limiting the ability to obtain new or replacement financing; and
- Limiting the ability to sell additional debt or equity securities.

Many of our investments are illiquid, and we may not be able to adjust our portfolio in response to changes in economic and other conditions, which may result in losses to us.

Many of our investments are relatively illiquid and, therefore, our ability to sell or purchase assets in response to a change in economic or other conditions may be limited. The requirements of the Code that we hold assets for a set period of time or risk losing status as a REIT also may limit our ability to sell investments. These considerations could make it difficult for us to dispose of assets, even if a disposition were in the best interest of our shareholders. As a result, our ability to adjust our portfolio in response to changes in economic and other conditions may be relatively limited, which may result in losses and lost opportunities.

Our investments in REIT securities are subject to specific risks relating to the particular REIT issuer of the securities and to the general risks of investing in REITs.

Our investments in REIT securities involve special risks. These risks include many, if not all, of the foregoing risks which apply to an investment in us, including: (i) risks generally incident to interests in real estate assets; (ii) risks associated with the failure to maintain REIT qualification; (iii) risks that may be presented by the type and use of a particular property; and (iv) risks that the issuer of the security may reduce or eliminate expected dividend payments.

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.

We have significant distribution obligations to holders of our Series B-1 and Series C Preferred Shares.

The provisions of our Series B-1 and Series C Preferred Shares currently require us to make quarterly distributions presently aggregating approximately \$405,000 or \$1,619,000 annually before any distributions may be made on our Common Shares.

Covenants in our debt instruments could adversely affect our financial condition and our ability to make future investments.

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. Our credit facility contains, and other loans that we may obtain in the future may contain, customary restrictions, requirements and other limitations on our ability to incur indebtedness. 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 EBITDA to interest

expense and fixed charges, and a requirement for us to maintain a certain level of unencumbered assets to unsecured debt. Our ability to borrow under our credit facility with KeyBank National Association is subject to compliance with certain other covenants including the absence of factors both within and outside of our control. If we fail to comply with our covenants, it would cause a default under the applicable debt instrument, and we may then be required to repay such debt with funds from other sources which may not be available to us, or be available only on unattractive terms. Further, a default under a debt instrument could limit our ability to obtain additional equity or debt financing in the future, either of which would adversely affect our financial condition and results of operations.

Covenants in our Preferred Shares limit our ability to issue additional preferred shares.

Our Series B-1 Preferred Shares restrict our ability to issue shares senior or pari passu in priority the Series B-1 Preferred Shares without the consent of two-thirds in interest of our Series B-1 Preferred Shares. Similarly, our Series C Preferred Shares restrict our ability to issue shares senior or, subject to limited issuance rights, pari passu in priority the Series C Preferred Shares without the consent of two-thirds in interest of our Series C Preferred Shares. Accordingly, our ability to raise capital through the issuance of additional preferred shares is significantly restricted until the Series B-1 and Series C Preferred Shares are redeemed.

Future issuances and sales of equity or debt interests may affect the market price of our Common Shares and the amount of dividends payable to our shareholders.

The actual issuance of additional common or preferred shares or the sale of debt securities by us may decrease the market price of our Common Shares. In paying dividends on our Common Shares we endeavor to have our dividends track recurring cash flow from operations. Accordingly, as we issue additional Common Shares, the per share dividend will likely decrease until such time as we deploy the proceeds from such issuance of Common Shares in investments which increase our recurring cash flow.

Our focus on total return investing may impact our ability to maintain our dividend rate.

Our focus on a total return value approach to investing may result in our inability to maintain the current dividend rate as we do not necessarily seek assets that provide recurring or potentially recurring cash flow but seek to invest in assets that we believe will provide us with a superior risk-adjusted total return which encompasses both current return and capital appreciation. Accordingly, the true value of an investment may not be realized until such investment is liquidated.

If we issue preferred equity or debt we may be exposed to additional restrictive covenants and limitations on our operating flexibility, which could adversely affect our ability to pay dividends.

If we decide to issue preferred equity or debt in the future, it is likely that they will be governed by an indenture or other instrument containing covenants that may restrict our operating flexibility which could have an adverse effect on the market price of our Common Shares or our ability to pay dividends.

We may fail to remain qualified as a REIT, which would reduce the cash available for distribution to our shareholders.

Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions might change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT. Although we currently intend to operate in a manner designed to allow us to continue to qualify as a REIT, future economic, market, legal, tax or other considerations might cause us to elect to revoke the REIT election. In that event, we and our shareholders would no longer be entitled to the federal income tax benefits applicable to a REIT.

If, with respect to any taxable year, we were to fail to maintain our qualification as a REIT or elect to revoke our REIT election, we would not be able to deduct distributions to our shareholders in computing our taxable income and would have to pay federal corporate income tax (including any applicable alternative minimum tax) on our taxable income. If we had to pay federal income tax, the amount of money available to distribute to our shareholders would be reduced for the year or years involved. In addition, we would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost and thus our cash available for distribution to our shareholders would be reduced in each of those years, unless we were entitled to relief under relevant statutory or regulatory provisions.

In order to maintain our status as a REIT, we may be forced to borrow funds or sell assets during unfavorable market conditions.

As a REIT, we must distribute at least 90% of our annual REIT taxable income, subject to certain adjustments, to our shareholders. To the extent that we satisfy the REIT distribution requirement but distribute less than 100% of our taxable income, we will be subject to federal and, where applicable, state corporate income tax on our undistributed taxable income. In addition, if we fail to distribute at least 90% of our annual REIT taxable income, subject to certain adjustments, we will be subject to a 4% nondeductible excise tax.

From time to time, we may have taxable income greater than our cash available for distribution to our shareholders (for example, due to substantial non-deductible cash outlays, such as capital expenditures or principal payments on debt). If we did not have other sources of funds available in these situations, we could be required to borrow funds, sell investments at disadvantageous prices or find alternative sources of funds to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid income and excise taxes in a particular year. Additionally, we could elect to pay a portion of our required dividend in Common Shares. Each of these alternatives could increase our operating costs and diminish our rate of growth.

Factors that may cause us to lose our New York Stock Exchange listing.

We might lose our listing on the New York Stock Exchange depending on a number of factors, including failure to qualify as a REIT, or our not meeting the New York Stock Exchange's requirements, including those relating to the number of shareholders, the price of our Common Shares and the amount and composition of our assets.

Ownership limitations in our bylaws may adversely affect the market price of our Common Shares.

Our bylaws contain an ownership limitation that is designed to prohibit any transfer of Common Shares or Preferred Shares that would result in our being "closely-held" within the meaning of Section 856(h) of the Code. This ownership limitation, which may be waived by our Board of Trustees, generally prohibits any single shareholder, or any group of affiliated shareholders, from beneficially or constructively owning more than 9.8% of our outstanding Common Shares. Our Board of Trustees has waived this ownership limitation in the past where there is believed to be a benefit derived by the Company from granting such waiver and the party obtaining the waiver provides assurances that the issuance of the waiver will not result in the Company becoming, or likely becoming, "closely held." Unless the Board of Trustees waives the restrictions or approves a bylaw amendment, Common Shares owned by a person or group of persons in excess of 9.8% of our outstanding Common Shares are not entitled to any voting rights, are not considered outstanding for quorum or voting purposes, and are not entitled to dividends, interest or any other distributions with respect to the Common Shares. The ownership limit may have the effect of inhibiting or impeding a change of control or a tender offer for our Common Shares.

We must manage our investments in a manner that allows us to rely on an exemption from registration under The Investment Company Act in order to avoid the consequences of regulation under that Act.

We intend to operate our business so that we are exempt from registration as an investment company under the Investment Company Act of 1940, as amended. Therefore, the assets that we may invest in, or acquire, are limited by the provisions of the Investment Company Act and the rules and regulations promulgated thereunder. If we are required to make investments in order to be exempt from registration, such investments may not represent an optimum use of our capital when compared to other available investments.

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 results of operations.

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 results of operations.

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 affect on our financial condition and results of operations.

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.

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 dividends 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 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 investment and operating strategies. We are subject to the risk that our Advisor will terminate its Advisory Agreement 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 incentive fee payable to our Advisor may be substantial.

Pursuant to the terms of the Advisory Agreement, our Advisor is entitled to receive an incentive 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 distributions above a threshold amount or (ii) upon termination of the Advisory Agreement, if the value of our 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 assets of the Trust exceed the threshold amount. At December 31, 2010, the threshold amount was approximately \$468,193,000, which was equivalent to \$16.58 for each of our Common Shares on a fully diluted basis. At such time as shareholders' equity exceeds the threshold amount, we will record a liability in our financial statements equal to approximately 20% of the difference between shareholders' equity and the threshold amount in accordance with generally accepted accounting principles.

Termination of the Advisory Agreement may be costly or not in our best interest.

Termination of the Advisory Agreement either by us or our Advisor may be costly. Upon termination of the Advisory Agreement, our Advisor would be entitled to a termination fee equal to the incentive fee based on an appraised valuation of our assets assuming we were then liquidated. The amount payable on termination of the Advisory Agreement could be substantial which may have a negative effect on the price of our Common Shares. Further, affiliates of our Advisor hold approximately 12.3% of our outstanding Common Shares and serve as our executive officers. Accordingly, if we were inclined to terminate the Advisory Agreement, the ownership position of our Advisor in our Common Shares could result in other adverse effects to us and the price of our Common Shares.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

The following tables set forth certain information relating to operating properties in which we have an ownership interest. All information presented is as of December 31, 2010, except as noted. Dollars are stated in thousands.

Table of Operating Office, Retail and Industrial Properties

CONSOLIDATED PROPERTIES

<u>Description and Location</u>	<u>Year Acquired</u>	<u>Trust's Ownership</u>	<u>Rentable Square Feet</u>	<u>(**) % Leased</u>	<u>Major Tenants (Lease /Options Exp)</u>	<u>Major Tenants' Sq. Feet.</u>	<u>(\$000's) Cost Less Depreciation</u>	<u>Ownership of Land</u>	<u>(\$000's) Debt Balance</u>	<u>Debt Maturity & Int Rate</u>
<u>Retail</u>										
Atlanta, GA	2004	100%	61,000	100%	The Kroger Co. (2016/2026)	61,000	\$ 3,928	Ground Lease	(1)	(1)
Denton, TX	2004	100%	46,000	63%	Fitness Evolution (2012)	29,000	2,250	Fee	(1)	(1)
Greensboro, NC	2004	100%	47,000	100%	The Kroger Co. (2017/2037)	47,000	3,219	Ground Lease	(1)	(1)
Louisville, KY	2004	100%	47,000	100%	The Kroger Co. (2015/2040)	47,000	2,681	Fee	(1)	(1)
Memphis, TN	2004	100%	47,000	100%	The Kroger Co. (2015/2040)	47,000	1,281	Fee	(1)	(1)
Seabrook TX	2004	100%	53,000	100%	The Kroger Co. (2015/2040)	53,000	1,798	Fee	(1)	(1)
St. Louis, MO (2)	2004	100%	46,000	0%	Vacant	46,000	1,487	Fee	(1)	(1)
<u>Subtotal Retail</u>			<u>347,000</u>				<u>16,644</u>		<u>19,002</u>	<u>(1)</u>

(Continued on next page)

**CONSOLIDATED PROPERTIES
(Continued)**

<u>Description and Location</u>	<u>Year Acquired</u>	<u>Trust's Ownership</u>	<u>Rentable Square Feet</u>	<u>(**) % Leased</u>	<u>Major Tenants (Lease /Options Exp)</u>	<u>Major Tenants' Sq. Feet.</u>	<u>(\$000's) Cost Less Depreciation</u>	<u>Ownership of Land</u>	<u>(\$000's) Debt Balance</u>	<u>Debt Maturity & Int Rate</u>
<i>Office</i>										
Amherst, NY (3)	2005	100%	200,000	100%	Ingram Micro Systems (2013/2023)	200,000	\$17,083	Fee	\$16,117	10/2013 5.65%
Andover, MA	2005	100%	93,000	100%	PAETEC Comm. (2022/2037)	93,000	7,448	Fee	6,135	03/2011 6.60%
Chicago, IL (One East Erie / Marc Realty)	2005	80%	126,000	87%	The Gettys Group (2012/2016) River North Surgery (2015/ n/a)	13,000 15,000	21,794	Fee	20,828	03/2016 5.75%
Chicago, IL (River City / Marc Realty)	2007	60%	253,000	72%	Bally Total Fitness (2013/2021) MCI d/b/a Verizon (2019/2023)	55,000 37,000	14,854	Fee	9,100	04/2012 6.00%
Houston, TX	2004	8%	614,000	100%	Spectra Energy (2018/2028)	614,000	60,042	Fee	60,351	04/2016 6.34%
Indianapolis, IN (Circle Tower)	1974	100%	111,000	84%	No Tenants Over 10%	-	4,732	Fee	4,245	04/2015 5.82%
Lisle, IL	2006	100%	169,000	52%	United Healthcare (2014/ n/a)	41,000	18,709	Fee	16,972	06/2016 6.26%
Lisle, IL	2006	100%	67,000	85%	T Systems, Inc. (2011) ABM Janitorial (2012/2014) Zenith Insurance (2011)	35,000 11,000 10,000	8,166	Fee	6,932	06/2016 6.26%
Lisle, IL (Marc Realty)	2006	60%	54,000	100%	Ryerson (2018/2028)	54,000	3,674	Fee	5,600	03/2017 5.55%
Orlando, FL	2004	100%	256,000	100%	Siemens Real Estate, Inc. (2017/2042)	256,000	14,643	Ground Lease	38,657	07/2017 6.40%
Plantation, FL	2004	100%	133,000	100%	BellSouth (2020/2035)	133,000	11,567	Fee	(1)	(1)
South Burlington, VT	2005	100%	56,000	100%	Fairpoint Comm. (2014/2029)	56,000	3,021	Ground Lease	2,629	03/2011 6.60%
Phoenix, AZ (Deer Valley Professional Center)	2010	96.5%	82,000	61%	United Healthcare (2017/2027)	42,000	8,126	Fee	-	n/a
Englewood, CO (Crossroads I)	2010	100.0%	118,000	55%	RGN-Denver LLC (2015/2025)	17,000	7,427	Fee	-	n/a
Englewood, CO (Crossroads II)	2010	100.0%	118,000	58%	Catholic Health Initiatives (2011)	30,000	7,938	Fee	-	n/a
Subtotal - Office			2,450,000				209,224		187,566	

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**CONSOLIDATED PROPERTIES
(Continued)**

<u>Description and Location</u>	<u>Year Acquired</u>	<u>Trust's Ownership</u>	<u>Units / Rentable Square Feet</u>	<u>(**) % Leased</u>	<u>Major Tenants (Lease /Options Exp)</u>	<u>Major Tenants' Sq. Feet.</u>	<u>(\$000's) Cost Less Depreciation</u>	<u>Ownership of Land</u>	<u>(\$000's) Debt Balance</u>	<u>Debt Maturity & Int Rate</u>
<i>Other</i>										
<u>Residential</u>										
Meriden, CT (Newbury Apts)	2010	100%	180 Units	92%	n/a	n/a	25,115	Fee	\$ 23,875	02/2012 5.83%
<u>Warehouse</u>										
Jacksonville, FL	2004	100%	587,000	100%	Football Fanatics (2015/2024)	558,000	10,818	Fee	(1)	(1)
<u>Mixed Use</u>										
Churchill, PA (4)	2004	100%	1,008,000	100%	Viacom, Inc. (2010)	1,008,000	10,466	Ground Lease	(1)	(1)
Subtotal - Other			1,595,000				46,399		23,875	
Total Consolidated Properties			4,392,000				\$ 272,267		\$ 230,443	

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

- (1) Our retail properties and our properties located in Churchill, Pennsylvania, Plantation, Florida, and Jacksonville, Florida collateralized \$19,002 of mortgage debt at an interest rate of LIBOR + 1.75% which matures in June 2011.
- (2) On February 8, 2011 we entered into a contract to sell this property subject to the buyer's due to diligence. We anticipate that the sale of this property will be consumated during the second quarter of 2011.
- (3) The Amherst, New York office property represents two separate buildings. The ground underlying the properties is leased to us by the local development authority pursuant to a ground lease which requires no payment. Effective October 31, 2013, legal title to the ground will vest with us.
- (4) The lease term with respect to our property located in Churchill, Pennsylvania expired on December 31, 2010. We currently are in litigation with the former tenant, Viacom, related to the condition of the property.

EQUITY INVESTMENTS

<u>Description and Location</u>	<u>Year Acquired</u>	<u>Trust's Ownership</u>	<u>Rentable Square Feet</u>	<u>(**) % Leased</u>	<u>Major Tenants (Lease /Options Exp)</u>	<u>Major Tenants' Sq. Feet.</u>	<u>(\$000's) Equity Investment Balance</u>	<u>Ownership of Land</u>	<u>(\$000's) Debt Balance (1)</u>	<u>Debt Maturity & Int Rate</u>
<i>Marc Realty Portfolio - Equity Investments</i>										
8 South Michigan, Chicago, IL	2005	50%	174,000	94%	No tenants over 10%	-	\$7,087	Ground Lease	\$3,886	08/2011 6.87%
11 East Adams, Chicago, IL	2005	49%	161,000	78%	IL School of Health (2015/2020)	28,700	3,223	Fee	9,999	08/2011 Libor + 2%
29 East Madison, Chicago, IL	2005	50%	235,000	90%	Computer Systems Institute (2020/2030)	25,000	7,720	Fee	11,130	05/2013 5.20%
30 North Michigan, Chicago, IL	2005	50%	221,000	91%	No tenants over 10%	-	12,080	Fee	13,097	08/2014 5.99%
223 West Jackson, Chicago, IL (Brooks Building)	2005	50%	168,000	59%	No tenants over 10%	-	7,452	Fee	7,794	06/2012 6.92%
4415 West Harrison, Hillside, IL (High Point)	2005	50%	192,000	67%	North American Medical Mgmt (2015/2020)	20,400	6,275	Fee	4,610	12/2015 5.62%
2000-60 Algonquin, Schaumburg, IL (Salt Creek)	2005	50%	101,000	70%	No tenants over 10%	-	2,344	Fee	(2)	02/2013 Libor + 2.75%
1701 E. Woodfield, Schaumburg, IL	2005	50%	175,000	87%	No tenants over 10%	-	4,221	Fee	5,755	09/2015 Libor + 3% (3)
2720 River Rd, Des Plaines, IL	2005	50%	108,000	92%	No tenants over 10%	-	4,123	Fee	2,581	10/2012 6.095%
3701 Algonquin, Rolling Meadows IL	2005	50%	193,000	82%	ISACA (2018/2024) Relational Funding (2013/ n/a)	29,600 27,400	2,931	Fee	10,373	02/2013 Libor + 2.75%
2205-55 Enterprise, Westchester, IL	2005	50%	130,000	94%	Consumer Portfolio (2014/2019)	18,900	3,018	Fee	(2)	02/2013 Libor + 2.75%
900-910 Skokie, Northbrook, IL (Ridgebrook)	2005	50%	119,000	78%	MIT Financial Group (2016/ n/a)	12,600	1,676	Fee	5,405	02/2011 (4) Libor + 2%
Subtotal - Marc Realty Portfolio			1,977,000				62,150		86,236	

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EQUITY INVESTMENTS (Continued)

<u>Description and Location</u>	<u>Year Acquired</u>	<u>Trust's Ownership</u>	<u>Rentable Square Feet</u>	<u>(**) % Leased</u>	<u>Major Tenants (Lease /Options Exp)</u>	<u>Major Tenants' Sq. Feet.</u>	<u>(S000's) Equity Investment Balance</u>	<u>Ownership of Land</u>	<u>(S000's) Debt Balance (1)</u>	<u>Debt Maturity & Int Rate</u>
<i>Sealy Venture Properties - Equity Investments</i>										
Atlanta, GA (5) (Northwest Atlanta)	2006	60%	472,000	75%	Original Mattress (2020/2025)	57,000	\$ 2,479	Fee	\$ 28,750	01/2012 5.7%
Atlanta, GA (6) (Newmarket)	2008	68%	470,000	66%	Alere Health (2011/ n/a)	76,000	6,647	Fee	37,000	11/2016 6.12%
Nashville, TN (7) (Airpark)	2007	50%	1,155,000	86%	No tenants over 10%	-	2,778	Fee	74,000	05/2012 5.77%
<i>Subtotal - Sealy Venture Properties</i>			<u>2,097,000</u>				<u>\$ 11,904</u>		<u>\$ 139,750</u>	
<i>Total Equity Investments</i>			<u>4,074,000</u>							

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

- (1) Debt balance shown represents 100% of the debt encumbering the properties.
- (2) Both the 2000-60 Algonquin and 2205-55 Enterprise Road Marc Realty properties are cross collateralized by a mortgage of \$11,606 which is included in total debt balance.
- (3) An interest rate swap agreement with a notional amount of \$5,755 effectively converts the interest rate to a fixed rate of 4.78%.
- (4) In February 2011, the maturity date was extended to May 2011 and the venture is currently negotiating with the lender to further extend the maturity date.
- (5) Equity investment in Sealy Northwest Atlanta consists of 12 flex/office properties.
- (6) Equity investment in Sealy Newmarket consists of six flex/office campus style properties
- (7) Equity investment in Sealy Airpark consists of 13 light distribution and service center properties.

PREFERRED EQUITY INVESTMENT

<u>Description and Location</u>	<u>Year Acquired</u>	<u>Trust's Ownership</u>	<u>Rentable Square Feet</u>	<u>(**) % Leased</u>	<u>Major Tenants (Lease /Options Exp)</u>	<u>(\$000's) Preferred Equity Investment Balance</u>	<u>Ownership of Land</u>	<u>(\$000's) Debt Balance (1)</u>	<u>Debt Maturity & Int Rate</u>
Office									
180 North Michigan Chicago, IL (Marc Realty)	2008	70%	229,000	89%	None over 10%	\$3,923	Fee	18,080	03/2011 (2) Libor+ 1.5% (3)

(1) Debt balance shown represents 100% of the debt encumbering the properties.

(2) In February 2011, the venture elected to exercise the extension option, extending maturity to March 27, 2013.

(3) An interest rate swap agreement with a notional amount of \$17,614 effectively converts the interest rate to a fixed rate of 4.55%.

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:

<u>Property Location</u>	<u>Current Term Expiration</u>	<u>Renewal Terms</u>	<u>Lease Term Rents Per Annum</u>
Atlanta, GA	9/30/2011	Three 5 year	\$30,000 plus 1/2 of 1% of sales greater than \$27,805,800 (1)
Churchill, PA	12/31/2015	Five 5 year	\$300,000 through current term and then fair market value
Greensboro, NC	12/31/2012	Three 5-year and fifteen 1-year	\$71,178 increased by approximately \$12,000 for each successive renewal period plus 1% of sales over \$36,213,850 (1)
Lafayette, LA (2)	4/30/2013	Seven 5-year	\$185,064 increased by 5% for each successive renewal term
Orlando, FL	12/31/2017	Five 5-year	\$1 though the current term and then fair market value (1)
South Burlington, VT	1/2/2015	Three 5-year and one 10-year	None (1)

(1) The lease requires the tenant to perform all covenants under the ground lease including the payment of ground rent.

(2) We have determined that the fair market value of the property is less than the required ground rent payments and have stopped making any payments on the ground lease. We have received notice that as a result of the failure to make such payments the ground lease is in default.

Operating Properties – Multi-Tenant

The following tables set forth certain information concerning lease expirations (assuming no renewals and excluding month to month leases) as of December 31, 2010 for our consolidated multi-tenant properties:

One East Erie Property - Chicago, Illinois

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	4	12,000	\$ 313,000	11%
2012	1	12,000	254,000	9%
2013	4	11,000	387,000	14%
2014	3	19,000	495,000	17%
2015 and beyond	10	49,000	1,417,000	49%

River City Property – Chicago, Illinois

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	2	2,000	\$ 32,000	1%
2012	2	13,000	314,000	10%
2013	3	60,000	667,000	21%
2014	1	6,000	121,000	4%
2015 and beyond	5	90,000	2,021,000	64%

Circle Tower - Indianapolis, Indiana

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	17	18,000	\$ 225,000	17%
2012	9	10,000	158,000	12%
2013	7	21,000	298,000	22%
2014	2	5,000	61,000	4%
2015 and beyond	11	37,000	618,000	45%

Corporetum Properties – Lisle, Illinois

550/650 Corporetum

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	2	5,000	\$ 56,000	5%
2012	2	8,000	77,000	7%
2013	3	18,000	178,000	17%
2014	4	51,000	755,000	70%
2015 and beyond	3	7,000	12,000	1%

701 Arboretum

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	2	45,000	\$ 673,000	80%
2012	1	11,000	150,000	18%
2013	1	1,000	15,000	2%
2014 and beyond	-	-	-	-

Jacksonville Property – Jacksonville, Florida

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	-	-	\$ -	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015 and beyond	2	587,000	386,000	100%

Deer Valley Medical Building – Deer Valley, Arizona

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	-	-	\$ -	-
2012	-	-	-	-
2013	-	-	-	-
2014	1	2,000	50,000	31%
2015 and beyond	2	48,000	112,000	69%

Crossroads I at Meridian– Englewood, Colorado

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	4	20,000	\$ 361,000	34%
2012	1	2,000	40,000	4%
2013	1	10,000	200,000	19%
2014	2	2,000	42,000	4%
2015 and beyond	3	31,000	423,000	39%

Crossroads II at Meridian– Englewood, Colorado

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	3	44,000	\$ 83,000	68%
2012	2	6,000	14,000	11%
2013	2	5,000	8,000	7%
2014	-	-	-	-
2015 and beyond	2	12,000	17,000	14%

Equity Investments

The following tables set forth certain information concerning lease expirations (assuming no renewals) as of December 31, 2010 for our equity investment operating properties.

Sealy Equity Investments

Sealy Northwest Atlanta, LP

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	23	94,000	\$ 1,041,000	37%
2012	14	54,000	544,000	19%
2013	13	68,000	529,000	19%
2014	4	16,000	109,000	4%
2015 and beyond	11	121,000	576,000	21%

Sealy Newmarket, LP

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	14	118,000	\$ 1,682,000	49%
2012	3	18,000	238,000	7%
2013	6	61,000	696,000	20%
2014	-	-	-	-
2015 and beyond	11	104,000	820,000	24%

Sealy Airpark Nashville, LP

	Number of Tenants Whose Leases Expire	Aggregate by Ft. Covered by Expiring Leases	2010 Rental Revenue for Leases Expiring	% of Total Annualized Rental Revenue
2011	22	220,000	\$ 1,913,000	24%
2012	18	239,000	2,001,000	25%
2013	18	85,000	747,000	9%
2014	11	121,000	929,000	12%
2015 and beyond	17	297,000	2,447,000	30%

Marc Equity Investments

8 South Michigan

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	19	24,000	\$ 534,000	15%
2012	15	16,000	355,000	10%
2013	14	27,000	598,000	16%
2014	8	20,000	378,000	10%
2015 and beyond	26	76,000	1,762,000	49%

11 East Adams Street

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	5	18,000	\$ 323,000	10%
2012	5	19,000	359,000	11%
2013	5	8,000	156,000	5%
2014	3	7,000	142,000	5%
2015 and beyond	12	74,000	2,163,000	69%

29 East Madison

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	15	25,000	\$ 571,000	13%
2012	32	50,000	1,428,000	32%
2013	8	23,000	722,000	16%
2014	5	23,000	193,000	4%
2015 and beyond	22	89,000	1,517,000	35%

30 North Michigan Avenue

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	50	44,000	\$ 1,149,000	21%
2012	46	37,000	948,000	17%
2013	24	14,000	345,000	6%
2014	16	19,000	538,000	10%
2015 and beyond	50	85,000	2,464,000	46%

223 West Jackson Street

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	5	8,000	\$ 164,000	7%
2012	3	3,000	59,000	3%
2013	4	13,000	156,000	7%
2014	6	16,000	414,000	18%
2015 and beyond	15	60,000	1,467,000	64%

4415 West Harrison Street

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	19	45,000	\$ 765,000	36%
2012	8	14,000	267,000	13%
2013	6	20,000	246,000	12%
2014	3	11,000	173,000	8%
2015 and beyond	5	35,000	680,000	31%

2000-2060 Algonquin Road

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	21	24,000	\$ 326,000	52%
2012	4	7,000	76,000	12%
2013	6	17,000	126,000	20%
2014	2	4,000	29,000	5%
2015 and beyond	5	19,000	75,000	11%

1701 East Woodfield Road

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	19	22,000	\$ 454,000	16%
2012	20	42,000	704,000	25%
2013	19	32,000	715,000	26%
2014	8	12,000	154,000	6%
2015 and beyond	9	39,000	739,000	27%

2720 River Road

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	20	26,000	\$ 421,000	31%
2012	17	24,000	375,000	27%
2013	8	11,000	134,000	10%
2014	7	17,000	272,000	20%
2015 and beyond	7	12,000	170,000	12%

3701 Algonquin Road

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	6	25,000	\$ 435,000	16%
2012	4	7,000	110,000	4%
2013	7	41,000	756,000	27%
2014	3	24,000	446,000	16%
2015 and beyond	6	59,000	1,061,000	37%

2205-2255 Enterprise Drive

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	4	13,000	\$ 215,000	11%
2012	6	16,000	261,000	13%
2013	4	12,000	192,000	10%
2014	5	36,000	612,000	31%
2015 and beyond	7	36,000	722,000	35%

900 Ridgebrook

	<u>Number of Tenants Whose Leases Expire</u>	<u>Aggregate by Ft. Covered by Expiring Leases</u>	<u>2010 Rental Revenue for Leases Expiring</u>	<u>% of Total Annualized Rental Revenue</u>
2011	22	36,000	\$ 621,000	42%
2012	8	9,000	163,000	11%
2013	10	16,000	305,000	20%
2014	4	9,000	88,000	6%
2015 and beyond	9	23,000	316,000	21%

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, 2010, the Trust was not involved in any material litigation.

ITEM 4 –RESERVED

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, 2009:		
First quarter	\$ 12.30	\$ 5.83
Second quarter	10.83	6.63
Third quarter	10.15	8.44
Fourth quarter	11.38	8.70
Year Ended December 31, 2010:		
First quarter	\$ 13.19	\$ 10.59
Second quarter	14.30	10.10
Third quarter	14.59	11.01
Fourth quarter	13.84	11.80

Holders

As of December 31, 2010 there were 576 record holders of our Common Shares.

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. Dividends declared on Common Shares in each quarter for the last two years are as follows:

Quarter Ended	2010	2009
March 31	\$ 0.1625	\$ 0.2500
June 30	0.1625	0.2500
September 30	0.1625	0.2500
December 31	0.1625	0.1625

Pursuant to the terms of our Series B-1 and Series C Preferred Shares, we are required to pay quarterly dividends of \$0.40625 per Preferred Share, all of which were paid during 2010 and 2009.

See Item 7 - Common Share Dividends.

Unregistered Share Issuances

During 2008, at the request of holders of our Series B-1 Preferred Shares we issued 548,389 of our Common Shares in redemption of 493,552 Series B-1 Preferred Shares. There were no requests for redemptions in 2009. In addition, during 2009 and 2008, we issued a total of 170,207 and 249,638 Common Shares pursuant to our Dividend Reinvestment and Stock Purchase Plan resulting in net proceeds of approximately \$1,615,000 and \$4,407,000, respectively.

On October 12, 2009, we offered holders of the Series B-1 Preferred Shares the right, in a private transaction, to convert all or any portion of their Series B-1 Preferred Shares into an equivalent number of newly-issued Series C Preferred Shares. This right, which we refer to as the Conversion Offer, enabled the holders of the Series B-1 Preferred Shares to convert one Series B-1 Preferred Share into one Series C Preferred Share. Upon expiration of the Conversion Offer, holders of Series B-1 Preferred Shares had elected to convert an aggregate of 544,000 Series B-1 Preferred Shares into Series C Preferred Shares and, effective November 1, 2009, 544,000 Series C Preferred Shares were issued. As a result, effective November 1, 2009, we had 852,000 Series B-1 Preferred Shares and 544,000 Series C Preferred Shares outstanding.

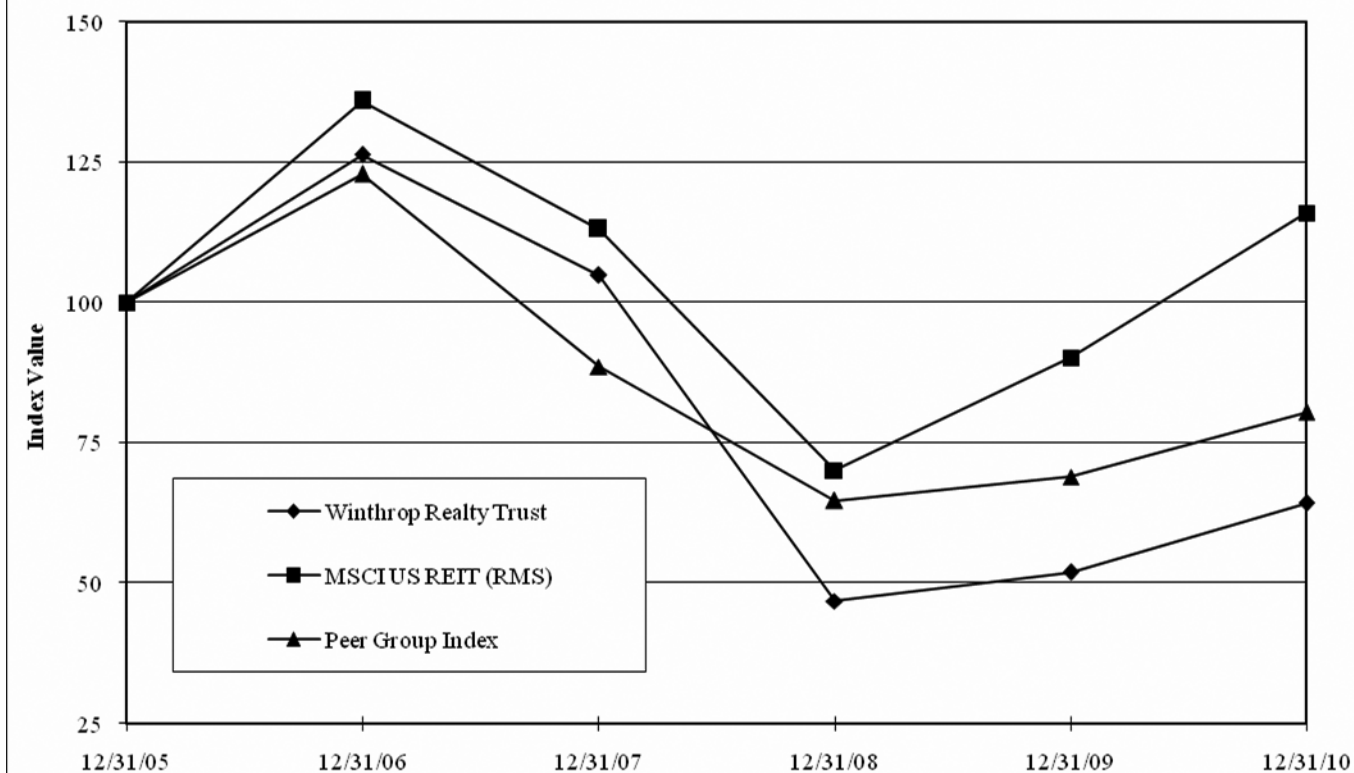
In March 2010 an investor converted 400,000 Series C Preferred Shares into 714,400 Common Shares resulting in a decrease in the outstanding Series C Preferred Shares to 144,000. The conversion of the Series C Preferred Shares resulted in a transfer to common equity. There was no gain or loss recognized from the conversion.

The Series C Preferred Shares have substantially the same rights as the Series B-1 Preferred Shares including dividend rate, liquidation preference and mandatory redemption date, but are junior in right of payment to the Series B-1 Preferred Shares. However, the initial conversion price of the Series C Preferred Shares is \$14.00, which is a reduction from the \$22.50 conversion price on the Series B-1 Preferred Shares. Additionally, under the terms of the Series C Preferred Shares, we are permitted to issue additional preferred shares which are on par with the Series C Preferred Shares, subject to certain limitations, without the consent of the holders of the Series C Preferred Shares. We are not permitted to issue additional preferred shares which are on par with the Series B-1 Preferred Shares.

Performance Graph

The following graph is a comparison of the five-year cumulative return of Common Shares, a peer group index and the Morgan Stanley REIT Index ("MSCI US REIT") for the periods shown. The peer group consists of REITs with diverse investments which is in contrast to REITs which target a certain asset type, class or geographic location. The peer group REITs also have current market values as of January 12, 2011 under \$750,000,000. The graph assumes that \$100 was invested on December 31, 2005 in our Common Shares, a peer group index and the Morgan Stanley REIT Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph. It should also be noted that if Common Shares were purchased at times after December 31, 2005, the results depicted would not have been the same.

Total Return Performance



<i>Index</i>	Period Ended					
	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Winthrop Realty Trust	100.00	126.31	104.89	46.78	51.90	64.30
MSCI US REIT (RMS)	100.00	135.92	113.06	70.13	90.20	115.89
Peer Group Index	100.00	122.90	88.59	64.72	68.95	80.45

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.

	Years Ended December 31,				
	2010	2009	2008	2007	2006
Operating Results					
(in thousands, except per share data)					
Revenue	\$ 55,367	\$ 47,357	\$ 43,952	\$ 49,608	\$ 52,602
Income (loss) from continuing operations (1)	\$ 18,480	\$ (85,212)	\$ (70,383)	\$ 3,167	\$ 42,445
Income (loss) from discontinued operations (2)	(2,003)	865	2,207	(686)	491
Net income (loss)	16,477	(84,347)	(68,176)	2,481	42,936
Preferred dividends	(288)	(147)	-	-	-
Net income (loss) applicable to Common Shares	\$ 16,189	\$ (84,494)	\$ (68,176)	\$ 2,481	\$ 42,936
Per Common Share					
Income (loss) from continuing operations, basic	\$ 0.81	\$ (5.24)	\$ (4.74)	\$ 0.24	\$ 3.62
Income (loss) from discontinued operations, basic (2)	(0.09)	0.05	0.15	(0.05)	0.05
Net income (loss) applicable to Common Shares, basic	\$ 0.72	\$ (5.19)	\$ (4.59)	\$ 0.19	\$ 3.67
Income (loss) from continuing operations per					
Common Share, diluted	\$ 0.81	\$ (5.24)	\$ (4.74)	\$ 0.24	\$ 3.54
Income (loss) from discontinued operations, diluted	(0.09)	0.05	0.15	(0.05)	0.03
Net income (loss) applicable to Common Shares, diluted	\$ 0.72	\$ (5.19)	\$ (4.59)	\$ 0.19	\$ 3.57
Dividends declared per Common Share					
	\$ 0.65	\$ 0.9125	\$ 1.35	\$ 2.15	\$ 1.50
Balance Sheet Data:					
(in thousands)					
Total Assets	\$ 610,128	\$ 493,192	\$ 578,094	\$ 745,447	\$ 851,620
Total Debt (3)	\$ 277,193	\$ 238,067	\$ 299,865	\$ 335,191	\$ 362,522
Non-Controlling redeemable preferred interest	\$ 3,221	\$ 12,169	\$ -	\$ -	\$ -
Total Shareholders' Equity	\$ 295,771	\$ 217,089	\$ 248,250	\$ 291,794	\$ 323,586

- (1) Income (loss) from continuing operation, including per share data, are net of non-controlling interests.
- (2) The results of the Biloxi, Mississippi property were classified as discontinued operations for 2006 through 2008. The results of Ventek were classified as discontinued operations for 2006 through 2008. The results of the Athens, Georgia; Lafayette, Louisiana; Knoxville, Tennessee and Sherman, Texas properties were classified as discontinued operations for 2006 through 2010. The results of the Creekwood, Apartment property were classified as discontinued operations for 2007 through 2009.
- (3) For comparability purposes, the Total Debt balances for 2007 and 2006 do not include repurchase agreements of \$75,175 and \$111,911, respectively. These debt securities were sold in January 2008.

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

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “intends,” “plans,” “would,” “may” or similar expressions in this 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

As a diversified REIT, we operate in three strategic segments: (i) operating properties; (ii) loan assets; and (iii) REIT securities. As such, we seek to focus our investing in the segment we believe will generate the greater overall return to us given market conditions at the time. During 2010, we shifted our investment focus from REIT securities which we believed were undervalued in 2009 to loan assets as our belief was, and continues to be, that investments in that level of the capital stack are more likely to generate a greater overall return. Accordingly, we invested in new loan assets and divested of a substantial portion of our REIT securities. We funded our investment activity in 2010 from cash reserves, proceeds from our REIT securities divestments and our public offering in September 2010 which netted cash proceeds of approximately \$67,774,000.

At December 31, 2010, we held \$45,257,000 in unrestricted cash and cash equivalents and \$33,032,000 in REIT securities. In addition, in March 2011 we extended and modified our revolving line of credit. See “Liquidity and Capital Resources” below.

With respect to our operating results for 2010, net income attributable to Common Shares was \$16,189,000 or \$0.72 per Common Share as compared with a loss of \$84,494,000 or loss of \$5.19 per Common Share. The most significant factor in this increase was the increase in earnings from our loan assets segment due to our additional investments in 2010 and the negative impact in 2009 to this segment caused by the impairments taken on our Concord investment. See “Results of Operations” below.

As discussed in more detail below, for 2011 we expect that it is likely that our overall operating results at our existing operating properties will decline due primarily to the overall portfolio decline in occupancy experienced in 2010. In addition, we expect that operations from our loan assets segment will be enhanced as we continue to seek investments in this segment and our expectation that with the recent favorable ruling in the Concord Real Estate CDO-1, Ltd. litigation we will receive cash distributions from our investment in CDH CDO. With respect to our REIT securities segment, we expect to invest when we see opportunity and divest in our holdings where we believe that our return has been maximized.

Loan Assets

As noted above, consistent with our investment strategy to focus our investing in the segment we believe will generate the greater overall return to us, during 2010 we concentrated our acquisition activity on our loan asset segment. The concentration in the loan asset segment was due to our belief that loan assets provided the best area for a current return in the form of interest payments as well as appreciation either through acquiring loan assets at a discount or acquiring loan assets with the expectation of a borrower default that will lead to foreclosure and an equity ownership interest. In acquiring loan assets, we

target loan investments with underlying collateral value, future income return potential and in certain cases, non-performing loans with the possibility that our debt position will be converted into equity participation. As a result, we invested approximately \$119,352,000 in new loan assets during 2010 consisting of whole loans, B-notes, mezzanine loans and loan securities. During 2010 we foreclosed on the collateral securing three of our loan assets we acquired in 2010 with a carrying value of \$19,210,000 resulting in our becoming the owner of the underlying properties. For a description of our loan assets acquired during 2010 see ITEM 8. Financial Statements, Note 4.

Operating Properties

The 2010 operating properties segment was negatively impacted by: (i) a weak overall economy; (ii) Kroger electing not to renew its leases at six Kroger properties; and (iii) the Churchill property lawsuit. During 2010 we acquired four new operating properties: one through a direct acquisition and three as a result of our foreclosure on previously acquired loan assets as discussed above. Through these transactions we acquired four recently constructed real estate assets at a low cost in distressed transactions and added an aggregate 322,000 square feet of Class A office space and 180 multi-family apartment units to our operating property portfolio.

In respect to leasing activity in 2011, we are aggressively marketing the properties for lease through direct contact with both tenants and brokers. As a result we are experiencing increased leasing traffic from the prior year in most regions but do not expect that new leases in 2011 will fully account for the losses in 2010. With respect to our 2010 acquisitions we have underwritten a relatively long lease up period of approximately 18 to 24 months and anticipate that certain of our other properties will continue to have leasing issues in 2011. Consequently, as discussed in more detail below, our earnings from our operating properties are anticipated to decline in 2011.

While we plan to fund operating shortfalls on certain investments, we anticipate that a lack of cash flow at certain properties may cause lenders to place these loans in special servicing. Special servicing status on these mortgage loans will prompt work out discussions with banks affording us the opportunity to negotiate more reasonable loan terms in an effort to improve long term operating results. There can be no assurance, however, we will be successful in negotiating more favorable terms.

Consolidated Operating Properties - The average occupancy of our consolidated properties was approximately 94.1% during the year ended December 31, 2010. As of December 31, 2010 our consolidated properties were approximately 90.8% leased compared to approximately 84.6% leased at December 31, 2009. At January 31, 2011 our consolidated properties were 88.1% leased, excluding our Churchill, Pennsylvania property which contains 1,008,000 square feet and was 16% leased.

Unfavorable trends in revenue on our wholly owned properties are expected to continue during 2011 primarily as a result of (i) changes in our net leased retail portfolio created by the non-renewal of expired leases on six properties; (ii) challenges in leasing two of our Lisle, Illinois properties; and (iii) expiration of the lease at our Churchill property.

Of the six leases which expired and were not renewed in 2010 in the net leased retail portfolio, the Athens, Georgia property was sold, the Sherman, Texas property reverted back to the land owner and two others, Knoxville, Tennessee and Lafayette, Louisiana were transferred into discontinued operations during 2010. In February 2011 we entered into an agreement to sell the St. Louis, Missouri, and Knoxville, Tennessee properties, subject in each case to the respective buyer's due diligence. We anticipate that the sale of these properties will be consummated, if at all, during the second quarter of 2011. The Denton, Texas property has been subdivided and is 63% leased as of December 31, 2010.

Occupancy has dropped to 52% on our Lisle, Illinois property also known as 550-560 Corporetum as of December 31, 2010 from 71% at December 31, 2009. Various smaller tenants have vacated and one significant tenant representing approximately 13% of the property square footage did not renew its lease at expiration in May 2010. At our other Lisle, Illinois property, referred to as 701 Arboretum, we have received notice from our major tenant that they will be vacating their space at the expiration of their current lease term on March 31, 2011. As a result, this property will be 32% occupied as of April 1, 2011. We continue to aggressively market these properties for lease, however, there can be no assurance that we will be able to find replacement tenants in the near term.

The tenant at our Churchill, Pennsylvania property elected not to exercise its renewal option at the December 31, 2010 expiration. The property is in need of substantial repairs and refurbishing, and we are currently seeking damages from the prior tenant for failure to return the property in the condition required by the lease. Additionally, we are actively marketing the property for lease.

Sealy Equity Investments in Operating Properties – As of December 31, 2010 we continue to hold equity interests in three real estate ventures with Sealy & Co. which have an aggregate of approximately 2,097,000 rentable square feet consisting of 18 office flex buildings and 13 light distribution and service center properties. The investment properties are located in Northwest Atlanta, Georgia; Atlanta, Georgia; and Nashville, Tennessee and had occupancies of 75%, 66% and 86%, respectively, at December 31, 2010 as compared to occupancy of 73%, 78% and 86%, at December 31, 2009. Our Georgia properties continue to have historically low occupancy but are performing in line with the market, and we have not lost any tenants to competing properties. Finally, our Nashville, Tennessee property is outperforming the market. The properties are being aggressively marketed for lease. We received cash distributions from operations of \$733,000 from the Nashville, Tennessee property for the year ended December 31, 2010. We received no cash distribution from the two Atlanta investments for the year ended December 31, 2010.

The Sealy properties have \$139,750,000 of mortgage debt at December 31, 2010 with \$102,750,000 maturing in 2012 and \$37,000,000, maturing in 2016. Both Atlanta, Georgia properties are currently in special servicing. We together with our joint venture partner, are attempting to negotiate with the special servicer a restructuring of the debt. Both properties have ceased making their debt service payments until the loans are restructured. There can be no assurance that a restructuring of the loans will be accomplished.

Marc Realty Equity Investments in Operating Properties- As of December 31, 2010, we held equity interests in 12 properties with Marc Realty which consist of an aggregate of approximately 1,977,000 rentable square feet of office and retail space which was 82.2% occupied as compared to 84.1% occupied at December 31, 2009.

Five downtown Chicago properties contain approximately 959,000 rentable square feet of the aggregate Marc Realty portfolio and accounted for \$37,562,000 of our December 31, 2010 carrying value. These five properties had occupancy of 83.4% at December 31, 2010, compared to 90.6% occupancy at December 31, 2009. The decline in occupancy in 2010 is primarily the result of the loss of one major tenant at one of the downtown properties.

The balance of the portfolio, located in the Chicago suburbs represents \$24,588,000 of our December 31, 2010 carrying value, contains approximately 1,018,000 square feet and was 80.9% occupied at December 31, 2010 compared to 79.0% occupied at December 31, 2009.

At December 31, 2010, the Marc Realty properties are encumbered with \$86,236,000 of mortgage debt, with \$19,290,000 of mortgage debt maturing in 2011, \$10,375,000 maturing in 2012 and the remainder in 2013 or later. We and our venture partner are negotiating with the lenders to further extend the debt balances maturing in 2011.

REIT Securities

During 2010 we reduced new investment activity in REIT securities. We sold REIT securities with a cost basis of \$23,163,000 and received cash proceeds of \$31,249,000. We expect to continue to hold our REIT preferred securities but will divest if needed to fund future acquisitions. As of December 31, 2010 our portfolio of REIT securities decreased to \$33,032,000.

Liquidity and Capital Resources

At December 31, 2010, we held \$45,257,000 in unrestricted cash and cash equivalents and \$33,032,000 in REIT securities. In addition, as of December 31, 2010 we had \$9,550,000 available to draw on our \$35,000,000 revolving line of credit.

We believe that cash flow from operations will continue to provide adequate capital to fund our operating and administrative expenses, 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. As a result of this dividend requirement, we, like other REITs, are unable to reinvest all of our operating cash flow and are dependent on raising capital through equity and debt issuances or forming ventures with investors to obtain funds with which to expand our business. Accordingly, we anticipate that capital with which to make future investment and financing activities will be provided from borrowings, the issuance of additional equity and debt securities and proceeds from sales of existing assets.

Our primary sources of funds include:

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

In addition, in light of the recent Delaware Supreme Court's affirmation of the Delaware Court of Chancery's ruling that the notes held by a subsidiary of CDH CDO in CDO-1 are deemed cancelled effective January 2010, we expect to receive cash distributions from our CDH CDO investment through our interest in the entity that provides collateral management services to CDO-1 as well as through our equity ownership of CDH CDO.

Public Offering

On September 27, 2010 we closed a public offering of 5,750,000 Common Shares at a price of \$12.25 per share before underwriter discount, and received net proceeds of approximately \$67,000,000 which we utilized for the acquisition of new investments in the fourth quarter of 2010 and the first quarter of 2011.

Debt Maturities

We have a \$35,000,000 revolving line of credit which matures on December 16, 2011. We drew down \$25,450,000 in July in connection with new loan acquisitions and this amount remains outstanding on December 31, 2010.

At December 31, 2010, our balance sheet contains mortgage debt payable of \$230,443,000. We have \$27,766,000 of mortgage debt maturing in 2011, \$32,975,000 maturing in 2012, \$16,116,000 maturing in 2013 with the remainder maturing in 2015 or later.

On March 4, 2011 we financed our Plantation, Florida property with an \$11,000,000 first mortgage loan bearing interest at 6.483% and maturing on April 1, 2018. The net proceed of approximately \$10,676,000 and cash on hand of approximately \$6,143,000 were used to pay down our mortgage loan payable with KeyBank by \$16,819,000.

In March 2011, we amended our existing revolving line of credit with KeyBank, such that (i) the maximum borrowing was increased to \$50,000,000 with an accordion feature of up to \$150,000,000 (ii) the maturity date was extended to March 2014 with an option to extend the maturity date to March 2015. The amended credit facility bears interest at Libor plus 3%. On March 7, 2011, we utilized \$8,799,000 to repay the maturing mortgage loans encumbering our Andover and Burlington properties and approximately \$2,186,000 to payoff the balance on our mortgage loan payable with Keybank. In addition, we drew down \$16,000,000 on the line of credit to fund new investments.

As a result of these transactions we have no mortgage loans for consolidated properties maturing in 2011.

We continually evaluate our debt maturities and, based on our current assessment, we believe 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.

Cash Flows

Our liquidity based upon cash and cash equivalents decreased by approximately \$21,236,000 from \$66,493,000 at December 31, 2009 to \$45,257,000 at December 31, 2010.

Our cash flow activities for the year ended December 31, 2010 are summarized as follows (in thousands):

Net cash flow provided by operating activities	\$ 19,612
Net cash flow used in investing activities	(112,650)
Net cash flow provided by financing activities	<u>71,802</u>
Decrease in cash and cash equivalents	<u>\$ (21,236)</u>

Operating Activities

For the year ended December 31, 2010, our operating activities generated net income of \$17,365,000 and positive cash flow of \$19,612,000. Our cash provided by operations reflects our net income adjusted by: (i) a reduction for non-cash items of \$5,901,000 representing primarily loan discount accretion and unrealized gains on loan securities offset by adding back depreciation and amortization expenses; (ii) \$5,610,000 of distributions from non-consolidated interests; and (iii) a net increase due to changes in other operating assets and liabilities of \$2,538,000. See our discussion of Results of Operations below for additional details on our operations.

Investing Activities

Net cash used in investing activities of \$112,650,000 for the year ended December 31, 2010 was comprised primarily of the following:

- \$115,854,000 for the acquisition of eleven new loans receivable;
- \$2,949,000 for additional loan advances under existing facilities;
- \$3,498,000 for the issuance of a new loan receivable;
- \$10,871,000 for investment in our PSW NYC joint venture;
- \$7,800,000 for investment in our Riverside loan joint venture;
- \$6,961,000 for investment in our Marc Realty equity investments;
- \$2,113,000 to fund a tenant improvement escrow for the Deer Valley Medical Center;
- \$6,110,000 for purchases of REIT securities carried at fair value;
- \$5,276,000 for investment in capital and tenant improvements at our operating properties;
- \$9,409,000 for the acquisition of the land underlying eight of our operating properties;
- \$7,112,000 for the purchase of loan securities; and
- \$8,700,000 for the acquisition of a new operating property (Crossroads I).

These uses of cash flow were offset primarily by:

- \$31,249,000 in proceeds from the sale of securities carried at fair value;
- \$9,876,000 in proceeds from the sale at par value of 50% interest in the 500-512 Seventh Avenue B Participation;
- \$3,000,000 in proceeds from the sale at par value of the Siete Square A Participation;
- \$6,540,000 received on full satisfaction of the Driver loan;
- \$8,200,000 received on full satisfaction of the 1701 E. Woodfield Road loan;
- \$9,625,000 return of capital distribution from our PSW NYC equity investment; and
- \$1,750,000 in proceeds from the sale of our Athens, Georgia property.

Financing Activities

Net cash provided by financing activities of \$71,802,000 for the year ended December 31, 2010 was comprised primarily of the following:

- \$66,774,000 in proceeds from the issuance of 5,750,000 Common Shares pursuant to our public offering; and
- \$25,450,000 drawn down on our Revolving Line of Credit.

These sources of cash flow were offset primarily by:

- \$14,573,000 for dividend payments on our Common Shares; and
- \$10,199,000 for mortgage loan repayments which included \$3,537,000 of the principal repayments related to the disposition of three operating properties.

Future Cash Commitments

Future Funding Requirements

In addition to our initial purchase price of certain loans and operating properties, we have future funding requirements which total approximately \$8,079,000 at December 31, 2010.

Common Share Dividends

In paying dividends we seek to have our quarterly dividends track cash flow from operations. As a result of our emphasis on total return, while we seek to achieve a stable, predictable dividend for our shareholders, we do not select or manage our investments for short-term dividend growth, but rather towards achieving overall superior total return. While we intend to continue paying dividends each quarter, the amount of our dividend will depend on the actual cash flow, financial condition, capital requirements, utilization of available capital losses and net operating loss carry forwards, distribution requirements for REITs under the Internal Revenue Code, and such other factors as our Board of Trustees deem relevant. Subject to the foregoing, we expect to continue distributing our current cash flow from operations after reserving normal and customary amounts thereby allowing us to maintain adequate capital reserves. In addition, when deemed prudent or necessitated by applicable distribution requirements for REITs under the Internal Revenue Code, we may make one or more special distributions during any particular year. However, during a favorable investing environment, we expect that we will utilize our carry forward capital losses to shelter gains from the disposition of our assets so we may use the proceeds for investment. We expect to continue applying these standards with respect to our dividends on a quarterly basis which may cause the dividends to increase or decrease depending on these various factors.

During 2010 we have paid a regular quarterly dividend of \$0.1625 per Common Share. We paid regular quarterly dividends of \$0.40625 per Series B-1 Preferred Share and Series C Preferred Share for all four quarters of 2010.

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, 2010 (in thousands):

	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Mortgage loans payable (principal and interest) (1)	\$ 284,083	\$ 46,273	\$ 80,104	\$ 33,978	\$ 123,728
Revolving line of credit (principal and interest)	26,108	26,108	-	-	-
Ground lease obligations	1,932	485	847	600	-
Advisors' fee (2)	6,838	6,838	-	-	-
Series B-1 Preferred Shares (3)	21,300	-	21,300	-	-
Series C Preferred Shares (3)	3,600	-	3,600	-	-
	<u>\$ 343,861</u>	<u>\$ 79,704</u>	<u>\$ 105,851</u>	<u>\$ 34,578</u>	<u>\$ 123,728</u>

- (1) Does not reflect financing activity subsequent to December 31, 2010.
- (2) Advisor's fee based upon the terms of the Advisory Agreement, effective January 1, 2011, with no effect given to any equity that may be issued after December 31, 2010. No amounts have been included for subsequent renewal periods of the Advisory Agreement.
- (3) Series B-1 and Series C Preferred Shares assumes mandatory redemption date in February 2012 with no further conversions.

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 and expand our portfolio.

Comparability of Financial Data from Period to Period

The comparability of financial data from period to period is affected by several items including (i) the timing of our property acquisitions and leasing activities; (ii) the purchases and sales of assets and investments; (iii) when material other-than-temporary impairment losses on assets in our portfolio are taken; and (iv) the reclassification of assets. In this regard, the comparability of financial results for the years presented were impacted by the addition of four operating properties (one direct acquisition and three loan foreclosures) in 2010. The acquisition of several loan assets in 2010, the divestiture of several REIT securities in 2010, the write-down of our investment in Lex-Win Concord to zero during the second quarter of 2009 and the reclassification of certain Marc Realty assets from an aggregated preferred equity investment to 12 individual common equity investments as of July 1, 2009.

Results of Operations

Our results of operations are discussed below by segment:

- Operating Properties – our wholly and partially owned operating properties and from July 1, 2009 our 12 Marc Realty equity investments;
- Loan Assets – our loans receivable, loan securities carried at fair value, and equity investments in loan assets;
- REIT Securities – our ownership of equity and debt securities in other real estate investment trusts; and
- Corporate – non-segment specific results which includes interest on cash reserves, general and administrative expenses and other non-segment specific income and expense items.

The following table summarizes our assets by segment at year end (in thousands):

	2010	2009
Operating properties	\$ 373,142	\$ 313,682
Loan assets	134,269	31,774
REIT securities	33,032	52,597
Corporate		
Cash and cash equivalents	45,257	66,493
Restricted cash	8,593	9,505
Accounts receivable and prepaids	12,402	14,559
Deferred financing costs	1,158	1,495
Discontinued Operations	2,275	3,087
Total Assets	<u>\$ 610,128</u>	<u>\$ 493,192</u>

The increase in operating property assets was due primarily to the acquisition of four operating properties and eight land parcels underlying our existing properties during 2010. In addition, we made \$6,121,000 of building improvements to our existing properties during the year. These increases were partially offset by the disposition of three properties and the classification to discontinued operations of one additional property.

The increase in loan assets was due primarily to the acquisition of 12 new loan assets for an aggregate investment of \$119,352,000. In addition, we recognized \$8,782,000 of loan discount accretion income during 2010.

The decrease in REIT securities assets was primarily the result of our divestiture of these assets. We received proceeds of \$31,249,000 from the sale of securities in 2010 while only investing \$6,110,000 in acquiring new securities during the year.

The following table summarizes our results from continuing operations by segment for each of the years ended December 31 (in thousands):

	2010	2009	2008
Operating properties (1)	\$ 2,588	\$ (8,345)	\$ 2,666
Loan assets (1)	19,218	(99,830)	(67,770)
REIT securities	8,273	27,002	1,346
Corporate expenses	(10,711)	(3,022)	(6,142)
Consolidated income (loss) from continuing operations	<u>\$ 19,368</u>	<u>\$ (84,195)</u>	<u>\$ (69,900)</u>

- (1) As of July 1, 2009, in conjunction with the restructuring of our preferred equity investment in Marc Realty, our investments in the Marc Realty portfolio which were previously included in the loan assets business segment are now classified as equity investments and are included in the operating properties segment.

Comparison 2010 to 2009

Operating Properties

The following table summarizes our results from continuing operations for our operating properties segment for the years ended December 31, 2010 and 2009 (in thousands):

	2010	2009
Rents and reimbursements	\$ 38,239	\$ 40,021
Operating expenses	(8,674)	(7,042)
Real estate taxes	(2,542)	(2,542)
Impairment loss on investments in real estate	-	(10,000)
Equity in income of Marc Realty investments	1,776	281
Impairment loss on Marc Realty equity investment	-	(2,500)
Equity in loss of Sealy Northwest Atlanta	(710)	(457)
Equity in loss of Sealy Airpark Nashville	(1,107)	(1,056)
Equity in loss of Sealy Newmarket	(1,193)	(691)
Operating income	<u>25,789</u>	<u>16,014</u>
Depreciation and amortization expense	(10,008)	(10,585)
Interest expense	(13,193)	(13,774)
Net income (loss)	<u>\$ 2,588</u>	<u>\$ (8,345)</u>

Operating income from our operating properties, which we define as all items of income and expense directly derived from or incurred by this segment before depreciation, amortization and interest expense, increased by \$9,775,000 compared to the prior year period. The increase was due primarily to:

- an increase of \$1,495,000 in income from our 12 Marc Realty equity investments. We received cash distributions of \$4,147,000 from the Marc Realty equity investments during the year ended December 31, 2010;
- rents and reimbursements of \$831,000 from our four 2010 property acquisitions;
- an increase of \$252,000 in rents and reimbursements at our Jacksonville, Florida property as a result of the property being 100% occupied for the full year in 2010;
- a \$10,000,000 impairment loss recorded in 2009 on our Churchill, Pennsylvania property; and

- a \$2,500,000 other-than-temporary impairment loss recorded in 2009 on our Marc Realty equity investment in the property located at 1701 East Woodfield Rd, Schaumburg, Illinois;

Partially offset by:

- a \$1,632,000 increase in operating expenses due primarily to increased cost of \$491,000 at our River City property, a \$205,000 increase in costs at our Andover, Massachusetts property as a result of the lease in 2010 being a gross lease as compared to a net lease in 2009, a \$956,000 increase in legal and professional fees related to tenant disputes primarily in connection with the Churchill tenant litigation and \$550,000 of operating expenses at our four 2010 property acquisitions;
- a decrease of \$846,000 in rents and reimbursements from our two Lisle, Illinois properties due to an approximate 20% decrease in average occupancy at one of the properties and an approximate 10% decrease at the other property in 2010;
- an \$806,000 increase in losses from our Sealy equity investments due primarily to a \$502,000 increase in loss related to our Newmarket office complex in Atlanta, Georgia which experienced a 12% loss in occupancy during 2010;
- a decrease of \$745,000 in rents and reimbursements at our Andover, Massachusetts property due to the expiration of the lease in place at December 31, 2009. This space was leased effective March 18, 2010;
- a decrease of \$571,000 in rents and reimbursements at our One East Erie property as a result of an approximate 4% decrease in average occupancy
- a decrease of \$417,000 in rents and reimbursements at our River City property due to the turnover of tenants; and
- a decrease of \$340,000 in rents and reimbursements pursuant to a restructuring as of April 1, 2009 which provided for a reduction in rent in exchange for a ten-year extension of the lease for our Plantation, Florida property.

Depreciation and amortization expense decreased by \$577,000 primarily as a result of certain assets being fully amortized during 2010. Interest expenses related to our operating properties decreased by \$581,000 primarily as a result of normal amortization of the mortgage loans payable, which was partially offset by \$438,000 of interest expense on our newly acquired Connecticut multi-family property.

Loan Assets

The following table summarizes our results from our loan assets segment for the years ended December 31, 2010 and 2009 (in thousands):

	2010	2009
Interest and discount accretion	\$ 14,473	\$ 3,442
Equity in earnings of preferred equity investment in Marc Realty	338	78
Impairment loss on preferred equity investments	-	(2,186)
Impairment loss on Lex-Win Concord	-	(31,670)
Equity in loss of Lex-Win Concord	-	(66,904)
Equity in earnings of ROIC-Riverside	473	-
Equity in loss of PSW NYC	(1,246)	-
Realized gain on loan securities carried at fair value	469	-
Unrealized gain on loan securities carried at fair value	5,011	-
Impairment loss on available for sale loan	-	(203)
Provision for loss on loans receivable	-	(2,152)
Operating income (loss)	19,518	(99,595)
General and administrative expense	(300)	(235)
Net income (loss)	\$ 19,218	\$ (99,830)

Operating income from loan assets, which we define as all items of income and expense directly derived from or incurred by this business segment before general and administrative expense, increased by \$119,113,000 from a loss of \$99,595,000 in 2009 to income of \$19,518,000 in 2010 primarily due to the \$31,670,000 impairment loss on Lex-Win Concord and \$66,904,000 equity in loss of Lex-Win Concord recognized in 2009. Excluding the impairment loss and equity loss in Lex-Win Concord, operating income from loan assets increased by \$20,539,000 for the year ended December 31, 2010 as compared to the year ended December 31, 2009 to income of \$19,518,000 from a loss of \$1,021,000. The increase was due primarily to:

- a \$5,011,000 unrealized gain on loan securities carried at fair value recognized in 2010 and a \$469,000 realized gain on loan securities which were paid off at par at maturity in December 2010;
- a \$2,152,000 provision for loss on loans receivable related to properties in our Marc Realty portfolio recognized in 2009;
- a \$11,031,000 increase in interest income due primarily to \$11,713,000 recognized on loan assets acquired since June 2009 which was partially offset by a reduction of \$661,000 of interest on our tenant improvement and capital expenditure loans related to the Marc Realty investments which are now reported in the operating properties segment as of July 1, 2009; and
- a reduction of impairments from the prior year resulting in a \$2,446,000 increase in earnings from our preferred equity investment in Marc Realty.

Partially offset by:

- a \$1,246,000 loss recognized on our 2010 investment in our PSW NYC venture.

REIT Securities

The following table summarizes our results from our REIT securities segment for the years ended December 31, 2010 and 2009 (in thousands):

	2010	2009
Dividends	\$ 2,655	\$ 3,894
Gain on sale of securities carried at fair value	558	5,416
Unrealized gain on securities carried at fair value	5,060	17,862
Equity in loss of Lex-Win Acquisition, LLC	-	(95)
Operating income	8,273	27,077
Interest expense	-	(75)
Net income	\$ 8,273	\$ 27,002

Operating income from REIT securities, which we define as all items of income and expense directly derived from or incurred by this business segment before interest expense, decreased by \$18,804,000 over the prior year period. The decrease was due primarily to:

- a \$12,802,000 decrease in unrealized gain on securities carried at fair value;
- a \$1,239,000 decrease in interest and dividend income primarily as the result of the sale of various securities; and
- a \$4,858,000 decrease in realized gain on the sale of securities carried at fair value.

Corporate

The following table summarizes our results from our corporate business segment for the years ended December 31, 2010 and 2009 (in thousands):

	2010	2009
Interest income	\$ 139	\$ 172
General and administrative	(8,534)	(7,068)
Interest expense	(2,182)	(2,815)
Gain on extinguishment of debt	-	6,846
State and local taxes	(134)	(157)
Operating loss	<u>\$ (10,711)</u>	<u>\$ (3,022)</u>

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

- a \$5,681,000 gain on extinguishment of debt recognized in 2009 resulting from our 2009 purchase of 1,017,105 Series B-1 Preferred Shares at a discount to their liquidation value;
- a \$1,165,000 gain on extinguishment of debt recognized in 2009 resulting from the conversion of 544,000 Series B-1 Preferred Shares to Series C Preferred Shares; and
- A \$1,466,000 increase in general and administrative expense due primarily to an increase in the base management fee paid to our advisor of \$2,118,000 partially offset by a reduction in professional fees of \$642,000.

Partially offset by:

- a \$633,000 decrease in corporate interest expense due primarily to lower aggregate payments in 2010 of \$897,000 on our Series B-1 Preferred Shares as a result of fewer Series B-1 Preferred Shares outstanding during 2010 offset by an increase in interest expense of \$264,000 related to our KeyBank line of credit.

Comparison 2009 to 2008

Operating Properties

The following table summarizes our results from continuing operations for our operating properties segment for the years ended December 31, 2009 and 2008. Certain balances have been reclassified as a result of discontinued operations (in thousands):

	2009	2008
Rents and reimbursements	\$ 40,021	\$ 41,504
Operating expenses	(7,042)	(6,767)
Real estate taxes	(2,542)	(2,428)
Impairment loss on investments in real estate	(10,000)	(2,100)
Equity in income of Marc Realty investments	281	-
Impairment loss on Marc Realty equity investment	(2,500)	-
Equity in loss of Sealy Northwest Atlanta	(457)	(409)
Equity in loss of Sealy Airpark Nashville	(1,056)	(1,023)
Equity in loss of Sealy Newmarket	(691)	(250)
Operating income	<u>16,014</u>	<u>28,527</u>
Depreciation expense	(10,585)	(11,572)
Interest expense	(13,774)	(14,289)
Net income (loss)	<u>\$ (8,345)</u>	<u>\$ 2,666</u>

For purposes of management's discussion of our results of operations, operating income for each business segment is defined as all items of income and expense before depreciation, amortization and interest expense. Operating income from our operating properties decreased by \$12,513,000 over the prior year period. The decrease was due primarily to:

- a \$10,000,000 impairment loss recorded in 2009 as compared to an impairment loss of \$2,100,000 recognized in 2008;
- a \$2,500,000 other-than-temporary impairment loss on our Marc Realty equity investment in the property located at 1701 East Woodfield Rd, Schaumburg, Illinois;
- a decrease of \$1,021,000 in rents and reimbursements from our net lease portfolio due to the reduced rent pursuant to the restructuring and 10-year extension of the lease for our Plantation, Florida property as of January 1, 2009;
- a decrease of \$686,000 in rents and reimbursements at our Jacksonville, Florida property due to the loss of two tenants who occupied approximately 80% of the property;
- a decrease of \$529,000 in rents and reimbursements from our Lisle, Illinois properties due to an approximate 12% decrease in average occupancy at one of the properties in 2009;
- a \$275,000 increase in operating expenses due primarily to increased cost of \$145,000 at our One East Erie property, a \$380,000 bad debt reserve at our Burlington property as a result of a tenant bankruptcy and a \$122,000 increase in legal and professional fees related to tenant disputes which were offset by a \$290,000 decrease in costs at our River City property; and
- a \$522,000 increase in losses from our Sealy equity investments due primarily to a \$441,000 increase in loss related to our Newmarket office complex in Atlanta, Georgia which we held for 12 months in 2009. Losses from the Sealy portfolio are primarily the result of non-cash depreciation and amortization expenses. We received cash distributions of \$1,195,000 from the Sealy equity investments for the year ended December 31, 2009.

Partially offset by:

- income of \$281,000 in 2009 representing our share of operations from our 12 Marc Realty equity investments since July 1, 2009. We received cash distributions of \$1,089,000 from the Marc Realty equity investments during the year ended December 31, 2009;
- an increase of \$194,000 in rents and reimbursements at our One East Erie property as a result of a \$412,000 increase in rental revenue due to an approximate 1% increase in average occupancy which was partially offset by a \$218,000 decline in revenue from the parking facility in 2009; and
- an increase of \$577,000 in rents and reimbursements at our River City property due to an approximate 6% increase in average occupancy in 2009.

Depreciation and amortization expense decreased by \$987,000 primarily as a result of values assigned to leases in place at the time of acquisition being fully amortized during 2009. Interest expenses related to our operating properties decreased by \$515,000 primarily as a result of normal amortization of the mortgage loans payable.

Loan Assets

The following table summarizes our results from our loan assets segment for the years ended December 31, 2009 and 2008 (in thousands):

	2009	2008
Interest income	\$ 3,442	\$ 1,532
Equity in earnings of preferred equity investment of Marc Realty	78	5,868
Impairment loss on preferred equity investments	(2,186)	(7,513)
Impairment loss on Lex-Win Concord	(31,670)	(36,543)
Equity in loss of Lex-Win Concord	(66,904)	(30,207)
Gain on sale of mortgage backed securities	-	454
Gain on sale of other assets	-	24
Impairment loss on available for sale loan	(203)	-
Provision for loss on loan receivable	(2,152)	(1,179)
Operating loss	(99,595)	(67,564)
General and administrative expense	(235)	-
Interest expense	-	(206)
Net loss	<u>\$ (99,830)</u>	<u>\$ (67,770)</u>

Operating loss from loan assets increased by \$32,031,000 from a loss of \$67,564,000 in 2008 to a loss of \$99,595,000 in 2009. The increase was due primarily to:

- a \$36,697,000 increase in equity in loss from Lex-Win Concord due primarily to our allocable share of the increased operating loss from Concord for the year ended December 31, 2009 compared to the year ended December 31, 2008. In addition, we recorded a \$31,670,000 other-than-temporary impairment loss in 2009 to reduce our equity investment in Lex-Win Concord to zero. In 2008, we recorded a \$36,543,000 other-than-temporary impairment loss.
- a \$5,790,000 decrease in earnings from our preferred equity investment primarily as a result of the restructuring of the Marc Realty portfolio. Items that affected the decrease included a \$2,664,000 loss from the transfer of our interest in three of the properties in the Marc Realty portfolio in May 2009, a \$2,624,000 decrease in interest earnings and a \$511,000 decrease in gains on sale of real estate; and
- a \$973,000 increase in provision for loss on loans receivable related to properties in our Marc Realty portfolio;

Partially offset by:

- a \$1,910,000 increase in interest income due primarily to \$2,675,000 recognized on loan assets acquired in 2009 which was partially offset by a reduction of \$522,000 of interest on our tenant improvement and capital expenditure loans related to the Marc Realty investments which are now reported in the operating properties segment as of July 1, 2009; and
- a \$5,327,000 decrease in impairment loss on preferred equity investments. We recognized \$2,186,000 of other-than-temporary impairments on four of our Marc Realty preferred equity investments during the year ended December 31, 2009 compared with a \$7,513,000 other-than-temporary impairment recognized on four Marc Realty preferred equity investments during the same period in 2008.

REIT Securities

The following table summarizes our results from our REIT securities segment for the years ended December 31, 2009 and 2008 (in thousands):

	2009	2008
Dividends	\$ 3,894	\$ 916
Gain on sale of securities carried at fair value	5,416	-
Gain on sale of available for sale securities	-	1,580
Impairment loss on available for sale securities	-	(207)
Unrealized gain on securities carried at fair value	17,862	24
Equity in loss of Lex-Win Acquisition, LLC	(95)	(878)
Operating income	27,077	1,435
Interest expense	(75)	(89)
Net income	\$ 27,002	\$ 1,346

Operating income from REIT securities increased by \$25,642,000 over the prior year period. The increase was due primarily to:

- a \$2,978,000 increase due primarily to interest and dividends as the result of the increased investment in REIT securities during the year ended December 31, 2009;
- a \$17,862,000 unrealized gain on securities carried at fair value recognized in 2009; and
- a \$3,836,000 increase in gain on sale of securities.

Corporate

The following table summarizes our results from our corporate business segment for the years ended December 31, 2009 and 2008 (in thousands):

	2009	2008
Interest income	\$ 172	\$ 1,670
General and administrative	(7,068)	(6,887)
Interest expense	(2,815)	(7,379)
Gain on extinguishment of debt	6,846	6,284
State and local taxes	(157)	(329)
Other	-	499
Operating loss	<u>\$ (3,022)</u>	<u>\$ (6,142)</u>

The decrease in the operating loss from corporate operations for the comparable periods was due primarily to:

- a \$4,564,000 decrease in corporate interest expense due primarily to lower aggregate payments in 2009 of \$3,470,000 on our Series B-1 Preferred Shares as a result of fewer Series B-1 Preferred Shares outstanding during 2009 and a reduction of interest expense of \$1,102,000 related to our KeyBank line of credit;

Partially offset by:

- a \$1,498,000 decrease in corporate interest income earned on our cash and cash equivalents due primarily to lower yields on U.S. Treasury securities and other depository accounts during 2009 versus 2008; and
- state income taxes decreased by \$172,000 to \$157,000 for the year ended December 31, 2009 from \$329,000 for the year ended December 31, 2008 due primarily to our anticipated lower taxable income for state purposes, after deductions for dividends paid and after the utilization of net operating loss carryforwards, where applicable.

Discontinued Operations

In October 2009 a tenant of our retail net leased properties, The Kroger Company ("Kroger"), notified us of its intention not to exercise its lease renewal options on six buildings containing approximately 281,000 square feet of retail space. Concurrently, Kroger also notified us that it would be exercising its option to purchase one of these six properties, the Athens, Georgia property, resulting in our classifying that property in discontinued operations effective with the fourth quarter of 2009. Upon receipt of the notice, management actively marketed the remaining locations for lease or sale.

The Lafayette, Louisiana and Sherman, Texas locations have been classified as discontinued operations as of September 30, 2010. During the quarter ended September 30, 2010, management determined that the potential market rents were not sufficient to cover prospective ground lease payments plus the costs to convert these properties to multi-tenant facilities. Therefore, we decided to permit the ownership of the Sherman, Texas property to revert back to the land owner as of November 1, 2010. We elected not to make ground rent payments on the Lafayette, Louisiana property and anticipate that the ground owner will exercise its remedies and take title to the property. We recorded a \$704,000 impairment charge related to these investments which is included in discontinued operations for the year ended December 31, 2010.

The Knoxville, Tennessee location has also been classified as discontinued operations as of September 30, 2010. During the quarter ended September 30, 2010, management determined that after having exercised its purchase option under its ground lease and acquiring the land in October 2010 the best course of action was to pursue a sale of the real estate. As a result, we recorded a \$626,000 impairment charge which is included in discontinued operations for the year ended December 31, 2010. On February 24, 2011 we entered into an agreement to sell this property subject to the buyer's due diligence. We anticipate that the sale will be consummated during the second quarter of 2011.

With respect to Kroger's purchase of the Athens, Georgia property, in accordance with a three party agreement between us, Kroger and the land owner, an appraisal process was conducted to determine the fair market value of the property. As a result of the finalization of the appraisal process we recorded an impairment charge of \$1,390,000 during the year ended December 31, 2010.

In August 2009 the First District Court of Wyandotte County, Kansas, appointed a receiver to operate and manage our apartment complex in Kansas City, Kansas commonly referred to as Creekwood Apartments. In October 2009 a notice of foreclosure was issued on behalf of the first mortgage holder. The property was foreclosed in December 2009.

Tenant Concentrations

Three tenants, who each represent more than 10% of rental revenues, contributed approximately 44%, 41% and 39% of our base rental revenues for the years ended December 31, 2010, 2009 and 2008, respectively, and represent approximately 43%, 24% and 24%, respectively, of the total rentable square footage of the operating property portfolio.

Off-Balance Sheet Investments

We have three off-balance sheet investments – our Marc Realty, Lex-Win Concord and Sealy investment platforms. For our three off-balance sheet arrangements, our exposure to loss is limited to our investment balance.

Critical Accounting Policies and Estimates

Impairment

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

Preferred equity investments – We have certain mezzanine loans which are classified as preferred equity investments. Determining whether a preferred equity investment is other-than-temporarily impaired requires significant judgment. This evaluation includes consideration of the length of time and extent to which the fair value of an investment has 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.

Loan assets – Loan assets are periodically evaluated for possible impairment in order to determine whether it is necessary to establish a loan loss allowance. In some instances if a borrower is experiencing difficulties making loan payments we may assist the borrower to address the problems, which could include extending the loan term, making additional advances, or reducing required payments. A loan asset is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms of the loan. Impairment is then measured based on the present value of expected future cash flows or, if the loan is collateral dependent, the fair value of the collateral. When a loan is considered to be impaired, we will establish an allowance for loan losses and record a corresponding charge to earnings. Significant judgments are required in determining impairment. We do not record interest income on impaired loans. Any cash receipts on impaired loans are recorded as a recovery reducing the allowance for loan losses.

Equity investments – Equity investments are reviewed for impairment periodically. Equity investments for which the carrying value exceeds the fair value, the Trust evaluates if these are other-than-temporarily impaired.

Contingent liabilities – Estimates are used when accounting for the allowance for contingent liabilities and other commitments. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties such as regulators. All of the estimates and evaluations are susceptible to change and actual results could differ from the estimates and evaluations.

Variable Interest Entities

We have evaluated our investments to determine whether they are variable interests in a variable interest entity ("VIE"). A VIE is required to be consolidated by its primary beneficiary. The primary beneficiary is the party that incurs a majority of the VIE's anticipated losses and/or a majority of its expected returns. Determination of whether we must consolidate variable interest entities requires significant judgments and assumptions to be made.

Net Leased Property – At December 31, 2010 we identified our wholly owned Andover, Massachusetts operating property as a VIE given that the net leased tenant has an option to purchase the building for a fixed price and the option is exercisable at the tenant’s discretion at any point during the lease term. We have determined that we have the power to direct activities that most significantly impact the economics of the property and therefore are the primary beneficiary and consolidate this property.

Deer Valley Venture – We have concluded that WRT-DV LLC (“WRT-DV”), the entity that owns the Deer Valley property that we hold a 96.5% ownership interest is a VIE. This assessment is primarily based on the fact that the equity investment at risk is not sufficient to finance its activities without additional subordinated financial support. We have determined that we have the power to direct activities that most significantly impact the economics of the property and therefore are the primary beneficiary and consolidate this property.

Loans Receivable and Loan securities - At December 31, 2010 we identified certain loan assets as variable interests in VIEs because the equity investment at risk is not considered sufficient for the entity to finance its activities without additional subordinated financial support. However, we do not currently have the power to direct the activities of the ventures collateralizing any of its loans receivable. For this reason, we believe that we do not have the power to direct activities that most significantly impact the economics of the VIE and therefore are not the primary beneficiary of these ventures. We account for these investments under the guidance for loans receivable and real estate debt investments.

Concord and CDH CDO - At December 31, 2010 we have identified our Concord and CDH CDO equity investments (the “Concord Investments”) as variable interests in VIEs. The carrying value of our Concord Investments is zero and we do not have the current obligation to provide financial or other support to the Concord Investments and the obligations of the Concord Investments are non-recourse to us. In addition we do not have the power to direct activities that most significantly impact the economics of the VIE and therefore we have determined that we are not the primary beneficiary and we account for these investments under the equity method of accounting.

Marc Realty Investments – We have concluded that our 12 Marc Realty equity investments and our preferred equity investment are variable interests in VIEs. This assessment is primarily based on the fact that the underlying entities do not have sufficient equity at risk to permit them to finance their activities without additional subordinated financial support. While we maintain certain protective rights under the terms of the agreements governing the Marc Realty investments, the power to direct the activities that most significantly impact the economics of the Marc Realty investments is vested in Marc Realty as the managing member. As such, management has concluded that we are not the primary beneficiary of these Marc Realty investments.

Recently Issued Accounting Standards

See “ITEM 8. Financial Statements and Supplementary Data - Note 2.”

ITEM 7A – QUANTITATIVE & QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

Our liabilities include both fixed and variable rate debt. As discussed in ITEM 7 – Management’s Discussion and Analysis of Financial Conditions and Results of Operations, we seek to limit our risk to interest rate fluctuations through match financing on our loan assets as well as through hedging transactions. In this regard, we entered into the following agreement:

- Effective June 30, 2010, we entered into an interest rate swap agreement, with a notional amount of \$20,000,000 and will expire June 30, 2011 which effectively converts the interest rate on that portion of principal from a floating rate of 1.75% to a fixed rate of 2.675%.

The fair value of our debt, 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 less than its carrying value by \$22,042,000 and \$25,704,000 at December 31, 2010 and 2009 respectively.

The following table shows what the annual effect a change in the LIBOR rate would have on interest expense based upon the unhedged balances in variable rate debt at December 31, 2010 (in thousands):

	Change in LIBOR(2)			
	-0.26%	1%	2%	3%
Change in consolidated interest expense	\$ (66)	\$ 255	\$ 509	\$ 764
Pro-rata share of change in interest expense of debt on non-consolidated entities (1)	(20)	77	237	423
(Increase) decrease in net income	<u>\$ (86)</u>	<u>\$ 332</u>	<u>\$ 746</u>	<u>\$ 1,187</u>

(1) Represents our pro-rata share of a change in interest expense in our Marc Realty equity investment. The amount does not reflect our equity investment in Concord which has been written down to zero.

(2) The one month LIBOR rate at December 31, 2010 was 0.26%.

We may utilize various financial instruments to mitigate the potential negative impact of interest rate fluctuations on our cash flows and earnings, including hedging strategies, depending on our analysis of the interest rate environment and the costs and risks of such strategies. In addition, as of December 31, 2010 our variable rate loans receivable with a face value aggregating \$53,922,000 partially mitigate our exposure to change in interest rates.

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. The one counterparty of these arrangements is KeyBank at the present time. We do not anticipate that this counterparty will fail to meet its obligations. There can be no assurance that we will adequately protect against the foregoing risks.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Winthrop Realty Trust:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Winthrop Realty Trust and its subsidiaries at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under ITEM 15(a)(2) presents 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 Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits in 2010, 2009 and 2008. 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.

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 16, 2011

WINTHROP REALTY TRUST
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31,	
	2010	2009
ASSETS		
Investments in real estate, at cost		
Land	\$ 37,142	\$ 20,659
Buildings and improvements	271,357	228,419
	308,499	249,078
Less: accumulated depreciation	(36,232)	(31,269)
Investments in real estate, net	272,267	217,809
Cash and cash equivalents	45,257	66,493
Restricted cash held in escrows	8,593	9,505
Loans receivable, net	110,395	26,101
Accounts receivable, net of allowances of \$262 and \$565, respectively	12,402	14,559
Securities carried at fair value	33,032	52,394
Loan securities carried at fair value	11,981	1,661
Available for sale securities, net	-	203
Preferred equity investment	4,010	4,012
Equity investments	81,937	73,207
Lease intangibles, net	26,821	22,666
Deferred financing costs, net	1,158	1,495
Assets held for sale	2,275	3,087
TOTAL ASSETS	\$ 610,128	\$ 493,192
LIABILITIES		
Mortgage loans payable	\$ 230,443	\$ 216,767
Series B-1 Cumulative Convertible Redeemable Preferred Shares, \$25 per share liquidation preference; 852,000 shares authorized and outstanding at December 31, 2010 and December 31, 2009	21,300	21,300
Revolving line of credit	25,450	-
Accounts payable and accrued liabilities	12,557	7,401
Dividends payable	4,431	3,458
Deferred income	150	48
Below market lease intangibles, net	2,696	2,849
Liabilities of held for sale assets	33	-
TOTAL LIABILITIES	297,060	251,823
COMMITMENTS AND CONTINGENCIES		
NON-CONTROLLING REDEEMABLE PREFERRED INTEREST		
Series C Cumulative Convertible Redeemable Preferred Shares, \$25 per share liquidation preference, 144,000 and 544,000 shares authorized and outstanding at December 31, 2010 and December 31, 2009, respectively	3,221	12,169
Total non-controlling redeemable preferred interest	3,221	12,169
EQUITY		
Winthrop Realty Trust Shareholders' Equity:		
Common Shares, \$1 par, unlimited shares authorized; 27,030,186 and 20,375,483 issued and outstanding at December 31, 2010 and December 31, 2009, respectively	27,030	20,375
Additional paid-in capital	569,586	498,118
Accumulated distributions in excess of net income	(300,782)	(301,317)
Accumulated other comprehensive loss	(63)	(87)
Total Winthrop Realty Trust Shareholders' Equity	295,771	217,089
Non-controlling interests	14,076	12,111
Total Equity	309,847	229,200
TOTAL LIABILITIES AND EQUITY	\$ 610,128	\$ 493,192

See Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2010	2009	2008
Revenue			
Rents and reimbursements	\$ 38,239	\$ 40,021	\$ 41,504
Interest, dividends and discount accretion	17,128	7,336	2,448
	<u>55,367</u>	<u>47,357</u>	<u>43,952</u>
Expenses			
Property operating	8,674	7,042	6,767
Real estate taxes	2,542	2,542	2,428
Depreciation and amortization	10,008	10,585	11,572
Interest	15,375	16,664	21,963
Impairment loss on investment in real estate	-	10,000	2,100
Impairment loss on available for sale securities	-	-	207
Provision for loss on loans receivable	-	2,152	1,179
General and administrative	8,834	7,303	6,887
State and local taxes	134	157	329
	<u>45,567</u>	<u>56,445</u>	<u>53,432</u>
Other income (loss)			
Earnings (loss) from preferred equity investments	338	(2,108)	(1,645)
Equity in loss of equity investments	(2,007)	(103,092)	(69,310)
Gain on sale of available for sale securities	-	-	1,580
Gain on sale of mortgage-backed securities	-	-	454
Gain on sale of other assets	-	-	24
Realized gain on sale of securities carried at fair value	558	5,416	-
Unrealized gain on securities carried at fair value	5,060	17,862	24
Impairment loss on real estate loan available for sale	-	(203)	-
Gain on extinguishment of debt	-	6,846	6,284
Realized gain on loan securities carried at fair value	469	-	-
Unrealized gain on loan securities carried at fair value	5,011	-	-
Interest income	139	172	1,670
Other income	-	-	499
	<u>9,568</u>	<u>(75,107)</u>	<u>(60,420)</u>
Income (loss) from continuing operations	19,368	(84,195)	(69,900)
Discontinued operations			
Income (loss) from discontinued operations	(2,003)	865	2,207
Consolidated net income (loss)	17,365	(83,330)	(67,693)
Income attributable to non-controlling interest	(888)	(1,017)	(483)
Net income (loss) attributable to Winthrop Realty Trust	16,477	(84,347)	(68,176)
Income attributable to non-controlling redeemable preferred interest	(288)	(147)	-
Net income (loss) attributable to Common Shares	<u>\$ 16,189</u>	<u>\$ (84,494)</u>	<u>\$ (68,176)</u>
Comprehensive income (loss)			
Consolidated net income (loss)	\$ 17,365	\$ (83,330)	\$ (67,693)
Change in unrealized gain on mortgage-backed securities	-	-	190
Change in unrealized gain on available for sale securities	2	19	1,662
Change in unrealized gain (loss) on interest rate derivative	22	543	(743)
Change in unrealized gain (loss) from equity investments	-	26,174	(6,137)
Less reclassification adjustment included in net income	-	-	(2,058)
Comprehensive income (loss)	<u>\$ 17,389</u>	<u>\$ (56,594)</u>	<u>\$ (74,779)</u>
Per Common Share data - Basic			
Income (loss) from continuing operations	\$ 0.81	\$ (5.24)	\$ (4.74)
Income (loss) from discontinued operations	(0.09)	0.05	0.15
Net income (loss) attributable to Winthrop Realty Trust	<u>\$ 0.72</u>	<u>\$ (5.19)</u>	<u>\$ (4.59)</u>
Per Common Share data - Diluted			
Income (loss) from continuing operations	\$ 0.81	\$ (5.24)	\$ (4.74)
Income (loss) from discontinued operations	(0.09)	0.05	0.15
Net income (loss) attributable to Winthrop Realty Trust	<u>\$ 0.72</u>	<u>\$ (5.19)</u>	<u>\$ (4.59)</u>
Basic Weighted-Average Common Shares	22,566	16,277	14,866
Diluted Weighted-Average Common Shares	<u>22,568</u>	<u>16,277</u>	<u>14,866</u>

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands except per share data)

	Common Shares of Beneficial Interest		Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total
	Shares	Amount					
Balance, December 31, 2007	13,258	\$66,292	\$ 358,145	\$ (124,553)	\$ (8,090)	\$ 9,978	\$ 301,772
Net loss attributable to Winthrop Realty Trust	-	-	-	(68,176)	-	-	(68,176)
Net income attributable to non-controlling interests	-	-	-	-	-	483	483
Distributions to non-controlling interests	-	-	-	-	-	(103)	(103)
Contributions from non-controlling interests	-	-	-	-	-	600	600
Dividends paid or accrued on Common Shares of beneficial interest (\$1.35 per share)	-	-	-	(20,555)	-	-	(20,555)
Change in unrealized loss on available for sale securities, net of reclassification adjustments for amounts included in net income	-	-	-	-	58	-	58
Change in unrealized loss on mortgage backed securities held for sale	-	-	-	-	(264)	-	(264)
Change in unrealized gain on interest rate derivatives	-	-	-	-	(743)	-	(743)
Change in unrealized loss from equity investments	-	-	-	-	(6,137)	-	(6,137)
Effect of the Reverse Split	-	(63,298)	63,298	-	-	-	-
Partial shares retired due to Reverse Split	(1)	(5)	(5)	-	-	-	(10)
Purchase and retirement of Common Shares	(70)	(70)	(860)	-	-	-	(930)
Conversion of Series B-1 Preferred Shares to Common Shares	548	2,742	9,190	-	-	-	11,932
Issuance of Common Shares through rights offering	1,769	8,845	28,029	-	-	-	36,874
Stock issued pursuant to dividend reinvestment plan	250	1,248	3,159	-	-	-	4,407
Balance, December 31, 2008	15,754	15,754	460,956	(213,284)	(15,176)	10,958	259,208
Cumulative effect, change in accounting principle	-	-	-	11,647	(11,647)	-	-
Net loss attributable to Winthrop Realty Trust	-	-	-	(84,347)	-	-	(84,347)
Net income attributable to non-controlling interests	-	-	-	-	-	1,017	1,017
Distributions to non-controlling interests	-	-	-	-	-	(843)	(843)
Contributions from non-controlling interests	-	-	-	-	-	979	979
Dividends paid or accrued on Common Shares of beneficial interest (\$0.9125 per share)	-	-	-	(15,186)	-	-	(15,186)
Dividends paid or accrued on Series C Preferred Shares (\$0.406 per share)	-	-	-	(147)	-	-	(147)
Change in unrealized loss on available for sale securities, net of reclassification adjustments for amounts included in net income	-	-	-	-	19	-	19
Change in unrealized gain on interest rate derivatives	-	-	-	-	543	-	543
Change in unrealized loss from equity investments	-	-	-	-	26,174	-	26,174
Issuance of Common Shares through rights offering	4,451	4,451	35,717	-	-	-	40,168
Stock issued pursuant to dividend reinvestment plan	170	170	1,445	-	-	-	1,615
Balance, December 31, 2009	20,375	20,375	498,118	(301,317)	(87)	12,111	229,200

(Continued on next page)

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands except per share data, continued)

	Common Shares of Beneficial Interest		Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total
	Shares	Amount					
Balance, December 31, 2009	20,375	\$ 20,375	\$ 498,118	\$ (301,317)	\$ (87)	\$ 12,111	\$ 229,200
Net income attributable to Winthrop Realty Trust	-	-	-	16,477	-	-	16,477
Net income attributable to non-controlling interests	-	-	-	-	-	888	888
Distributions to non-controlling interests	-	-	-	-	-	(354)	(354)
Contributions from non-controlling interests	-	-	-	-	-	1,431	1,431
Dividends paid or accrued on Common Shares of beneficial interest							
(\$0.65 per share)	-	-	-	(15,654)	-	-	(15,654)
Dividends paid or accrued on Series C Preferred Shares (\$0.406 per share)	-	-	-	(288)	-	-	(288)
Change in unrealized loss on available for sale securities, net of reclassification adjustments for amounts included in net income	-	-	-	-	2	-	2
Change in unrealized gain on interest rate derivatives	-	-	-	-	22	-	22
Conversion of Series C Preferred Shares to Common Shares	714	714	8,234	-	-	-	8,948
Net proceeds from Common Shares offering	5,750	5,750	61,024	-	-	-	66,774
Stock issued pursuant to dividend reinvestment plan	191	191	2,210	-	-	-	2,401
Balance, December 31, 2010	<u>27,030</u>	<u>\$ 27,030</u>	<u>\$ 569,586</u>	<u>\$ (300,782)</u>	<u>\$ (63)</u>	<u>\$ 14,076</u>	<u>\$ 309,847</u>

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31,		
	2010	2009	2008
Cash flows from operating activities			
Net income (loss)	\$ 17,365	\$ (83,330)	\$ (67,693)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization (including amortization of deferred financing costs)	6,988	7,504	8,072
Amortization of lease intangibles	3,033	4,771	5,507
Straight-lining of rental income	212	(1,280)	(1,701)
Loan discount accretion	(8,782)	(1,021)	-
(Earnings) loss of preferred equity investments	(338)	2,758	2,805
Distributions of income from preferred equity investments	340	2,373	4,804
Loss of equity investments	2,007	103,092	69,310
Distributions of income from equity investments	5,270	2,784	6,878
Restricted cash held in escrows	1,167	(1,824)	(318)
Gain on sale of securities carried at fair value	(558)	(5,416)	-
Unrealized gain on securities carried at fair value	(5,060)	(17,862)	(24)
Gain on sale of available for sale securities	-	-	(1,580)
Gain on sale of mortgage backed securities held for sale	-	-	(454)
Gain on sale of investments in real estate	-	-	(1,807)
Gain on loan securitites carried at fair value	(469)	-	-
Unrealized gain on loan securities carried at fair value	(5,011)	-	-
Impairment loss on real estate loan available for sale	-	203	-
Impairment loss on investments in real estate	2,720	10,000	2,307
Gain on extinguishment of debt	-	(7,138)	(6,284)
Provision for loss on loan receivable	-	2,152	1,179
Tenant leasing costs	(2,996)	(2,191)	795
Bad debt (recovery) expense	(643)	340	62
Net change in interest receivable	(361)	(74)	(70)
Net change in accounts receivable	2,363	-	-
Net change in accounts payable and accrued liabilities	2,365	(873)	4,084
Net cash provided by operating activities	<u>19,612</u>	<u>14,968</u>	<u>25,872</u>
Cash flows from investing activities			
Issuance and acquisition of loans receivable	(122,301)	(31,514)	(24,124)
Investments in real estate	(23,484)	(2,522)	(3,901)
Investment in equity investments	(25,632)	(3,358)	(14,093)
Investment in preferred equity investment	-	(487)	(4,973)
Return of equity on equity investments	9,625	118	19,041
Investment in real estate loan available for sale	-	(35,000)	-
Return of capital distribution from securities carried at fair value	181	-	-
Purchase of available for sale securities	-	-	(5,055)
Purchase of securities carried at fair value	(13,222)	(33,115)	(36,896)
Proceeds from sale of investment in real estate	1,750	-	-
Proceeds from preferred equity investments	-	145	21,273
Proceeds from sale of mortgage backed securities available for sale	-	-	78,318
Proceeds from sale of real estate loan available for sale	-	34,797	-
Proceeds from sale of securities carried at fair value	31,249	39,015	422
Proceeds from sale of available for sale securities	205	-	58,088
Proceeds of loan securities at maturity	2,272	-	-
Proceeds from sale of loans receivable	12,876	-	-
Restricted cash held in escrows	(1,508)	2,668	(252)
Collection of loans receivable	15,064	11,467	12,635
Cash from foreclosure on properties	275	-	-
Net cash provided by (used in) investing activities	<u>(112,650)</u>	<u>(17,786)</u>	<u>100,483</u>

(Continued on next page)

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, continued)

	Years Ended December 31,		
	2010	2009	2008
Cash flows from financing activities			
Proceeds from mortgage loans payable	\$ -	\$ 49	\$ 875
Proceeds from loan payable	-	19,818	-
Payment of loan payable	-	(19,818)	-
Proceeds from revolving line of credit	25,450	35,000	70,000
Payment of revolving line of credit	-	(35,000)	(70,000)
Principal payments of mortgage loans payable	(10,199)	(6,229)	(8,063)
Restricted cash held in escrows	1,520	4,004	(5,127)
Payments of note payable	-	(9,800)	-
Deferred financing costs	(252)	(61)	(392)
Contribution from non-controlling interest	1,431	979	600
Distribution to non-controlling interest	(354)	(843)	(103)
Issuance of Common Shares under Dividend Reinvestment Plan	2,401	1,615	4,407
Issuance of Common Shares through offering	66,774	40,168	36,874
Dividend paid on Common Shares	(14,573)	(17,809)	(30,863)
Dividend paid on Series C Preferred Shares	(396)	-	-
Redemption of Series B-1 Preferred Shares	-	(2,000)	(18,583)
Repayment of borrowings under repurchase agreement	-	-	(75,175)
Deposit on Series B-1 Preferred Shares	-	-	(17,081)
Proceeds from note payable	-	-	9,800
Purchase of retirement of Common Shares	-	-	(930)
Redemption of Common Shares through reverse split	-	-	(10)
Net cash provided by (used in) financing activities	<u>71,802</u>	<u>10,073</u>	<u>(103,771)</u>
Net increase (decrease) in cash and cash equivalents	(21,236)	7,255	22,584
Cash and cash equivalents at beginning of period	66,493	59,238	36,654
Cash and cash equivalents at end of period	<u>\$ 45,257</u>	<u>\$ 66,493</u>	<u>\$ 59,238</u>
Supplemental Disclosure of Cash Flow Information			
Interest paid	<u>\$ 14,240</u>	<u>\$ 16,324</u>	<u>\$ 25,167</u>
Taxes paid	<u>\$ 133</u>	<u>\$ 220</u>	<u>\$ 189</u>
Supplemental Disclosure on Non-Cash Investing and Financing Activities			
Dividends accrued on Common Shares	<u>\$ 4,392</u>	<u>\$ 3,311</u>	<u>\$ 5,934</u>
Dividends accrued on Series C Preferred Shares	<u>\$ 39</u>	<u>\$ 147</u>	<u>-</u>
Capital expenditures accrued	<u>\$ 1,046</u>	<u>\$ 201</u>	<u>\$ 358</u>
Distribution from equity investment	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ -</u>
Conversion of Series B-1 Preferred Shares into Common Shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,339</u>
Redemption of Series B-1 Preferred Shares	<u>\$ -</u>	<u>\$ (17,081)</u>	<u>\$ -</u>
Deposit on redemption of Series B-1 Preferred Shares	<u>\$ -</u>	<u>\$ 17,081</u>	<u>\$ -</u>
Transfer of preferred equity investments to equity method investments	<u>\$ -</u>	<u>\$ (41,823)</u>	<u>\$ -</u>
Transfer of loans to equity method investments	<u>\$ -</u>	<u>\$ (15,805)</u>	<u>\$ -</u>
Transfer to equity method investments from loans and preferred equity investments	<u>\$ -</u>	<u>\$ 57,628</u>	<u>\$ -</u>
Transfer from loan assets to investments in real estate and lease intangibles	<u>\$ 19,210</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer to investments in lease intangibles	<u>\$ 3,204</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer to investments in real estate	<u>\$ 41,425</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer to below market lease intangibles	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ -</u>
Assumption of mortgage loan on investment in real estate	<u>\$ 23,875</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Business

Winthrop Realty Trust ("WRT"), a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code (the "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.

Since January 1, 2005, WRT has conducted its business through WRT Realty L.P., a Delaware limited partnership (the "Operating Partnership"). WRT 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 WRT and its consolidated subsidiaries, including the Operating Partnership.

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

2. Summary of Significant Accounting Policies

Consolidation and Basis of Presentation

The consolidated financial statements represent the consolidated results of WRT, its wholly-owned taxable REIT subsidiary, WRT-TRS Management Corp. ("TRS"), and the Operating Partnership. TRS' sole asset is a 0.2% ownership interest in the Operating Partnership. 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 are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. The Trust accounts 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 is included in consolidated net income.

Reverse Stock Split

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

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation. Discontinued operations for the periods presented include the Trust's properties in Biloxi, Mississippi; Athens, Georgia; Kansas City, Kansas; Lafayette, Louisiana; Sherman, Texas; and Knoxville, Tennessee.

Out of Period Adjustments

During the quarter ended June 30, 2010, the Trust identified an error in its year ended December 31, 2009 allocation of fair value attributable to the building component of its Athens, Georgia property which was assessed for impairment in connection with its reclassification as held for sale and its presentation in discontinued operations. As a result, net loss was understated by approximately \$700,000 for the year ended December 31, 2009. The Trust determined that this amount was not material to the years ended December 31, 2010 or 2009, or to the three and six months ended June 30, 2010. As such, a charge of approximately \$700,000 has been recorded in the consolidated statement of operations within

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

discontinued operations as an out of period adjustment in the second quarter of 2010. There was no impact on cash flow from operations.

During the quarter ended December 31, 2010, the Trust identified an error related to the capitalization of certain legal costs in its year ended December 31, 2009 financial statements. As a result, net loss was understated by approximately \$228,000 for the year ended December 31, 2009. The Trust determined that this amount was not material to the year or any quarter for the years ended December 31, 2010 or 2009. As such, a charge of \$228,000 has been recorded in the consolidated statement of operations as an out of period adjustment for the year ended December 31, 2010. There was no impact on cash flow from operations.

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, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses during the reporting period. The estimates that are 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 at fair value. In addition, estimates are used in accounting for the allowance for doubtful accounts. All of the estimates and evaluations are susceptible to change and actual results could differ from the estimates and evaluations.

Investments in Real Estate

Real estate assets are stated at historical cost. Expenditures for repairs and maintenance are expensed as incurred. Significant renovations that extend the useful life of the properties are capitalized. Depreciation for financial reporting purposes is computed using the straight-line method. Buildings are depreciated over their estimated useful lives of 40 years, based on the property's age, overall physical condition, type of construction materials and intended use. Improvements to the buildings are depreciated over the shorter of the estimated useful life of the improvement or the remaining useful life of the building at the time the improvement is completed. Tenant improvements are depreciated over the 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 assesses 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 allocates purchase price based on these assessments. The Trust 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.

Real estate investments and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a 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.

Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell. The assets and liabilities are classified separately as held for sale in the consolidated balance sheet and are no longer depreciated.

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.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Cash

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

Loans Receivable

The Trust's policy is to record loans receivable at cost, net of unamortized discount unless such loan receivable is deemed to be impaired. Discounts on loans receivable are amortized over the life of the loan receivable using the effective interest method based upon an evaluation of prospective future cash flows. The amortization is reflected as an adjustment to interest income. Other costs incurred in connection with acquiring loans, such as marketing and administrative costs, are charged to expense as incurred.

The Trust evaluates the collectability of the interest and principal of each of its loans to determine impairment. A loan receivable is considered to be impaired when, based on current information and events, it is probable that the Trust will be unable to collect all amounts due according to the existing contractual terms of the loan receivable. Impairment is then measured based on the present value of expected future cash flows or the fair value of the collateral. When a loan receivable is considered to be impaired, the Trust will record a loan loss allowance and a corresponding charge to earnings. Significant judgments are required in determining impairment. The Trust does not record interest income on impaired loans receivable. Any cash receipts on impaired loans receivable are recorded as a recovery reducing the allowance for loan losses. The Trust charges uncollectible loans against its allowance for loan loss after it has 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 are acquired through foreclosure or through deed-in-lieu of foreclosure in full or partial satisfaction of non-performing loans that the Trust intends to hold, operate or develop for a period of at least twelve months. These assets are initially recorded at their estimated fair value. If there is any excess of the loan carrying value over the fair value of the property acquired, a charge is recorded to loan losses when title to the property is obtained. Additionally, upon acquisition of a property, tangible and intangible assets and liabilities acquired are recorded at their estimated fair values and depreciation is computed in the same manners as described in "Investments in Real Estate" above.

Accounts Receivable

Accounts receivable are recorded at the contractual amount and do not bear interest. The allowance for doubtful accounts is the Trust's best estimate of the amount of probable credit losses in existing accounts receivable. The Trust reviews the allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote.

Securities and Loan Securities at Fair Value

The Trust elected to adopt a one-time option to apply fair value treatment on its existing financial assets and liabilities on January 1, 2008. For all new financial instruments, the Trust has the option to elect fair value for these financial assets or liabilities. The Trust elected the fair value option for certain real estate securities to mitigate a divergence between accounting and economic exposure for these assets. These securities are recorded on the consolidated balance sheets as securities carried at fair value. The changes in the fair value of these instruments are recorded in unrealized gain (loss) on investments and other in the Consolidated Statements of Operations and Comprehensive Income.

Preferred Equity Investment

The Trust invests in certain mezzanine loans in which the Trust also holds an ownership interest in the borrower that allows the Trust to participate in a percentage of the proceeds from a sale or refinancing of the underlying property. At the inception of each such investment, management must determine whether such investment should be accounted for as a

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

loan, preferred equity, as a venture or as real estate. The Trust classifies these mezzanine loans as preferred equity investments and they are accounted for using the equity method because the Trust has the ability to significantly influence, but not control, the entity's operating and financial policies. Earnings for each investment are 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.

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

Equity Investments

The Trust accounts for its investments in companies in which it has the ability to significantly influence but does not have a controlling interest, by using the equity method of accounting. Factors that are considered in determining whether or not the Trust exercises control include (i) the right to remove the general partner or managing member in situations where the Trust is 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. Under the equity method, the investment, originally recorded at cost, is adjusted to recognize the Trust's share of net earnings or losses as they occur and for additional contributions made or distributions received. To recognize the character of distributions from equity investments, the Trust looks 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 assesses whether there are any indicators or declines in the fair value of the equity investments. An investment's value is impaired only if the Trust's estimate of the fair value of the investment is less than the carrying value of the investment and such difference is deemed to be other-than-temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the estimated fair value of the investment.

Lease Intangibles

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 relative 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.

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

Deferred Financing Costs

Direct financing costs are deferred and amortized on a straight-lined basis over the terms of the related agreements as a component of interest expense on a basis which approximates the effective interest method.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

Financial instruments held by the Trust include cash and cash equivalents, restricted cash, real estate securities available for sale, loans receivable, interest rate swap agreements, accounts receivable, revolving line of credit, accounts payable and long term debt. Cash and cash equivalents, restricted cash, real estate securities available for sale and interest rate swap agreements are recorded at fair value. The fair value of accounts receivable and accounts payable approximate their current carrying amounts.

Derivative Financial Instruments

The Trust's interest rate swap agreement is carried on the balance sheet at its fair value, 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. Since the Trust's derivative is designated as "cash flow hedge," the change in the fair value of such derivative is recorded in other comprehensive income or loss for hedges that qualify as effective and the change in the fair value is transferred from other comprehensive income or loss to earnings as the hedged item affects earnings. The ineffective amount of the interest rate swap agreement, if any, is recognized in earnings. The effective portion of the change in fair value is recorded through other comprehensive income.

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

Revenue Recognition

The Trust accounts for its leases with tenants as operating leases with rental revenue recognized on a straight-line basis. The straight-line rent adjustment decreased revenue by \$212,000 in 2010, and increased revenue by \$1,280,000 in 2009 and \$1,701,000 in 2008. The accrued straight-line rent receivable amounts at December 31, 2010 and 2009 were \$8,729,000 and \$8,941,000, net of allowances, respectively.

Rental income may also include payments received in connection with lease termination agreements. In addition, leases typically provide for reimbursement to the Trust of common area maintenance costs, real estate taxes and other operating expenses. Operating expense reimbursements are recognized as earned.

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

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

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 distribution requirements.

In order for the Trust to continue to qualify as a REIT, the value of the TRS stock cannot exceed 20% 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 tax 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 Statement of Operations and Comprehensive Income.

Earnings Per Share

The Trust determines basic earnings per share on the weighted average number of Common Shares outstanding during the period and reflects the impact of participating securities. The holders of the Trust's Series B-1 Cumulative Convertible Redeemable Preferred Shares ("Series B-1 Preferred Shares") and the Series C Cumulative Convertible Redeemable Preferred Shares ("Series C Preferred Shares") are entitled to receive cumulative preferential dividends on a quarterly basis equal to the greater of (i) \$0.40625 per share quarterly (6.5% of the liquidation preference on an annualized basis) or (ii) cash dividends payable on the number of Common Shares into which the Series B-1 Preferred Shares and Series C Preferred Shares (assuming for this purpose that the conversion price of the Series C Preferred Shares equals the conversion price of the Series B-1 Preferred Shares) are convertible. The Trust computes 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 has 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):

WINTHROP REALTY TRUST
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	2010	2009	2008
<u>Basic</u>			
Income (loss) from continuing operations	\$ 19,368	\$ (84,195)	\$ (69,900)
Income attributable to non-controlling interest	(888)	(1,017)	(483)
Preferred dividend of Series C Preferred Shares	(288)	(147)	-
Income (loss) from continuing operations applicable to Common Shares	18,192	(85,359)	(70,383)
Income (loss) from discontinued operations	(2,003)	865	2,207
Net income (loss) applicable to Common Shares for earnings per share purposes	<u>\$ 16,189</u>	<u>\$ (84,494)</u>	<u>\$ (68,176)</u>
Basic weighted-average Common Shares	<u>22,566</u>	<u>16,277</u>	<u>14,866</u>
Income (loss) from continuing operations	\$ 0.81	\$ (5.24)	\$ (4.74)
Income (loss) from discontinued operations	(0.09)	0.05	0.15
Net income (loss) per Common Share	<u>\$ 0.72</u>	<u>\$ (5.19)</u>	<u>\$ (4.59)</u>
<u>Diluted</u>			
Income (loss) from continuing operations	\$ 19,368	\$ (84,195)	\$ (69,900)
Income attributable to non-controlling interest	(888)	(1,017)	(483)
Preferred dividend of Series C Preferred Shares	(288)	(147)	-
Income (loss) from continuing operations applicable to Common Shares	18,192	(85,359)	(70,383)
Income (loss) from discontinued operations	(2,003)	865	2,207
Net income (loss) applicable to Common Shares for earnings per share purposes	<u>\$ 16,189</u>	<u>\$ (84,494)</u>	<u>\$ (68,176)</u>
Basic weighted-average Common Shares	22,566	16,277	14,866
Series B-1 Preferred Shares (1)	-	-	-
Series C Preferred Shares (2)	-	-	-
Stock options (3)	2	-	-
Diluted weighted-average Common Shares	<u>22,568</u>	<u>16,277</u>	<u>14,866</u>
Income (loss) from continuing operations	\$ 0.81	\$ (5.24)	\$ (4.74)
Income (loss) from discontinued operations	(0.09)	0.05	0.15
Net income (loss) per Common Share	<u>\$ 0.72</u>	<u>\$ (5.19)</u>	<u>\$ (4.59)</u>

- (1) The Series B-1 Preferred Shares are anti-dilutive for the years ended December 31, 2010, 2009 and 2008 and are not included in the weighted-average shares outstanding for the calculation of diluted earnings per Common Share.
- (2) The Series C Preferred Shares were issued November 1, 2009, are anti-dilutive for the years ended December 31, 2010 and 2009 and are not included in the weighted-average shares outstanding for the calculation of diluted earnings per Common Share.
- (3) The Trust's stock options were dilutive for the year ended December 31, 2010. The stock options were anti-dilutive for the years ended December 31, 2009 and 2008 and are not included in the weighted-average shares outstanding for the calculation of diluted earnings per Common Share.

Recently Issued Accounting Standards

In July 2010 an amendment was issued to the accounting and disclosure requirements which outlines specific disclosures that will be required for the allowance for credit losses and all finance receivables. Finance receivables include loans, lease receivables and other arrangements with a contractual right to receive money on demand or on fixed or determinable dates. The new guidance will require companies to provide detailed disclosures by portfolio segment and class to enable users of the financial statement to understand the nature of credit risk, how the risk is analyzed in determining the related allowance for credit losses and changes to the allowance during the reporting period. Certain disclosures as of the end of the reporting period required under these provisions will be effective for the Trust's December 31, 2010 annual reporting period. Additional disclosure rules about activity that occurs during a reporting period will be effective for the Trust's March 31, 2011 interim reporting period. The Trust has adopted this standard which did not have a material impact on its consolidated financial statements.

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In January 2010 an amendment was issued to the accounting and disclosure requirements for fair value measurements. This amendment requires more robust disclosure of valuation techniques and inputs into fair value measurements and requires amounts and reasons for significant transfers between levels in the fair value hierarchy to be reported along with disclosure of a company's policy for recognizing such transfers. This amendment is effective for the Trust beginning on January 1, 2010, except for Level 3 sensitivity disclosures, which are effective for the Trust beginning in fiscal 2011. The Trust has adopted this standard which did not have a material impact on its consolidated financial statements.

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

Level 1 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.

WINTHROP REALTY TRUST
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Recurring Measurements

Cash, Cash Equivalents and Restricted Cash Held in Escrows

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

Available for Sale Securities

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

Securities Carried at Fair Value

Securities carried at fair value are classified within Level 1 of the fair value hierarchy.

Loan Securities Carried at Fair Value

The Trust uses a third party pricing model to establish values for the loan securities in its portfolio. The Trust also performs further analysis of 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. Significant judgment is utilized in the ultimate determination of fair value. This valuation methodology has been characterized as Level 3 in the fair value hierarchy.

Derivative Financial Instruments

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

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

Although the Trust has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. However, the Trust 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 Trust has determined that the derivative valuations in their entirety should be classified in Level 2 of the fair value hierarchy.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below presents the Trust's assets and liabilities measured at fair value on a recurring basis as of December 31, 2010, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

<u>Recurring Basis</u>	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and cash equivalents	\$ 45,257	\$ -	\$ -	\$ 45,257
Restricted cash held in escrow	8,593	-	-	8,593
Securities carried at fair value	33,032	-	-	33,032
Loan securities carried at fair value	-	-	11,981	11,981
	<u>\$ 86,882</u>	<u>\$ -</u>	<u>\$ 11,981</u>	<u>\$ 98,863</u>
Liabilities				
Derivative liabilities	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 63</u>

The table below presents the Trust's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

<u>Recurring Basis</u>	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and cash equivalents	\$ 66,493	\$ -	\$ -	\$ 66,493
Restricted cash held in escrow	9,505	-	-	9,505
Available for sale securities	203	-	-	203
Securities carried at fair value	51,702	-	692	52,394
Loan securities carried at fair value	-	-	1,661	1,661
	<u>\$ 127,903</u>	<u>\$ -</u>	<u>\$ 2,353</u>	<u>\$ 130,256</u>
Liabilities				
Derivative liabilities	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 85</u>

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below includes a roll forward of the balance sheet amounts from January 1, 2009 to December 31, 2010, including the change in fair value, for financial instruments classified by the Trust within Level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement.

Year Ended December 31, 2010 (in thousands)	Securities Carried at Fair Value	Loan Securities Carried at Fair Value
Fair value, January 1, 2009	\$ -	\$ -
Purchases	692	1,661
Transfers in/and or out of Level 3	-	-
Fair value, January 1, 2010	692	1,661
Purchases	-	7,112
Sale Repayment	(692)	(2,272)
Realized Gain	-	469
Unrealized gain, net	-	5,011
Transfers in/and or out of Level 3	-	-
Fair value, December 31, 2010	\$ -	\$ 11,981

Non-Recurring Measurements

Impaired Loans

Most of the Trust's loans are collateral dependent loans and are evaluated for impairment by comparing the fair value of the underlying collateral to the carrying value of each loan. Due to the unique nature of each individual property collateralizing the Trust's loans, the Trust uses a combination of the income approach through internally developed valuation models and an evaluation of recent transactions to estimate the fair value of the collateral. This approach requires the Trust to make significant judgments with respect to discount rates and the timing and amounts of estimated future cash flows that are considered Level 3 inputs in accordance with the guidance. These cash flows include costs of completion, operating costs and lot and unit sale prices.

Equity and Preferred Equity Investments

Equity and preferred equity investments are assessed for other-than-temporary impairment. The determination of fair value of preferred equity and equity investments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each asset as well as the income capitalization approach considering prevailing market capitalization rates. The Trust reviews each investment based on the highest and best use of the investment and market participation assumptions. The significant assumptions used in this analysis include the discount rate used in the income capitalization valuation. The Trust has determined that the significant inputs used to value its equity investment in Lex-Win Concord LLC fall within Level 3. The Trust recognized impairment losses of \$31,670,000 and \$36,543,000 on this asset during the years ended December 31, 2009 and 2008, respectively.

The Trust has determined that the significant inputs used to value certain of its equity method and preferred equity investments fall within Level 3. The Trust recorded impairment losses of \$2,186,000 and \$7,513,000 on these preferred equity investments during the years ended December 31, 2009 and 2008, respectively. Due to the restructuring of the Trust's investment in the Marc Realty properties, these preferred equity investments were reclassified as equity investments as of July 1, 2009. The Trust recognized an impairment loss of \$2,500,000 on one of its Marc Realty equity investments during the period ended December 31, 2009. All of the Trust's remaining equity investments are carried at cost which is equal to or lower than their current fair value at December 31, 2010.

WINTHROP REALTY TRUST
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Investments in Real Estate and Assets Held For Sale

During 2010, 2009, and 2008 the Trust recognized impairment charges of \$2,720,000, \$10,000,000 and \$2,100,000, respectively, relative to investments in real estate and assets held for sale. The Trust assessed the assets within its portfolio for recoverability based upon its estimate of undiscounted future cash flows expected to result from use and disposition of the assets. For those assets not deemed recoverable, the Trust determines the fair value of those assets using an income capitalization approach based upon assumptions it believes a market participant would utilize. The Trust records impairment charges equal to the difference between its carrying value and the estimated fair value of the asset.

The table below presents as of December 31, 2010 the Trust's assets and liabilities measured at fair value as events dictate, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

<u>Non-Recurring Basis</u>	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity investments	\$ -	\$ -	\$ -	\$ -
Assets held for sale	-	-	2,209	2,209
Investments in real estate	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,209</u>	<u>\$ 2,209</u>

The table below presents as of December 31, 2009 the Trust's assets and liabilities measured at fair value as events dictate, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

<u>Non-Recurring Basis</u>	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity investments	\$ -	\$ -	\$ 1,582	\$ 1,582
Investments in real estate	-	-	10,813	10,813
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,395</u>	<u>\$ 12,395</u>

Fair Value Option

The current accounting guidance for fair value measurement provides a fair value option election that allows companies to irrevocably elect fair value as the measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made are recognized in earnings on a quarterly basis based on the then market price regardless of whether such assets or liabilities have been disposed of at such time. The fair value option guidance permits the fair value option election to be made on an instrument by instrument basis when it is initially recorded or upon an event that gives rise to a new basis of accounting for that asset or liability. The Trust elected the fair value option for all loan securities and REIT securities acquired subsequent to September 30, 2008.

The Trust recognized a net unrealized gain of \$10,071,000, \$17,862,000, and \$24,000 for the years ended December 31, 2010, 2009, and 2008 respectively, as a result of the change in fair value of the securities for which the fair value option was elected, which is recorded as an unrealized gain or loss in the Trust's statements of operations. Income related to securities carried at fair value is recorded as interest and dividend income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents as of December 31, 2010 and December 31, 2009 the Trust's financial assets for which the fair value option was elected (in thousands):

<u>Financial Instruments at Fair Value</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Assets		
Securities carried at fair value:		
REIT Debentures	\$ -	\$ 18,794
REIT Preferred shares	28,547	23,950
REIT Common shares	4,485	9,650
Loan securities carried at fair value	11,981	1,661
	<u>\$ 45,013</u>	<u>\$ 54,055</u>

The table below presents as of December 31, 2010 the difference between fair values and the aggregate contractual amounts due for which the fair value option has been elected (in thousands):

	<u>Fair Value at December 31, 2010</u>	<u>Amount Due Upon Maturity</u>	<u>Difference</u>
Assets			
Loan securities carried at fair value	\$ 11,981	\$ 25,241	\$ 13,260
	<u>\$ 11,981</u>	<u>\$ 25,241</u>	<u>\$ 13,260</u>

4. Acquisition, Disposition, Leasing and Financing Activities

Operating Properties

Leasing Activity

Andover, Massachusetts – In January 2010 the Trust executed a lease agreement with PAETEC Communications, Inc. for 93,000 square feet, representing 100% of the rentable square footage of the property, through September 2022. The annual rent is \$742,000 (less six months free rent of \$371,000) for the first year, \$969,000 for the second year and increasing 3% every two years thereafter. The tenant has the option to purchase the property for \$10,500,000 effective after January 12, 2011 through March 19, 2013.

South Burlington, Vermont – In January 2010 the Trust executed a lease agreement with FairPoint Communications, Inc. for 56,000 square feet, representing 100% of the rentable square footage of the property, through January 1, 2015. The rent is \$800,000 annually through January 2012 and increases to \$820,000, \$840,000 and \$861,500, respectively, for years 2013 through 2015.

Jacksonville, Florida – In January 2010 the Trust executed a lease agreement with Football Fanatics, Inc. for 558,000 square feet of space at this property through July 2015. The lease has an initial term of 66 months, with three, three-year renewal options. Net rent payable under the lease commenced in August 2010 at an annual rent of \$648,000, increasing to \$669,000 annually for August 2011 through July 2012 and thereafter increasing by an average of approximately 16% per year for the balance of the initial term.

Net Lease Retail Portfolio - In October 2010 The Kroger Company extended the leases on 255,000 square feet in five buildings, exercised their purchase option on a 52,000 square foot building in Athens, Georgia and vacated five buildings containing 229,000 square feet.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions

On November 22, 2010 the Trust exercised its option and acquired the land underlying the Plantation, Florida property leased to BellSouth Telecommunication, Inc. for a purchase price of \$4,000,000.

On November 1, 2010 the Trust acquired the land underlying six of the Trust's net lease retail properties previously held in land estates. The acquisition of the six land parcels was consummated at an aggregate purchase price of approximately \$4,209,000.

On December 20, 2010 the Trust exercised its option and acquired the land underlying the Andover, Massachusetts property for a purchase price of \$1,200,000.

Crossroads I at Meridian – Englewood, Colorado – On December 22, 2010 the Trust acquired for \$8,700,000 an 118,000 square foot, class A office building located at 9800 Mount Pyramid Court, Englewood, Colorado known as Crossroads I at Meridian, which is adjacent to the Crossroads II property the Trust acquired through foreclosure in November 2010.

During 2010 the Trust converted its ownership in three loan receivable assets acquired in 2010 to operating properties through foreclosure. See details for Crossroads II, Deer Valley Medical Center, and Newbury Village Apartments below.

The Trust accounted for its four property acquisitions using the acquisition method of accounting. The methodology used by the Trust for purposes of allocating the purchase price to tangible and intangible assets and liabilities acquired is discussed in Note 2. The purchase price is allocated as follows (in thousands):

	Carrying Value
Land	\$ 8,098
Buildings and improvements	40,768
Lease intangibles	4,965
Below market lease intangibles	<u>(527)</u>
Total	<u><u>\$ 53,304</u></u>

Intangible assets acquired and intangible liabilities assumed consist of the following (in thousands):

	Carrying Value	Weighted Average Amortization Period (years)
Lease intangible assets:		
Above market tenant leases acquired	\$ 414	7.4
In-place lease value	1,668	3.3
Tenant relationship value	2,547	10.7
Leasing commissions	<u>336</u>	<u>3.5</u>
Total	<u><u>\$ 4,965</u></u>	<u><u>7.46</u></u>
Intangible liabilities:		
Below market tenant leases assumed	<u><u>\$ (527)</u></u>	<u><u>4.13</u></u>

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Trust also assumed a mortgage loan payable of \$23,875,000 in connection with the acquisition of one property.

The operating results of the acquired properties are included in the Trust's results of operations from the acquisition dates and are presented below (in thousands):

Rents and reimbursements	\$ 831
Total expenses (including depreciation, amortization and interest)	<u>(1,841)</u>
Net loss	<u><u>\$ (1,010)</u></u>

The unaudited pro forma information below summarizes the Trust's combined results of operations for the years ended December 31, 2010 and 2009 as though the acquisitions were completed on January 1, 2009. The pro forma operating data is not necessarily indicative of what the actual results of operations would have been assuming the transactions had been completed as set forth above, nor do they purport to represent the Trust's results of operations for future periods (amounts in thousands, except per share data).

	December 31, 2009 <u>(unaudited)</u>	December 31, 2010 <u>(unaudited)</u>
Pro forma revenues	\$ 60,263	\$ 53,336
Pro forma income (loss) from continuing operations	\$ 17,346	\$ (87,904)
Pro forma net income (loss) attributable to Common Shares	\$ 15,055	\$ (87,186)
Income (loss) per Common Share from continuing operations:		
Basic - as reported	\$ 0.84	\$ (5.24)
Basic - as pro forma	\$ 0.76	\$ (5.40)
Diluted - as reported	\$ 0.84	\$ (5.24)
Diluted - as pro forma	\$ 0.76	\$ (5.40)

Other

River City, Chicago, Illinois - On July 25, 2010, the River City property experienced flooding in its basement level and the parking garage due to the Chicago River overflowing the seawall protecting the property. The flooding caused substantial damage to the property's mechanical and electrical systems resulting in the tenants in the commercial space being without power for several days. The property's insurance carrier was immediately notified. The Trust has accrued approximately \$225,000 to cover the costs associated with the damage and a claim is in process.

Loans Receivable

Siete Square, Phoenix, Arizona - On February 5, 2010, the Trust restructured its Siete Square loan into a \$3,000,000 Sub-Participation A interest which bears interest at 8% and a \$4,219,000 Sub-Participation B interest. The Trust sold the Sub-Participation A interest at par to Concord Real Estate CDO 2006-1, Ltd. ("CDO-1") on the same date.

Driver Building, San Diego, California - On May 14, 2010 the Trust acquired at par a non-performing \$6,540,000 first mortgage loan. The loan was collateralized by an 80,300 square foot office building referred to as the Robert F. Driver Building located in San Diego, California. This loan bore interest at 7.47% and matured on March 1, 2010. On August 27, 2010, the Trust received \$6,540,000 in full repayment of the Note.

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Crossroads II at Meridian, Englewood Colorado - On June 11, 2010 the Trust acquired for \$8,100,000 a \$10,031,000 non-performing first mortgage loan collateralized by an 118,000 square foot, class A office building located at 9780 Mount Pyramid Court, Englewood Colorado, known as Crossroads II at Meridian. On November 17, 2010 the Trust foreclosed on the first mortgage loan and acquired the property.

Deer Valley Medical Center, Deer Valley, Arizona - On June 28, 2010 the Trust acquired for \$10,257,000 a \$20,491,000 non-performing first mortgage loan collateralized by an 86,000 square foot, class A medical office building known as the Deer Valley Professional Center. On August 6, 2010 the Trust foreclosed on the first mortgage loan and acquired the property.

1701 E. Woodfield Road, Schaumburg, Illinois – First Mortgage Loan - On July 1, 2010 the Trust acquired for \$8,200,000 a \$10,408,000 performing first mortgage loan collateralized by a 174,400 square foot office building located at 1701 E. Woodfield Road, Schaumburg, Illinois, a suburb of Chicago. The property is currently owned in a joint venture with Marc Realty. Simultaneously with the acquisition of this loan, the venture made a principal payment on the loan of \$3,200,000 (50% of which was contributed by each of the Trust and Marc Realty) and the loan was modified to reduce the principal balance to \$5,000,000 bearing interest at 8% per annum. On September 28, 2010 the borrower repaid the Trust's outstanding \$5,000,000 balance of the loan and all accrued interest from proceeds of a new first mortgage loan.

500-512 Seventh Avenue, New York, New York – B Note - On July 9, 2010 the Trust acquired for \$19,825,000 a \$23,499,000 performing B note in a first mortgage loan which is subordinate to a \$253,673,000 A note in the mortgage loan. The A and B note are collateralized by a 1,188,000 square foot office building located at 500-512 Seventh Avenue, New York, New York. The B note bears interest at 7.19% and matures on July 11, 2016. On August 4, 2010, the Trust sold a 50% pari passu participation interest in the B note (the "B-2 Participation") for a purchase price of \$9,859,000 which represented one-half of the purchase price paid for the B note less one-half of any principal payments received prior to the sale of the B-2 Participation.

San Marbeya Apartments, Tempe, Arizona-First Mortgage Loan - On July 23, 2010 the Trust acquired for \$26,990,000 a \$31,106,000 performing first mortgage loan. The loan is collateralized by a 276 unit apartment complex referred to as San Marbeya Apartments located in Tempe, Arizona. The loan has a blended interest rate of 5.88% and matures on January 1, 2015. On January 14, 2011, the Trust restructured this loan into a \$15,150,000 senior participation which bears interest at 4.85% and a \$15,744,000 junior participation which bears interest at 6.4% and concurrently sold the senior participation to CDO-1 at par.

Rockwell – Shirley, New York – Mezzanine Loan - On August 31, 2010 the Trust acquired from Concord for \$235,000 a \$1,497,000 performing mezzanine loan. The loan is collateralized by a 129,660 square foot industrial/warehouse complex in Shirley, New York. The loan is subordinate to \$17,045,000 of senior debt, bears interest at a rate of 12% and matures on May 1, 2016.

Newbury Apartments - Meriden, Connecticut - On September 2, 2010 the Trust acquired from Concord for \$550,000 a non-performing mezzanine loan with a face amount of \$3,500,000, which was collateralized by a 180 unit multi-family apartment complex located in Meriden, Connecticut. The loan was subordinate to a non-performing first mortgage loan with a principal balance of approximately \$23,875,000. On October 29, 2010, the Trust foreclosed on the equity interests in the property owner resulting in the Trust becoming the indirect owner of the property subject to the first mortgage loan.

In February 2011 the Trust reached an agreement with the first mortgage lender to repay all past due interest and fees of approximately \$853,000, to fund escrows of approximately \$83,000, to prepay March's debt service inclusive of escrows of approximately \$150,000 and to pay a modification fee of approximately \$119,000 (0.5% of the loan balance). In exchange the lender waived all defaulted interest, modified the payments to interest only and extended the maturity date to February 1, 2014.

Legacy Orchard –Corporate Loan - On October 22, 2010, the Trust acquired for \$9,750,000 an existing \$39,000,000 performing loan made to a private real estate equity fund and then modified the loan to provide for: (i) an interest rate of 15% on the \$9,750,000 investment amount; (ii) collateral in the form of a \$3,000,000 million letter of credit, a first mortgage on land and a security interest in other assets; (iii) a scheduled maturity date of October 31, 2014 and, (iv) subject to the satisfaction of certain conditions by the borrower a discounted payoff option after one year of \$9,750,000.

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Westwood Business Park - Phoenix, Arizona - Whole Loan - On October 29, 2010 the Trust acquired for \$4,100,000, a first mortgage loan secured by an interest in four class B office buildings, containing 91,100 square feet of office space in Phoenix, Arizona. Upon acquisition of the loan, the borrower made a principal payment of \$600,000 and the loan was restructured to reduce the then outstanding principal to \$3,500,000 and to provide for a future funding component which allows the borrower to draw up to \$400,000 to fund 50% of the tenant improvement and leasing commission costs on new leases. The loan bears interest at 11% and has a scheduled maturity date of October 31, 2011.

Moffett Towers – Sunnyvale, California – B Note - On October 29, 2010 the Trust acquired at par a \$21,428,000 senior participation in a B note secured by a first mortgage lien on a 951,000 square foot, recently constructed class A office complex located in Sunnyvale, California. The loan bears interest at Libor plus 6.48% (with a Libor floor of 1.5%) and has a scheduled maturity date of January 31, 2012.

Loan Securities

Scripps Center - Costa Mesa, California – Rake Bonds - On July 16, 2010 the Trust acquired from Concord for \$1,200,000 two rake bonds with an aggregate face amount of \$2,273,000. The rake bonds were subordinate to \$17,715,000 of senior debt all of which was collateralized by a 229,000 square foot office complex referred to as the Scripps Center located in Costa Mesa, California. The bonds had an interest at rates ranging from Libor plus 1.39% to Libor plus 1.59%. The bonds matured and were repaid by the borrower at their face value on December 1, 2010.

Metropolitan Tower - New York, New York - Rake Bonds – On December 30, 2010, pursuant to a purchase option the Trust acquired from CDO-1 for \$5,250,000 two rake bonds with an aggregate face amount of approximately \$8,748,000, a weighted average interest rate of Libor plus 1.30% and have a scheduled maturity date of November 1, 2011. The rake bonds are secured by the 260,000 square feet of office space constituting the office portion of Metropolitan Tower located in New York, New York. On December 30, 2010 in connection with the acquisition of the Metropolitan Tower rake bonds, CDFT borrowed \$3,498,000 from the Trust in the form of an unsecured loan. The loan bears interest at 12% and matures on December 30, 2015.

Concord CDO – CDO Bonds – On November 15, 2010 the Trust acquired from a third party for \$662,000, tranche E bonds with a face amount of \$9,000,000 issued by CDO-1. The bonds bear interest at Libor plus 1.20% and have a scheduled maturity date of December 25, 2046. In February 2011, the Trust sold these bonds to CDFT, a wholly owned subsidiary of CDH CDO and the equity owner of CDO-1, in exchange for a note in the amount of the Trust's original purchase price plus accrued interest.

Investments in Joint Ventures

Riverside Shopping Center, Riverside, California – On June 28, 2010 the Trust formed a 50%-50% joint venture entity with a third party which acquired at par a 12% \$15,600,000 B participation in a performing \$70,000,000 first mortgage loan. The first mortgage loan is collateralized by a 405,000 square foot retail center located in Riverside, California and matures on December 1, 2012. The B participation is subordinate to \$54,400,000 A participation.

Deer Valley Medical Center, Deer Valley, Arizona - On July 21, 2010, prior to the Deer Valley loan foreclosure, the Trust admitted an unrelated third party as a non-controlling member in the entity which holds the Deer Valley assets, in exchange for a capital contribution of \$157,000. Pursuant to the terms of the operating agreement, the Trust receives a priority return on \$7,900,000 of the Trust's invested capital, with the balance of the capital being allocated 96.5% to the Trust and 3.5% to the joint venture partner.

Peter Cooper Village/Stuyvesant Town ("PCVST") Investment, New York, New York - On August 6, 2010 the Trust and affiliates of Pershing Square Capital Management, L.P. ("Pershing Square") formed a joint venture, PSW NYC LLC ("PSW NYC"), for which the Trust made an initial capital contribution of \$10,125,000. Concurrent with its formation, PSW NYC, which was owned 22.5% by the Trust and 77.5% by Pershing Square, acquired 100% of the \$300,000,000 face amount of certain Mezzanine Loans (the "Mezz Loans") for a purchase price of \$45,000,000. The Mezz Loans were indirectly collateralized by PCVST, an 11,227 unit apartment complex in New York City. The Mezz loans represented the

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senior-most mezzanine loan interests in the property and along with the \$3,000,000,000 first mortgage loan secured by the property, were currently in default.

PSW NYC initiated foreclosure on the equity interests in the property's owner. On September 16, 2010, a lawsuit was initiated by the first mortgage lenders against PSW NYC and on its equity interests, the New York State Supreme Court enjoined PSW NYC from foreclosing. PSW NYC appealed the decision to the Appellate Division of the New York Supreme Court. The Appellate Division denied PSW NYC's request that the first mortgage lender be stayed from foreclosing on the property pending the appeal. On October 27, 2010, PSW NYC and the first mortgage lender agreed to settle the dispute and PSW NYC sold its interest in the Mezz Loans to an affiliate of the first mortgage lender for \$45,000,000 and the litigation was voluntarily dismissed.

Financing

River City Mortgage Loan Extension - In March 2010 the Trust obtained a two-year extension of a \$9,300,000 mortgage loan on the River City property. The maturity date was extended to April 28, 2012 and the terms of the extension require monthly payments of interest only at a fixed rate of 6% through March 2011, increasing to 6.25% through maturity. The extension was subject to a \$200,000 principal payment which was made in March 2010 and requires an additional \$200,000 principal payment on March 28, 2011.

KeyBank Mortgage Loan Payable Extension - In April 2010, the Trust exercised its one-year option to extend the loan with KeyBank collateralized by 11 properties (the "KeyBank loan") through June 2011.

Revolving Line of Credit - In December 2010, the Trust exercised its option to extend the term of the revolving credit line to December 16, 2011.

Public Offering

On September 27, 2010 the Trust closed a public offering of 5,750,000 Common Shares at a price of \$12.25 per share before underwriter discounts and received net proceeds of approximately \$67,000,000.

Conversion of Preferred Shares

In March 2010 an investor converted 400,000 Series C Preferred Shares into 714,400 Common Shares resulting in a decrease in the outstanding Series C Preferred Shares to 144,000. The conversion of the Series C Preferred Shares resulted in a transfer to common equity. There was no gain or loss recognized from the conversion.

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5. Loans Receivable

The following table summarizes the Trust's loans receivable at December 31, 2010 and 2009 (in thousands):

Description	Location	Stated Interest Rate	Carrying Amount		Contractual Maturity Date
			2010	2009	
Beverly Hilton (1)	Beverly Hills, CA	Libor + 1.74%	\$ 7,899	\$ 5,384	Aug-11
Westwood (1)	Phoenix, AZ	11.00%	3,500	-	Oct-11
Metropolitan Tower (1)	New York, NY	Libor + 1.51%	10,312	6,638	Nov-11
Moffett Towers (1)	Sunnyvale, CA	Libor + 6.48%	21,752	-	Jan-12
Siete Square	Phoenix, AZ	10.37% (2)	2,488	5,505	Jun-12
160 Spear	San Francisco, CA	9.75% (3)	6,674	4,281	Jun-12
160 Spear	San Francisco, CA	15.00%	3,029	1,212	Jun-12
Legacy Orchard (1)	Various	15.00%	9,750	-	Oct-14
San Marbeya (1)	Tempe, AZ	5.88%	26,966	-	Jan-15
CDH CDO LLC (1)	n/a	12.00%	3,498	-	Dec-15
Rockwell	Shirley, NY	12.00%	255	-	May-16
500-512 7th Ave	New York, NY	7.19%	9,954	-	Jul-16
180 N. Michigan (1)	Chicago, IL	8.50% (4)	1,862	717	Dec-16
Wellington Tower (1)	New York, NY	6.79%	2,456	2,364	Jul-17
			<u>\$ 110,395</u>	<u>\$ 26,101</u>	

- (1) The Trust determined that certain loans receivable are variable interests in VIEs primarily based on the fact that the underlying entities do not have sufficient equity at risk to permit the entity to finance its activities without additional subordinated financial support. The Trust does not have the power to direct the activities of the entity that most significantly impact the entity's economic performance and is not required to consolidate the underlying entity.
- (2) The Trust holds a B participation in this loan. Interest on the B participation equals the difference between (i) interest on the entire outstanding loan principal balance (\$7,219 at December 31, 2010) at a rate of 9.8375% per annum less (ii) interest payable on the outstanding principal balance of the A participation (\$3,000 at December 31, 2010) at a rate of 8.0% per annum. As a result, the effective yield on the Trust's \$2,410 cash investment is 21.0%.
- (3) The Trust holds a B note in this loan. Interest on the B note equals the difference between (i) interest on the entire outstanding loan principal balance (\$73,796 at December 31, 2010) at a rate of 6.48215% per annum less (ii) interest payable on the outstanding principal balance of the A note (\$35,000 at December 31, 2010) at a rate of 9.75% per annum. As a result, the effective yield on the Trust's \$3,410 cash investment is 40.8%.
- (4) Represents tenant improvement and capital expenditure loans collateralized by a subordinate mortgage or the ownership interests in the owner of the applicable property.

The carrying amount of loans receivable includes accrued interest of \$558,000 and \$197,000 at December 31, 2010 and December 31, 2009, respectively, and cumulative accretion of \$9,803,000 and \$1,021,000 at December 31, 2010 and December 31, 2009, respectively. For the years ended December 31, 2010 and 2009, the Trust recorded discount accretion into interest income of \$8,782,000 and \$1,021,000 respectively. No discount accretion was recognized in 2008. The fair value of the Trust's loans receivable, exclusive of interest receivables was approximately \$114,477,000 at December 31, 2010.

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The following table summarizes the Trust's interest and dividend income for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Interest and Dividends Detail:			
Interest on loan assets	\$ 5,691	\$ 2,421	\$ 1,532
Accretion of loan discount	8,782	1,021	-
Interest and dividends on REIT securities	2,655	3,894	916
Total Interest and Dividends	<u>\$ 17,128</u>	<u>\$ 7,336</u>	<u>\$ 2,448</u>

Three loans, each of which represents more than 10% of interest income, contributed approximately 74% of interest income of the Trust for the year ended December 31, 2010. Two loans, each of which represents more than 10% of interest income, contributed approximately 70% of interest income of the Trust for the year ended December 31, 2009.

Credit Quality of Loans Receivable and Loan Losses

The Trust evaluates impairment on its loan portfolio on an individual basis and has developed a loan grading system for all of its outstanding loans that are collateralized directly or indirectly by real estate. Grading categories include debt yield, debt service coverage ratio, length of loan, property type, loan type, and other more subjective variables that include property or collateral location, market conditions, industry conditions, and sponsor's financial stability. Management reviews each category and assigns an overall numeric grade for each loan to determine the loan's risk of loss and to provide a threshold for the determination of whether a specific allowance analysis is necessary. A loan's grade of credit quality is determined quarterly.

All loans with a positive score do not require a loan loss allowance. Any loan graded with a neutral score or "zero" is subject to further review of the collectability of the interest and principal based on current conditions and qualitative factors to determine if impairment is warranted. Any loan with a negative score is 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 estimates impairment by calculating the estimated fair value less costs to sell of the underlying collateral securing the loan based on the present value of expected future cash flows, and comparing the fair value to the loan's net carrying value. If the fair value is less than the net carrying value of the loan, an allowance is created with a corresponding charge to the provision for loan losses. The allowance for each loan is maintained at a level the Trust believes is adequate to absorb losses.

The table below summarizes the Trust's loans receivable by internal credit rating at December 31, 2010 (in thousands, except for number of loans).

Internal Credit Quality	Number of Loans (1)	Carrying Value of Loans Receivable
Greater than zero	9	\$ 52,223
Equal to zero	4	54,674
Less than zero	-	-
	<u>13</u>	<u>\$ 106,897</u>

- (1) The Trust holds one unsecured loan at December 31, 2010 not included above that has a carrying amount of \$3,498. The Trust anticipates repayment in the first quarter of 2011.

There was no provision for loan loss recorded during the year ended December 31, 2010. During the years ended December 31, 2009 and 2008, the Trust recorded a provision for loan loss of \$2,152,000 and \$1,179,000 related to loans in the Marc Realty portfolio. In addition, during the year ended December 31, 2009, the Trust wrote off loans totaling

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\$4,597,000 of which \$3,331,000 related to the Marc Realty properties and \$1,226,000 of which was related to the Vision term loan.

Non Performing Loans

The Trust considers a loan to be non-performing and places loans on non-accrual status at such time as management determines it is probable that it will 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 are either accounted for on a cash basis, where interest income is recognized only upon actual receipt of cash, or on a cost-recovery basis, where all cash receipts reduce a loan's carrying value. If and when a loan is brought back into compliance with its contractual terms, the Trust will resume accrual of interest.

As of December 31, 2010 and 2009 there were no non-performing loans and no past due payments. For the years ended December 31, 2010, 2009, and 2008 the Trust did not recognize any interest income on impaired loans subsequent to the date of their impairment.

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

	2010	2009
Balance at January 1	\$ 26,101	\$ 22,876
Purchase and advances	122,301	31,514
Proceeds from sale	(12,876)	-
Interest (received) accrued, net	361	74
Repayments	(15,064)	(11,467)
Provision for loan loss allowance	-	(2,152)
Loan accretion	8,782	1,021
Reclass to investment in real estate	(19,210)	-
Reclass from other assets	-	40
Reclass to equity investments	-	(15,805)
Balance at December 31	<u>\$ 110,395</u>	<u>\$ 26,101</u>

In addition to our initial purchase price of certain loans, we have future funding requirements. At December 31, 2010, we had future funding requirements pursuant to three loans receivable totaling approximately \$6,031,000.

6. Securities Carried at Fair Value

Securities carried at fair value are summarized in the table below (in thousands):

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
REIT Debentures	\$ -	\$ -	\$ 13,597	\$ 18,794
REIT Preferred shares	15,757	28,547	14,231	23,950
REIT Common shares	3,590	4,485	8,234	9,650
	<u>19,347</u>	<u>33,032</u>	<u>36,062</u>	<u>52,394</u>
Loan securities	7,574	11,981	1,661	1,661
	<u>\$ 26,921</u>	<u>\$ 45,013</u>	<u>\$ 37,723</u>	<u>\$ 54,055</u>

During the years ended December 31, 2010, 2009 and 2008, available for sale securities, securities carried at fair value and loan securities carried at fair value were sold or paid off for total proceeds of approximately \$33,726,000, \$39,015,000 and \$58,509,000, respectively. The gross realized gains on these sales and payoffs totaled approximately \$1,027,000, \$5,416,000 and \$1,580,000 in 2010, 2009 and 2008, respectively. For purpose of determining gross realized gains, the cost of securities is based on specific identification.

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For the years ended December 31, 2010, 2009 and 2008, the Trust recognized net unrealized gains on available for sale securities, securities carried at fair value and loan securities carried at fair value of \$10,071,000, \$17,862,000, and \$24,000 respectively, as the result of the change in fair value of the financial assets for which the fair value option was elected.

7. Preferred Equity Investments – Marc Realty

The Trust recognized earnings from preferred equity investments of \$338,000 for the year ended December 31, 2010. The Trust recognized losses from preferred equity investments of \$2,108,000 and \$1,645,000 for the years ended December 31, 2009 and 2008 which included impairment losses of \$4,850,000 and \$7,512,000 in 2009 and 2008, respectively. These results reflect the effects of the restructuring of the preferred equity investment with Marc Realty in July 2009. Effective with the third quarter of 2009, 12 of the investments with Marc Realty were deemed to be equity investments for which the Trust began recognizing its pro-rata share of income or loss subsequent to June 30, 2009. Prior to June 30, 2009, the Trust accounted for these 12 investments as preferred equity investments.

8. Equity Investments

The Trust's equity investments consist of the following at December 31, 2010 and December 31, 2009 (in thousands):

Venture Partner (1)	Equity Investment	Nominal % Ownership at December 31,	December 31,	December 31,
		2010	2010	2009
Marc Realty (2)	8 South Michigan LLC	50.0%	\$ 7,087	\$ 6,859
Marc Realty (2)	11 East Adams Street LLC	49.0%	3,223	2,963
Marc Realty (2)	29 East Madison Street LLC	50.0%	7,720	7,750
Marc Realty (2)	Michigan 30 LLC	50.0%	12,080	11,881
Marc Realty (2)	Brooks Building LLC	50.0%	7,452	7,346
Marc Realty (2)	High Point Plaza LLC	50.0%	6,275	5,986
Marc Realty (2)	Salt Creek LLC	50.0%	2,344	1,536
Marc Realty (2)	1701 Woodfield LLC	50.0%	4,221	1,582
Marc Realty (2)	River Road LLC	50.0%	4,123	4,075
Marc Realty (2)	3701 Algonquin Road LLC	50.0%	2,931	2,827
Marc Realty (2)	Enterprise Center LLC	50.0%	3,018	3,094
Marc Realty (2)	900 Ridgebrook LLC	50.0%	1,676	1,661
Sealy	Northwest Atlanta Partners LP	60.0%	2,479	3,189
Sealy	Newmarket GP LLC	68.0%	6,647	7,840
Sealy	Airpark Nashville GP	50.0%	2,778	4,618
Lexington (2) (3)	Lex-Win Concord LLC	--	-	-
Inland/Lexington (2) (3)	Concord Debt Holdings LLC	33.3%	-	-
Inland/Lexington (2) (3)	CDH CDO LLC	33.3%	-	-
ROIC	WRT-ROIC Riverside LLC	50.0%	7,883	-
Pershing Square	PSW NYC LLC	22.5%	-	-
			<u>\$ 81,937</u>	<u>\$ 73,207</u>

- (1) The Trust has various venture partners. Further detail is provided for the equity investments under their respective headings below.
- (2) The Trust has determined that all of the equity investments, other than those with Sealy and ROIC are VIEs. The Trust has determined that it is not the primary beneficiary of these investments.
- (3) The Lex-Win entity has been dissolved and the assets previously held through Lex-Win are now separated and held through Concord and CDH CDO.

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The following table reflects the activity of the Trust's equity investments for the years ended December 31, 2010 and 2009 (in thousands):

	Marc Realty	Sealy	Concord Investments (1)	WRT- ROIC	PSW NYC	Lex-Win Acquisition	Total
Balance at December 31, 2008	\$ -	\$ 19,046	\$ 73,061	\$ -	\$ -	\$ 95	\$ 92,202
Transfers from preferred equity	41,823	-	-	-	-	-	41,823
Transfer of loans receivable	15,805	-	-	-	-	-	15,805
Other comprehensive income reclassification	-	-	4,695	-	-	-	4,695
Equity in other comprehensive income	-	-	21,479	-	-	-	21,479
Contributions	3,240	-	118	-	-	-	3,358
Distributions	(1,089)	(1,195)	(500)	-	-	-	(2,784)
Non-cash distribution	-	-	(161)	-	-	-	(161)
Return of capital	-	-	(118)	-	-	-	(118)
Equity in loss	(2,219)	(2,204)	(98,574)	-	-	(95)	(103,092)
Balance at December 31, 2009	57,560	15,647	-	-	-	-	73,207
Contributions	6,961	-	-	7,800	10,871	-	25,632
Equity in income (loss)	1,776	(3,010)	-	473	(1,246)	-	(2,007)
Distributions	(4,147)	(733)	-	(390)	-	-	(5,270)
Return of capital	-	-	-	-	(9,625)	-	(9,625)
Balance at December 31, 2010	<u>\$ 62,150</u>	<u>\$ 11,904</u>	<u>\$ -</u>	<u>\$ 7,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,937</u>

(1) Includes equity investments in Lex-Win Concord, Concord Debt Holdings LLC and CDH CDO LLC (the Trust's "Concord Investments").

Marc Realty

On July 1, 2009, the Trust restructured certain of its existing investments with Marc Realty and, as a result of the restructure, reclassified 12 investments from preferred equity investments to equity investments. In addition, any tenant improvement and capital expenditure loans to these properties were reclassified from loans receivable to equity investments. As a result, effective with the third quarter of 2009, the Trust recognizes its pro-rata share of income or loss on 12 separate equity investments.

The Trust recorded net income of \$1,776,000 from the 12 equity investments for the year ended December 31, 2010 and a net loss of \$2,219,000, inclusive of a \$2,500,000 other-than-temporary impairment loss on one of the equity investments, for the period from July 1, 2009 through December 31, 2009. Additionally, the Trust received cash distributions of \$4,147,000 and \$1,089,000 from the investments during the years ended December 31, 2010 and 2009.

The Marc Realty properties are encumbered with \$86,236,000 of mortgage debt currently with \$19,290,000 maturing in 2011, \$10,375,000 maturing in 2012 and the remainder in 2013 or later. The Trust is currently negotiating with the lender to extend the total debt maturing in 2011.

The suburban Chicago office properties portion of the Trust's joint ventures with Marc Realty continue to experience net positive lease up. However, due to continued weakness in the suburban Chicago office market, the Trust performed an impairment assessment of its suburban Chicago joint ventures with Marc Realty and has determined that the fair value of its investments in these ventures each marginally exceed their carrying values. While the ventures continue to aggressively market available space for lease and work with existing tenants for lease renewal, declines in occupancy could cause impairment of certain of the Trust's ventures that could be material.

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The combined summarized balance sheets of the Trust's Marc Realty venture investments are as follows (in thousands):

	December 31, 2010	December 31, 2009
ASSETS		
Real estate, net	\$ 171,961	\$ 174,310
Cash and cash equivalents	1,633	1,100
Receivables and other assets	27,194	25,287
Total Assets	<u>\$ 200,788</u>	<u>\$ 200,697</u>
LIABILITIES AND MEMBERS' CAPITAL		
Mortgage and notes payable	\$ 86,236	\$ 94,969
Other liabilities	12,557	12,722
Members' Capital	101,995	93,006
Total Liabilities and Members' Capital	<u>\$ 200,788</u>	<u>\$ 200,697</u>
Trust's share of equity	\$ 51,376	\$ 46,497
Basis differentials (1)	13,274	13,563
Other-than-temporary impairment	(2,500)	(2,500)
Carrying value of the Trust's investments in the equity investments	<u>\$ 62,150</u>	<u>\$ 57,560</u>

- (1) This amount represents the aggregate difference between the Trust's historical cost basis and the basis reflected at the equity investment level, which is typically amortized over the life of the related assets and liabilities. The basis differentials are the result of other-than-temporary impairments at the investment level and a reallocation of equity at the venture level as a result of the restructuring. In addition, certain acquisition, transaction and other costs may not be reflected in the net assets at the equity investment level.

The combined summarized statements of operations of the Trust's Marc Realty venture investments are as follows (in thousands):

	For the Year Ended December 31, 2010	For the Period July 1 to December 31, 2009
Total revenue	<u>\$ 40,088</u>	<u>\$ 20,179</u>
Expenses		
Operating	18,522	9,279
Interest	4,685	2,284
Real estate taxes	4,880	2,847
Depreciation and amortization	9,820	4,740
Other expense	306	175
Total expenses	<u>38,213</u>	<u>19,325</u>
Other income		
Gain from extinguishment of debt	2,207	-
Other Income	59	-
Total Other Income	<u>2,266</u>	<u>-</u>
Net income	<u>\$ 4,141</u>	<u>\$ 854</u>
Trust's share of net income	\$ 2,065	\$ 425
Amortization of basis differential	(289)	(144)
Other-than-temporary impairment	-	(2,500)
Income from equity investments	<u>\$ 1,776</u>	<u>\$ (2,219)</u>

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Sealy Northwest Atlanta

On December 12, 2006, the Trust acquired, through a venture with Sealy, a 60% non-controlling ownership interest in 12 flex properties in Atlanta, Georgia containing an aggregate of 472,000 square feet of space for approximately \$35,845,000. The Trust invested approximately \$5,470,000 and the general partner, an affiliate of Sealy, invested approximately \$3,647,000 for their 40% interest in the venture. The venture obtained a first mortgage loan of \$28,750,000 bearing interest at 5.7% and maturing in January 2012. The Trust accounts for this investment on the equity basis and recorded equity in loss of approximately \$710,000, \$457,000 and \$409,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The Trust received no distributions in 2010 and received distributions of \$135,000 in the year ended December 31, 2009.

In October 2010, the venture elected to stop making debt service payments and the loan has been placed into special servicing. The venture is attempting to negotiate with the special servicer a restructuring of the debt which may include a discounted payoff.

In addition, the venture continues to aggressively market available space at the property for lease. Given the current circumstances, the Trust performed an impairment analysis with respect to its investment in this venture using assumptions it believes reflect those that would be used by a market participant. The Trust has determined that the fair value of its investment exceeds its carrying value and is not impaired at December 31, 2010. However, given that leasing efforts and negotiation for the restructuring or discounted repayment of the debt are ongoing, the ultimate outcome is uncertain and could cause impairment of the Trust's investment that could be material.

Sealy Airpark Nashville

On April 17, 2007, the Trust acquired, through a venture with Sealy, a 50% non-controlling ownership interest in 13 light distribution and service center properties in Nashville, Tennessee. The purchase price of \$87,200,000 was financed through approximately \$65,383,000 of proceeds, net of escrows and closing costs; from a \$74,000,000 5.77% first mortgage loan maturing in May 2012 and a \$3,600,000 bridge loan from Sealy. Both Sealy and the Trust contributed \$9,308,000 for a 50% ownership in the venture. The Trust accounts for this investment on the equity basis and recorded equity in loss of approximately \$1,107,000, \$1,056,000 and \$1,023,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The Trust received distributions of \$733,000 and \$836,000 in the years ended December 31, 2010 and 2009, respectively.

Sealy Newmarket

On August 20, 2008, the Trust acquired, through a venture with Sealy, a 68% non-controlling ownership interest in a six building office-flex campus containing approximately 470,000 square feet in Atlanta, Georgia. The purchase price for the property was \$47,000,000 including assumed debt. The venture assumed an existing \$37,000,000, 6.12% first mortgage loan encumbering the property, maturing in November 2016. The Trust contributed approximately \$9,006,000 for its ownership in the venture. The Trust accounts for this investment on the equity basis and recorded equity in loss of approximately \$1,193,000, \$691,000 and \$250,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The Trust received no distributions in 2010 and received distributions of \$224,000 in the year ended December 31, 2009.

In November 2010, the venture elected to stop making debt service payments and the loan has been placed into special servicing. The venture is attempting to negotiate with the special servicer a restructuring of the debt. In addition, the venture continues to aggressively market available space at the property for lease. Given the current circumstances, the Trust performed an impairment analysis with respect to its investment in this venture using assumptions it believes reflect those that would be used by a market participant. The Trust has determined that the fair value of its investment exceeds its carrying value and is not impaired at December 31, 2010. However, given that leasing efforts and negotiation for the restructuring or discounted repayment of the debt are ongoing, the ultimate outcome is uncertain and could cause impairment of the Trust's investment that could be material.

WINTHROP REALTY TRUST
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The combined summarized balance sheets of the Sealy venture equity investments are as follows (in thousands):

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
ASSETS		
Real estate, net	\$ 149,207	\$ 153,565
Cash and cash equivalents	960	971
Receivables and other assets	12,902	14,658
Total Assets	<u>\$ 163,069</u>	<u>\$ 169,194</u>
LIABILITIES AND MEMBERS' CAPITAL		
Mortgage and notes payable	\$ 139,750	\$ 139,750
Other liabilities	3,868	3,373
Members' Capital	19,451	26,071
Total Liabilities and Members' Capital	<u>\$ 163,069</u>	<u>\$ 169,194</u>
Carrying value of the Trust's investments in the equity investments	<u>\$ 11,904</u>	<u>\$ 15,647</u>

The combined summarized statements of operations of the Sealy venture equity investments are as follows (in thousands):

	<u>For the Years Ended December 31, 2010</u>	<u>For the Years Ended December 31, 2009</u>	<u>For the Years Ended December 31, 2008</u>
Total revenue	\$ 16,253	\$ 17,246	\$ 15,568
Expenses			
Operating	4,439	3,765	3,550
Real estate taxes	1,750	1,758	1,601
Interest	8,442	8,345	6,851
Depreciation and amortization	6,691	7,110	6,546
Other expenses	82	157	115
Total expenses	<u>21,404</u>	<u>21,135</u>	<u>18,663</u>
Net loss	<u>\$ (5,151)</u>	<u>\$ (3,889)</u>	<u>\$ (3,095)</u>
Trust's share of net loss	<u>\$ (3,010)</u>	<u>\$ (2,204)</u>	<u>\$ (1,682)</u>

WRT-ROIC Riverside

On June 28, 2010 the Trust entered into a 50%-50% joint venture which purchased the Riverside Plaza loan. At December 31, 2010, this loan was performing according to its terms.

Peter Cooper Village/Stuyvesant Town

On August 6, 2010, the Trust entered into a joint venture, with affiliates of Pershing Square, PSW NYC. (See discussion in Note 4). During the year ended December 31, 2010, the Trust made aggregate capital contributions of \$10,871,000, received a return of capital distribution of \$9,625,000 and recorded a loss of \$1,246,000.

Lex-Win Concord LLC ("Lex-Win") and Concord Reorganization

On August 26, 2010 the Trust finalized a settlement agreement which triggered simultaneous transactions that changed the organizational structure, economics, and governance of the Trust's equity investment in Lex-Win and Lex-Win's wholly owned subsidiary Concord. The settlement agreement was implemented to resolve a legal action against Concord filed in May 2009 by a wholly-owned subsidiary of Inland American Real Estate Trust, Inc. ("Inland"), a member in Concord.

WINTHROP REALTY TRUST
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As a result of the reorganization, Lex-Win was dissolved and transferred 100% of its interest in Concord to its members, the Trust and Lexington Realty Trust ("Lexington"). The underlying business assets of the former Lex-Win were separated into two distinct legal investment entities with identical ownership structures which are the reorganized Concord and a newly formed entity, CDH CDO LLC ("CDH CDO"). The Trust now holds 33.3% common member interests in each joint venture together with Lexington, and Inland.

Terms of the reorganization included a subsidiary of Concord selling 100% of the stock of Concord Debt Funding Trust ("CDFT") to the newly formed CDH CDO for \$9,500,000. The consideration was funded by Inland's initial capital contribution to CDH CDO and was used by the subsidiary to partially repay its lenders.

There was no financial statement impact to the Trust as a result of the reorganization since the investment has been written down to zero as of June 30, 2009, when the Trust recognized an impairment loss of \$31,670,000. The Trust has made no additional contributions and it has not recognized any additional income or loss as a result of the reorganization. In addition, Concord remains in violation of certain debt covenants to its lenders at December 31, 2010. Concord's debt is non-recourse to the Trust and Concord's lenders' sole recourse with respect to defaults is limited to the value of Concord's assets.

The December 31, 2009 balance sheet represents the consolidated balance sheet for Lex-Win.

The summarized combined balance sheets are as follows (in thousands):

	<u>December 31, 2009</u>
ASSETS	
Cash and restricted cash	\$ 26,116
Real estate debt investments, net of loss allowance	447,270
Real estate debt investments held for sale	66,311
Available for sale securities, net	83,977
Other assets	10,834
Total assets	<u>\$ 634,508</u>
LIABILITIES AND MEMBERS' CAPITAL	
Repurchase agreements	\$ 135,064
Revolving credit facility	58,850
Note payable to related party	-
Collateralized debt obligations	347,525
Collateral support obligation	9,757
Sub-participation obligation	4,500
Accounts payable and other liabilities	14,198
Non-controlling redeemable preferred interest	5,720
Members' capital	113,928
Accumulated other comprehensive loss	(55,148)
Non-controlling interest	114
Total Liabilities and Members' Capital	<u>\$ 634,508</u>
Trust's share of equity	\$ 29,390
Basis differential (1)	(29,390)
Carrying value of the Trust's investment	<u>\$ -</u>

- (1) At December 31, 2009, this amount represents other-than-temporary impairments recognized by the Trust of \$68,213 adjusted for suspended losses of \$11,249 and accumulated other comprehensive losses of \$27,574.

WINTHROP REALTY TRUST
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Results of operations for the years ended December 31, 2009 and 2008 represent consolidated results for Lex-Win. Results of operations are summarized below (in thousands):

	Year Ended December 31, 2009	Year Ended December 31, 2008
Condensed Consolidated Statement of Operations		
Interest and other income	\$ 38,948	\$ 71,307
Interest expense	(17,335)	(36,410)
Impairment loss on available for sale securities, net	(16,302)	(73,832)
Provision for loss allowance on real estate debt investments	(80,620)	(31,053)
Impairment loss on real estate debt investments held for sale	(101,027)	-
Net realized loss on sale of investments	(32,246)	-
Interest income on bank deposits	7	426
Gain on extinguishment of debt	-	15,603
Collateral support expense	(9,757)	-
General and administrative	(5,712)	(4,824)
Loss from discontinued operations	(959)	-
Consolidated net loss	(225,003)	(58,783)
Loss (income) attributable to non-controlling redeemable preferred interest	68,709	(1,619)
Income attributable to non-controlling interest	(12)	(12)
Net loss attributable to Lex-Win	<u>\$ (156,306)</u>	<u>\$ (60,414)</u>
Trust's share of net loss	(78,153)	(30,207)
Suspended loss	11,249	-
Other-than-temporary impairment	(31,670)	(36,543)
Loss from equity investment	<u>\$ (98,574)</u>	<u>\$ (66,750)</u>

The Trust has determined that as of December 31, 2009 and 2008 Lex-Win Concord met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X. The separate financial statements of Lex-Win Concord required pursuant to Rule 3-09 of Regulation S-X are filed as Exhibit 99.1 to the Trust's Annual Report on Form 10-K.

The Trust has suspended losses of \$54,663,000 to offset against future equity income from Concord at December 31, 2010.

WINTHROP REALTY TRUST
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9. Debt

Mortgage Loans Payable

The Trust had outstanding mortgage loans payable of \$230,443,000 and \$216,767,000 at December 31, 2010 and 2009, respectively. The mortgage loan payments of principal and interest are generally due monthly, quarterly or semi-annually and are collateralized by applicable real estate of the Trust.

The Trust's mortgage loans payable at December 31, 2010 and 2009 are summarized as follows (in thousands):

Location of Collateral	Maturity	Spread Over LIBOR/Prime	Interest Rate at December 31, 2010	Balance at December 31, 2010	Balance at December 31, 2009
Andover, MA	Mar 2011	--	6.60%	\$ 6,135	\$ 6,266
S. Burlington, VT	Mar 2011	--	6.60%	2,629	2,686
Various (1)	Jun 2011	LIBOR+1.75%	(2)	19,002	23,761
Meriden, CT	Feb 2012		5.83%	23,875	-
Chicago, IL	Apr 2012	--	6.00%	9,100	9,300
Amherst, NY	Oct 2013	--	5.65%	16,116	16,526
Indianapolis, IN	Apr 2015	--	5.82%	4,245	4,317
Chicago, IL	Mar 2016	--	5.75%	20,828	21,118
Houston, TX	Apr 2016	--	6.34%	60,351	63,869
Lisle, IL	Jun 2016	--	6.26%	23,905	24,176
Lisle, IL	Mar 2017	--	5.55%	5,600	5,600
Orlando, FL	Jul 2017	--	6.40%	38,657	39,148
				<u>\$ 230,443</u>	<u>\$ 216,767</u>

(1) The KeyBank loan is collateralized by 11 properties.

(2) Effective June 30, 2010, the Trust entered into an interest rate swap agreement in the notional amount of \$20,000,000, effectively converting the floating interest rate to a fixed rate of 2.675% through June 30, 2011.

The following table summarizes future principal repayments as of December 31, 2010 (in thousands):

Year	Amount
2011	\$ 33,547
2012	38,940
2013	21,534
2014	6,922
2015	11,400
Thereafter	118,100
	<u>\$ 230,443</u>

The fair value of the Trust's mortgage loans payable, loans payable and revolving line of credit are less than their current carrying value by \$22,042,000 and \$25,704,000 at December 31, 2010 and 2009 respectively.

See Note 23, Subsequent Events for discussion on refinancings.

WINTHROP REALTY TRUST
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10. Revolving Line of Credit

The Trust has a line of credit pursuant to which the Trust can borrow on a revolving basis up to \$35,000,000. The Trust exercised its option to extend the term of the revolving credit line to December 16, 2011. Amounts borrowed under the credit facility bear interest at LIBOR plus 3.0%. To the extent the Trust maintains cash balances at KeyBank in excess of a certain threshold, the interest rate is reduced to LIBOR plus 2.25%.

The revolving line of credit requires the Trust to maintain (i) a minimum consolidated debt service coverage ratio, (ii) a maximum leverage ratio, (iii) liquid assets of \$17,500,000 and (iv) a minimum net worth. Additionally, the Trust is limited to payment of dividends not to exceed 100% of adjusted earnings on a trailing 12-month basis, as defined, except to the extent necessary to maintain its tax status as a REIT. The revolving credit line is recourse and as such is effectively collateralized by all of the Trust's assets. The revolving credit line requires monthly payments of interest only. To the extent that the amounts outstanding under the facility are in excess of the borrowing base (as calculated), the Trust is required to make a principal payment to reduce such excess. The Trust may prepay from time to time without premium or penalty and re-borrow amounts prepaid.

The outstanding balance under the facility was \$25,450,000 at December 31, 2010. At December 31, 2009, there were no amounts outstanding under the facility. The Trust is required to pay a commitment fee on the unused portion of the line, which amounted to approximately \$56,000 and \$83,000 for the years ended December 31, 2010 and 2009 respectively.

The Trust is in compliance of its financial covenants under its revolving line of credit as of December 31, 2010. See Note 23, Subsequent Events for information on the modification to the revolving line of credit.

11. 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. Specifically, the Trust enters into derivative financial instruments.

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

The effective portion of changes in fair value of the interest rate swap designated and that qualifies as a cash flow hedge is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2010 and 2009, the interest rate swap was used to hedge the variable cash flows associated with existing variable-rate debt. The Trust also assesses and documents, both at the hedging instruments inception and on an ongoing basis, whether the derivative instrument is highly effective in achieving offsetting changes in the cash flows attributable to the hedged item. The Trust has recorded changes in fair value related to the effective portion of its interest rate swap contracts designated and qualifying as cash flow hedges totaling \$22,000 and \$681,000 of other comprehensive loss for the years ended December 31, 2010 and 2009, respectively, as a component of comprehensive income.

In connection with the KeyBank Loan extension, the Trust was required to provide interest rate protection through the maturity of the extension (June 30, 2011). The Trust obtained an interest rate swap with a \$20,000,000 notional amount that will effectively convert the interest on the KeyBank Loan from a floating rate of Libor plus 1.75% to a fixed rate of 2.675%.

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The table below presents information about the Trust's interest rate swap at December 31, 2010 (dollars in thousands):

Maturity	Swap Rate	Notional Amount of Hedge	Cost of Hedge	Estimated Fair Value of Swap in Other Comprehensive Income	Unrealized Gain on Settled Swap in Other Comprehensive Income	Change in Swap Valuations Included in Other Comprehensive Income For the Year Ended December 31, 2010
June 2011	0.925%	\$ 20,000 (1)	\$ -	\$ (63)	\$ -	(63)
June 2010	1.05%	23,000	-	-	-	85

The table below presents information about the Trust's interest rate swap at December 31, 2009 (dollars in thousands):

Maturity	Swap Rate	Notional Amount of Hedge	Cost of Hedge	Estimated Fair Value of Swap in Other Comprehensive Income	Unrealized Gain on Settled Swap in Other Comprehensive Income	Change in Swap Valuations Included in Other Comprehensive Income For the Year Ended December 31, 2009
December 2009	4.05%	\$ 26,000 (1)	\$ -	\$ -	\$ -	627
June 2010	1.05%	23,000 (1)	-	(85)	-	(85)

(1) Represents swap agreements related to the KeyBank Loan.

12. Preferred Shares

Series B-1 Preferred Shares

In February 2005 and June 2005 the Trust sold an aggregate of 4,000,000 shares of its Series B-1 Preferred Shares for \$100,000,000, resulting in proceeds of approximately \$94,164,000, net of costs of \$5,836,000 for underwriting, placement agent and legal fees. The Series B-1 Preferred Shares have a liquidation value of \$25 per share, pay cumulative dividends at a minimum rate of 6.5% and are convertible into Common Shares at a conversion price of \$22.50, subject to anti-dilution adjustments. The Trust may convert all of the Series B-1 Preferred Shares if the closing price for the Common Shares for any 20 consecutive trading days within the 25-day period commencing on the date of mailing of the conversion notice exceeds 125% of the then conversion price. The Series B-1 Preferred Shares have a mandatory redemption feature requiring the Trust to redeem any remaining Series B-1 Preferred Shares outstanding on February 12, 2012.

The Trust has classified the Series B-1 Preferred Shares as liabilities pursuant to accounting guidance applicable at the time of issuance. Upon the conversion of the Series B-1 Preferred Shares to Common Shares, the shares converted will be classified as equity.

During 2008, at the request of holders of Series B-1 Preferred Shares, 493,552 Series B-1 Preferred Shares were converted into 548,389 Common Shares. There were no requests to convert Series B-1 Preferred Shares to Common Shares during the years ended December 31, 2009 and 2010. Through December 31, 2010, a total of 562,895 Series B-1 Preferred Shares have been converted into 625,436 Common Shares. Conversions are treated as equity transactions and any fees incurred in connection with a conversion are recorded as a reduction to paid-in-capital.

During the fourth quarter of 2008 the Trust acquired 1,024,000 Series B-1 Preferred Shares with a liquidation value of approximately \$25,600,000 at a 25.5% discount from their liquidation value of \$25 per share. The Trust determined that the repurchase of the Series B-1 Preferred Shares qualified as extinguishment of debt and recognized a gain of \$6,284,000 and accounted for as extinguishment of debt.

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During 2009 the Trust acquired an additional 1,017,105 Series B-1 Preferred Shares at a discount of 25.0% from their liquidation value of \$25 per share. As a result, the Trust recorded a gain from the early extinguishment of debt of approximately \$5,681,000 in 2009. At December 31, 2010 and 2009 there were 852,000 Series B-1 Preferred Shares outstanding with a liquidation value of \$21,300,000.

Series C Preferred Shares

In November 2009 the Trust permitted holders of its Series B-1 Preferred Shares to convert any or all of their Series B-1 Shares into an equivalent number of its newly issued Series C Preferred Shares. The Trust has issued 544,000 Series C Preferred Shares and 544,000 Series B-1 Preferred Shares have been retired. Following the consummation of the foregoing, at December 31, 2009 the Trust had 852,000 Series B-1 Preferred Shares and 544,000 Series C Preferred Shares outstanding.

The Series C Preferred Shares contain a liquidation preference, senior to the Common Shares but subordinate to the Series B-1 Preferred Shares, of \$25 per share, pay cumulative dividends at a minimum rate of 6.5% and each Series C Preferred Share is presently convertible into approximately 1.786 common shares at any time at the option of the holder. In addition, the Series C Preferred Shares contain a mandatory redemption feature requiring the Trust to redeem any remaining Series C Preferred Shares outstanding on February 12, 2012. Since the Trust will be required to redeem the Series C Preferred Shares only if they are not converted by holders prior to the redemption date, the Trust has recorded the Series C Preferred Shares at fair value in mezzanine equity on the Consolidated Balance Sheet. Additionally, the conversion of the Series B-1 Preferred Shares to Series C Preferred Shares was treated as extinguishment of debt and the Trust recognized the difference between the book value of the converted Series B-1 Preferred Shares and the fair value of the Series C Shares as a \$1,165,000 gain in the year ended December 31, 2009.

In March 2010 an investor converted 400,000 Series C Preferred Shares into 714,400 Common Shares resulting in a decrease in the outstanding Series C Preferred Shares to 144,000 at December 31, 2010 with a liquidation value of \$3,600,000. The conversion of the Series C Preferred Shares results in a transfer to common equity. There was no gain or loss recognized from the conversion.

13. Common Shares

During 2008, the Trust acquired 70,000 of its Common Shares at an average price of \$13.30 per share, aggregating approximately \$930,000. These shares were retired at December 31, 2008. No additional Common Shares were repurchased during 2009 or 2010.

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The following table sets forth information relating to sales of Common Shares during the years ended December 31, 2008, 2009 and 2010:

<u>Date of Issuance</u>	<u>Number of Shares Issued</u>	<u>Price per Share</u>	<u>Type of Offering</u>
January 15, 2008	64,308	\$25.35	DRIP (1)
April 15, 2008	41,026	\$20.65	DRIP
May 15, 2008	1,768,987	\$21.35	Rights Offering (2)
July 15, 2008	58,354	\$16.10	DRIP
October 15, 2008	85,950	\$11.52	DRIP
January 15, 2009	61,292	\$10.85	DRIP
April 15, 2009	7,462	\$8.27	DRIP
July 15, 2009	37,982	\$8.72	DRIP
October 15, 2009	63,471	\$8.96	DRIP
November 27, 2009	4,450,781	\$9.05	Rights Offering (3)
January 15, 2010	47,385	\$12.73	DRIP
April 15, 2010	44,181	\$13.75	DRIP
July 15, 2010	50,439	\$12.15	DRIP
September 27, 2010	5,750,000	\$12.25	(4) Public Offering
October 15, 2010	48,398	\$12.53	DRIP

- (1) The Trust's Dividend Reinvestment and Stock Purchase Plan.
- (2) Rights offering pursuant to which each holder of Common Shares and Series B-1 Preferred Shares received one basic subscription right for every ten Common Shares owned, or in the case of Series B-1 Preferred Shares, one basic subscription right for every ten Common Shares issuable upon conversion of such Series B-1 Preferred Shares.
- (3) Rights offering pursuant to which each holder of Common Shares and Series B-1 Preferred Shares received one basic subscription right for every three and one-half Common Shares owned, or in the case of Series B-1 Preferred Shares, one basic subscription right for every three and one-half Common Shares issuable upon conversion of such Series B-1 Preferred Shares.
- (4) Before underwriting discount

14. 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. There are 100,000 Common Shares reserved for issuance under the 2007 Plan and as of December 31, 2010, no stock options or restricted stock awards have been issued.

In December 2003 the Board of Trustees granted 20,000 options under a Long Term Incentive Performance Plan to a Trustee who was Interim Chief Executive Officer and Interim Chief Financial Officer. The options have an exercise price of \$11.15 and expire on December 16, 2013, no options have been exercised. There were no other options granted, cancelled or expired and in March 2005 the plan terminated.

15. Discontinued Operations

In October 2009 a tenant of the Trust's retail net leased properties, The Kroger Company ("Kroger"), notified the Trust of its intention not to exercise its lease renewal options on six buildings containing approximately 281,000 square feet of retail space. Concurrently, Kroger also notified the Trust that it would be exercising its option to purchase one of these six properties, the Athens, Georgia property, resulting in the Trust classifying that property in discontinued operations effective with the fourth quarter of 2009. Upon receipt of the notice, management actively marketed the remaining locations for lease or sale.

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The Lafayette, Louisiana and Sherman, Texas locations have been classified as discontinued operations as of September 30, 2010. During the quarter ended September 30, 2010, management determined that the potential market rents are not sufficient to cover prospective ground lease payments plus the costs to convert these properties to multi-tenant facilities. Therefore the Trust has decided to permit the ownership of the Sherman, Texas property to revert back to the land owner as of November 1, 2010. The Trust has elected not to make ground rent payments on the Lafayette, Louisiana property and anticipates that the ground owner will exercise its remedies and take title to the property. The Trust recorded a \$704,000 impairment charge related to these investments which is included in discontinued operations for the year ended December 31, 2010.

The Knoxville, Tennessee location has also been classified as discontinued operations as of September 30, 2010. During the quarter ended September 30, 2010, management determined that after having exercised its purchase option under its ground lease and acquiring the land in October 2010 the best course of action is to pursue a sale of the real estate. As a result, the Trust recorded a \$626,000 impairment charge which is included in discontinued operations for the year ended December 31, 2010. On February 24, 2011 the Trust entered into an agreement to sell this property subject to the buyer's due diligence.

With respect to Kroger's purchase of the Athens, Georgia property, in accordance with a three party agreement between the Trust, Kroger and the land owner, an appraisal process was conducted to determine the fair market value of the property. As a result of the finalization of the appraisal process, the Trust recorded an impairment charge of \$1,390,000 during the year ended December 31, 2010.

In August 2009 the First District Court of Wyandotte County, Kansas, appointed a receiver to operate and manage the Trust's apartment complex in Kansas City, Kansas commonly referred to as Creekwood Apartments. In October 2009 a notice of foreclosure was issued on behalf of the first mortgage holder. The property was foreclosed in December 2009.

Results for discontinued operations for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Revenues	\$ 900	\$ 2,517	\$ 3,853
Operating expenses	(80)	(705)	(762)
Depreciation and amortization	(103)	(480)	(412)
Impairment Loss	(2,720)	-	-
Interest Expense	-	(467)	(472)
Income (loss) from discontinued operations	<u>\$ (2,003)</u>	<u>\$ 865</u>	<u>\$ 2,207</u>

16. 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 distribution requirements. As of December 31, 2010, the Trust has net operating loss carryforwards of approximately \$24,040,000 which will expire from 2021 through 2023. The Trust does not expect to utilize any net operating loss carryforwards to offset 2010 taxable income. As a result of the February 28, 2005 issuance of the Series B-1 Preferred Shares, the Trust's net operating loss carryforwards are subject to annual limitations pursuant to Section 382 of the Code. The Trust treats certain items of income and expense differently in determining net income reported for financial and tax purposes.

The Trust's capital loss carryforwards of \$60,732,000 which are not available in certain states and localities where the Trust has an obligation to pay income taxes. In addition, certain states and localities disallow state income taxes as a deduction and exclude interest income from United States obligations when calculating taxable income. Federal and state tax calculations can differ due to differing recognition of net operating losses. Accordingly, the Trust has recorded, \$134,000, \$157,000 and \$329,000 in state and local taxes for the years ended December 31, 2010, 2009 and 2008, respectively.

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The 2010, 2009 and 2008 cash dividends per Series B-1 Preferred Share for an individual shareholder's income tax purposes were as follows:

		<u>Ordinary Dividends</u>		<u>Capital Gains 15% Rate</u>		<u>Nontaxable Distribution</u>		<u>Total Dividends Paid</u>
2010	\$	2.03	\$	-	\$	-	\$	2.03
2009		1.22		-		-		1.22
2008		1.38		0.25		-		1.63

The 2010 and 2009 cash dividends per Series C Preferred Share for an individual shareholder's income tax purposes were as follows:

		<u>Ordinary Dividends</u>		<u>Capital Gains 15% Rate</u>		<u>Nontaxable Distribution</u>		<u>Total Dividends Paid</u>
2010	\$	2.03	\$	-	\$	-	\$	2.03
2009		-		-		-		-

The 2010, 2009 and 2008 cash dividends per Common Share for an individual shareholder's income tax purposes were as follows:

		<u>Ordinary Dividends</u>		<u>Capital Gains 15% Rate</u>		<u>Nontaxable Distribution</u>		<u>Total Dividends Paid</u>
2010	\$	0.65	\$	-	\$	-	\$	0.65
2009		0.65		-		0.10		0.75
2008		0.48		0.09		-		0.57

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

	For the Years Ended December 31,		
	2010	2009	2008
Net income(loss) attributable to Winthrop Realty Trust	\$ 16,477	\$ (84,347)	\$ (68,176)
Book/Tax differences from depreciation and amortization expense	189	1,512	1,869
Book/Tax differences of accretion of discount	(8,782)	(1,021)	-
Book/Tax differences of unrealized gains	(10,080)	(18,530)	1,155
Book/Tax differences on gains/losses from capital transactions	1,655	1,532	(549)
Book/Tax differences on Preferred Shares	1,563	(4,386)	(90)
Book/Tax differences for impairment losses	2,720	19,105	9,817
Book/Tax differences on investments in unconsolidated joint ventures	15,667	95,831	86,719
Other book/tax differences, net	(134)	607	179
Book/Tax differences on dividend income	93	1,642	3,120
Taxable income	\$ 19,368	\$ 11,945	\$ 34,044

17. Commitments and Contingencies

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

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Concord CDO-1 Litigation

In January 2010, CDFT submitted for cancellation certain bonds issued by CDO-1 and held by CDFT. The trustee for CDO-1 refused to cancel such bonds and CDO-1 brought an action in the Delaware Court of Chancery seeking declaratory relief that such bonds should be cancelled and no longer remain outstanding. Pending the court's decision, the trustee escrowed all payments on account of the bonds and distributions payable to CDFT from CDO-1's assets. In addition, the trustee also escrowed any principal payments that could otherwise have been used for reinvestment by CDO-1 for additional or replacement assets. In May 2010 the Delaware Court of Chancery issued a ruling that the bonds submitted for cancellation should be deemed no longer outstanding effective January 2010. The trustee appealed the ruling and on March 4, 2011, the Delaware Supreme Court affirmed the Delaware Court of Chancery's ruling that the bonds submitted for cancellation should be deemed no longer outstanding effective January 2010. As a result, it is expected that the trustee will release the funds held in escrow thereby enabling CDO-1 to make all current and past due payments on its remaining bonds as well as to pay distributions to CDFT, which distributions will be used by CDFT to repay the loan of \$3,498,000 made by the Trust on December 30, 2010 and the purchase price owed by CDFT to the Trust on account of its purchase of CDO-1 bonds originally purchased by the Trust and which CDFT had an option to acquire.

Tenant Matters

The lease term with respect to the Trust's property located in Churchill, Pennsylvania expired on December 31, 2010. CBS Corporation ("CBS"), the lessee of the property, elected not to renew the lease and, in anticipation of this lease termination and surrender of the property, a review of the condition of the property was performed by the Trust. In the Trust's view, the property is in need of substantial repairs and refurbishing in order for the tenant to comply with the surrender conditions. The Trust advised CBS of these issues and no resolution was reached with CBS after numerous discussions. Accordingly, in May 2010 the Trust brought an action in Pennsylvania State Court, Alleghany County against CBS seeking damages for, among other things, CBS' failure to restore the property to the condition necessary to comply with its surrender obligations. The case is currently in the discovery phase.

18. Related-Party Transactions

FUR Advisors

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

The following table sets forth the fees and reimbursements paid by the Trust for the years ended December 31, 2010, 2009 and 2008 to FUR Advisors and Winthrop Management (in thousands):

	For the Years Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Base Asset Management Fee	\$ 5,225	\$ 3,233	\$ 5,616
WRP Sub-Management LLC Credit	(129)	(255)	(1,763)
Property Management Fee	248	262	264
Construction Management Fee	24	38	23
	<u>\$ 5,368</u>	<u>\$ 3,278</u>	<u>\$ 4,140</u>

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Base Asset Management Fee

Effective January 1, 2009 the calculation of the base management fee was amended to provide that (i) all Common Shares and Series B-1 Preferred Shares then issued and outstanding would be valued at a price of \$11.00 per Common Share and \$25.00 per Series B-1 Preferred Share, (ii) any additional future conversions, redemptions or repurchases of the Series B-1 Preferred Shares would not reduce the base equity for purposes of the base management fee calculation and (iii) any future issuances of common shares or preferred shares will increase the equity as per the existing agreement for purposes of the base management fee calculation.

Effective January 1, 2010, the Advisory Agreement was amended so that the determination of the issuance price of Common Shares reverted back to the pre 2009 definition such that the fee is to be calculated on the actual issuance price of Common Shares instead of a fixed price for Common Shares issued prior to January 1, 2009. This change will result in an increase without giving effect to any additional shares issuances, to the annual advisory fee payable to FUR Advisors of approximately \$2,100,000 over what would have been paid without the amendment, which increase was phased in with 54% of the increase being paid during 2010. The full impact of the increase will be recognized in 2011.

Incentive Fee

The incentive fee entitles FUR Advisors to receive (a) an amount equal to 20% of all distributions paid to beneficiaries of Common Shares after December 31, 2003 in excess of the Threshold Amount, hereinafter defined, and, (b) upon the termination of the Advisory Agreement, an amount equal to 20% of the “liquidation value” of the Trust in excess of the Threshold Amount at the termination date. As defined in the Advisory Agreement, the Threshold Amount is equal to (x) \$71,300,000, increased by the net issuance price of all Common Shares, with an adjustment for Preferred Shares converted, issued after December 31, 2003, and decreased by the redemption price of all Common Shares redeemed after December 31, 2003, plus (y) a return on the amount, as adjusted, set forth in (x) equal to 7% per annum compounded annually. The incentive fee is reduced by any direct damages to the Trust if the Advisory Agreement is terminated by the Trust for cause.

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

Winthrop Management

Winthrop Management, an affiliate of FUR Advisors and the Trust’s executive officers, assumed property management responsibilities for various properties owned by the Trust pursuant to the terms of individual property management agreement.

Credits

In connection with the resignation by Michael L. Ashner, the Trust’s Chairman and Chief Executive Officer, as an officer and trustee of Lexington which was effective March 20, 2008, the Trust consented to FUR Advisors entering into a consulting agreement with Lexington pursuant to which FUR Advisors was to provide consulting services to Lexington through December 31, 2008. For providing these services, FUR Advisors was entitled to a fee of \$1,500,000 (the “Consulting Fee”), which was to be paid in monthly installments of approximately \$167,000, and the Trust received a credit against the base management fee payable by the Trust to FUR Advisors equal to the Consulting Fee. Accordingly, the Trust received a credit of \$1,500,000 for the year ended December 31, 2008.

WRP Sub-Management LLC (“WRP Sub-Management”), an affiliate of FUR Advisors provides accounting, collateral management and loan brokerage services to CDO-1 and its subsidiaries. WRP Sub-Management received reimbursement of direct and indirect expenses totaling \$716,000, \$1,108,000 and \$1,402,000 for the years ended December 31, 2010, 2009 and 2008, respectively, in accordance with the terms of the agreement. Of these amounts, \$259,000, \$511,000 and \$526,000 were paid to reimburse it for costs associated with providing accounting and other “back-office” services for the benefit of Concord and CDO-1 (the “Affiliate Amount”). Because the Trust pays an advisory fee to FUR Advisors whereas Lexington does not, the advisory fee payable to FUR Advisors by the Trust is reduced by 50% of the Affiliate Amount to ensure equal treatment of the Trust and Lexington with respect to the reimbursements paid by Concord. For

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the years ended December 31, 2010, 2009 and 2008, the Trust received and utilized a credit of \$129,000, \$255,000 and \$263,000, respectively, against the base management fee.

Other Transactions

On November 15, 2010, the Trust acquired for \$662,000 tranche E bonds of CDH CDO with a face amount of \$9,000,000. The bonds bear interest at Libor plus 1.2% and have a scheduled maturity of December 20, 2015. In February 2011, the trust sold these bonds to CDFT in exchange for a note in the amount of the Trust's original purchase price plus accrued interest. The note bears interest at the same rate as the bonds.

On December 30, 2010 in connection with the acquisition of the Metropolitan Tower rake bonds, pursuant to the terms of the CDH CDO operating agreement, CDH CDO borrowed \$3,498,000 from the Trust. The loan bears interest at 12% and has a scheduled maturity date of December 30, 2015.

See Note 4 for additional activity between the Trust and Concord.

19. 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
2011	\$ 31,240
2012	30,818
2013	29,476
2014	25,992
2015	22,324
Thereafter	55,783
	<u>\$ 195,633</u>

Three tenants, each of which represents more than 10% of revenues, contributed approximately 44%, 41% and 39% of the base rental revenues of the Trust for the years ended December 31, 2010, 2009 and 2008, respectively, and represent approximately 43%, 24% and 24%, respectively, of the total rentable square footage of the operating property portfolio. The lease at the Churchill, Pennsylvania property which accounted for approximately 23% of the total rentable square footage of the operating property portfolio expired December 31, 2010. The Jacksonville, Florida property has one tenant that occupies approximately 94% of the rentable area effective February 2010.

20. Reportable Segments

The Financial Accounting Standards Board ("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.

Based on the Trust's method of internal reporting, management determined that it has 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. The accounting policies of the segments are identical to those described in Note 2.

The operating properties segment includes all of the Trust's wholly and partially owned operating properties. Prior to July 1, 2009, the loan assets segment includes all of the Trust's activities related to real estate loans, which consists primarily of the Trust's investment in Lex-Win Concord and its tenant improvement and capital expenditure loans to properties in the Marc Realty portfolio. As of July 1, 2009, in conjunction with the restructuring of its preferred equity investment in

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Marc Realty, the Trust's preferred equity investments and tenant improvement and capital expenditure loans in the Marc Realty portfolio are now classified as equity investments and are included in the operating properties segment. The REIT securities segment includes all of the Trust's activities related to the ownership of securities in other publicly traded real estate companies. In addition to its three business segments, the Trust reports non-segment specific income and expense under corporate income (expense).

One tenant provided revenues of \$7,861,000, \$7,860,000 and \$7,860,000 for the years ended December 31, 2010, 2009 and 2008, respectively. This tenant accounted for 14.2%, 16.4% and 17.6% of total revenues for the years ended December 31, 2010, 2009 and 2008, respectively. These revenues are reported in the operating properties business segment.

The following table summarizes the Trust's assets by business segment and capital expenditures incurred for the Trust's operating properties for the years ended December 31, 2010 and 2009 (in thousands):

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Assets		
Operating properties	\$ 373,142	\$ 313,682
Loan assets	134,269	31,774
REIT securities	33,032	52,597
Corporate		
Cash and cash equivalents	45,257	66,493
Restricted cash	8,593	9,505
Accounts receivable and prepaids	12,402	14,559
Deferred financing costs	1,158	1,495
Discontinued operations	2,275	3,087
Total Assets	<u>\$ 610,128</u>	<u>\$ 493,192</u>
Capital Expenditures		
Operating Properties	<u>\$ 6,121</u>	<u>\$ 2,548</u>

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

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The following table presents a summary of revenues from operating properties, loan assets and REIT securities and expenses incurred by each segment for the years ended December 31, 2010, 2009, and 2008 (in thousands):

	2010	2009	2008
Operating Properties			
Rents and reimbursements	\$ 38,239	\$ 40,021	\$ 41,504
Operating expenses	(8,674)	(7,042)	(6,767)
Real estate taxes	(2,542)	(2,542)	(2,428)
Impairment loss on investments in real estate	-	(10,000)	(2,100)
Equity in income of Marc Realty investments	1,776	281	-
Impairment loss on Marc Realty equity investment	-	(2,500)	-
Equity in loss of Sealy Northwest Atlanta	(710)	(457)	(409)
Equity in loss of Sealy Airpark Nashville	(1,107)	(1,056)	(1,023)
Equity in loss of Sealy Newmarket	(1,193)	(691)	(250)
Net operating income	25,789	16,014	28,527
Depreciation and amortization expense	(10,008)	(10,585)	(11,572)
Interest expense	(13,193)	(13,774)	(14,289)
Operating properties net income (loss)	2,588	(8,345)	2,666
Loan Assets			
Interest income	14,473	3,442	1,532
Equity in earnings of preferred equity investment in Marc Realty	338	78	5,868
Impairment loss on preferred equity investments	-	(2,186)	(7,513)
Equity in loss of Lex-Win Concord	-	(66,904)	(30,207)
Impairment loss on investment in Lex-Win Concord	-	(31,670)	(36,543)
Equity in earnings of WRT-ROIC	473	-	-
Equity in loss of PSW NYC	(1,246)	-	-
Gain on loan securities carried at fair value	469	-	-
Gain on sale of mortgage backed securities	-	-	454
Gain on sale of other assets	-	-	24
Unrealized gain on loan securities carried at fair value	5,011	-	-
Impairment loss on available for sale loan	-	(203)	-
Provision for loss on loans receivable	-	(2,152)	(1,179)
Net operating income (loss)	19,518	(99,595)	(67,564)
General and administrative expense	(300)	(235)	-
Interest expense	-	-	(206)
Loan assets net income (loss)	19,218	(99,830)	(67,770)
REIT Securities			
Dividends	2,655	3,894	916
Gain on sale of available for sale securities	-	-	1,580
Gain on sale of securities carried at fair value	558	5,416	-
Impairment loss on available for sale securities	-	-	(207)
Unrealized gain on securities carried at fair value	5,060	17,862	24
Equity in loss of Lex-Win Acquisition, LLC	-	(95)	(878)
Net operating income	8,273	27,077	1,435
Interest expense	-	(75)	(89)
REIT securities net income	8,273	27,002	1,346
Net Income (Loss)	30,079	(81,173)	(63,758)
Reconciliations to GAAP Net Income (Loss):			
Corporate Income (Expense)			
Interest income	139	172	1,670
General and administrative	(8,534)	(7,068)	(6,887)
Interest expense	(2,182)	(2,815)	(7,379)
Gain on extinguishment of debt	-	6,846	6,284
State and local taxes	(134)	(157)	(329)
Other	-	-	499
Income (loss) from continuing operations before non-controlling interest	19,368	(84,195)	(69,900)
Non-controlling interest	(888)	(1,017)	(483)
Income (loss) from continuing operations attributable to Winthrop Realty Trust	18,480	(85,212)	(70,383)
Income (loss) from discontinued operations attributable to Winthrop Realty Trust	(2,003)	865	2,207
Net Income (Loss) Attributable to Winthrop Realty Trust	<u>\$ 16,477</u>	<u>\$ (84,347)</u>	<u>\$ (68,176)</u>

WINTHROP REALTY TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Variable Interest Entities

Consolidated Variable Interest Entities

Andover Operating Property - The lease agreement executed in January 2010 on the Andover, Massachusetts property gives the tenant an option to purchase the building for a fixed price of \$10,500,000. The option is exercisable at the tenant's discretion at any point during the lease term. As a result of the fixed price purchase option contained in this lease agreement, the Trust has determined that its Andover, Massachusetts property is a VIE for which the Trust is the primary beneficiary since it has the power to direct activities that most significantly impact the economics of the property.

The carrying amounts of the Trust's Andover property include land of \$1,200,000, building of \$6,248,000, lease intangibles of \$1,521,000 and mortgage debt of \$6,135,000. Prior to the execution of the lease agreement, the Andover property was not considered a VIE but it has been consolidated since its acquisition.

Deer Valley Medical Center Operating Property – The Trust has concluded that its venture, WRT-DV LLC ("WRT-DV"), the entity that owns the property, is a VIE. This assessment is primarily based on the fact that the equity investment at risk is not sufficient to finance its activities without additional subordinated financial support.

Pursuant to the terms of WRT-DV's operating agreement, the Trust receives a priority return on \$7,900,000 of its invested capital, with the balance of the capital being allocated 96.5% to the Trust and 3.5% to its joint venture partner, Fenway. The Trust has effectively all control rights with respect to WRT-DV. Therefore the Trust has determined it is the primary beneficiary and consolidates the venture which owns the operating property.

The carrying amounts of the Deer Valley property include land and building of \$8,126,000 and lease intangibles of \$2,341,000. There is no mortgage debt associated with this property.

Variable Interest Entities Not Consolidated

Equity Method Investments

Concord and CDH CDO – The Trust has one-third equity interests in each of the separate entities that resulted from the Trust's reorganization of its Lex-Win investment, Concord and CDH CDO (the "Concord Investments"). The Trust has determined that each of the Concord Investments are variable interests in VIE's because the equity investment at risk is not sufficient to finance their activities without additional subordinated financial support.

The restructuring of the Concord Investments was considered to be a reconsideration event under FASB's consolidation guidance due to the material change in the agreements. As a result of the reconsideration, the Concord Investments were deemed to be variable interests in VIE's, primarily based on the fact that the underlying entities do not have sufficient equity at risk to permit the entity to finance its activities without additional subordinated financial support and that the Trust has an obligation to absorb losses and has the right to residual returns of the entities. As a result of the existence of certain provisions in the operating agreements, Lexington, Inland and the Trust, three of the variable interest holders, hold identical one-third membership interests in each of the Concord Investments. By design and in practice, they share equally in the economics and the decision-making. Further, Lexington, Inland and the Trust which are otherwise unrelated parties, each have one-third of the voting rights of the equity of the Concord Investments. An affiliate of FUR Advisors is responsible for day-to-day administration and operations of the Concord investments, but decisions that most significantly impact the entity's economic performance are jointly decided through their voting interests. Each member is deemed to have shared power, such that no party is considered to have the power to direct the activities of the VIE. In addition, there is no principal agency relationship through transfer restrictions that would indicate a primary beneficiary exists.

At December 31, 2010, the carrying value of the Trust's Concord Investments is zero. The Trust does not have the current intent to provide financial or other support to the Concord Investments and the obligations of the Concord Investments are non-recourse to the Trust.

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Marc Realty Equity Investments and Preferred Equity Investment - The Trust has concluded that the 12 Marc Realty equity investments and the one preferred equity investment are variable interests in VIEs. This assessment is primarily based on the fact that the underlying entities do not have sufficient equity at risk to permit them to finance their activities without additional subordinated financial support.

While the Trust maintains certain protective rights under the terms of the agreements governing the Marc Realty investments, the power to direct the activities that most significantly impact the economics of the Marc Realty investments is vested in Marc Realty as the managing member. As such, management has concluded that the Trust is not the primary beneficiary of these Marc Realty investments. At December 31, 2010, the Trust's investment in the Marc Realty equity investments was \$62,150,000 and its investment in the preferred equity investment was \$4,010,000.

Loans Receivable and Loan Securities - The Trust has reviewed its loans receivable and loan securities and certain of these assets have been identified as variable interests in a VIE because the equity investment at risk is not considered sufficient for the entity to finance its activities without additional subordinated financial support.

Certain loans receivable and loan securities which have been determined to be VIEs are performing assets, meeting their debt service requirements, and the borrowers hold title to the collateral. In these cases the borrower has the power to direct the activities that most significantly impact the economic performance of the VIE, including management and leasing activities. In the event of default under these loans the Trust only has protective rights and has the risk to absorb losses only to the extent of its loan investment. The borrower has been determined to be the primary beneficiary for these performing assets.

The Trust has determined that it does not currently have the power to direct the activities of the ventures collateralizing any of its loans receivable and loan securities. For this reason, management believes that it does not control, nor is it the primary beneficiary of these ventures. Accordingly, the Trust accounts for these investments under the guidance for loans receivable and real estate debt investments.

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22. Quarterly Results of Operations (Unaudited)

The following is an unaudited condensed summary of the results of operations by quarter for the years ended December 31, 2010 and 2009. 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.

(In thousands, except per-share data)

	Quarters Ended			
	March 31	June 30	September 30	December 31
<u>2010</u>				
Revenues	\$ 12,584	\$ 13,079	\$ 14,246	\$ 15,458
Net income	\$ 4,205	\$ 4,576	\$ 3,808	\$ 3,888
Net income applicable to Common Shares	\$ 4,092	\$ 4,518	\$ 3,749	\$ 3,830
Per share				
Net income applicable to Common Shares, basic	\$ 0.20	\$ 0.21	\$ 0.18	\$ 0.14
Net income applicable to Common Shares, diluted	\$ 0.20	\$ 0.21	\$ 0.18	\$ 0.14
<u>2009</u>				
Revenues	\$ 12,262	\$ 12,173	\$ 12,636	\$ 10,286
Net income (loss)	\$ (22,433)	\$ (71,196)	\$ 15,157	\$ (5,875)
Net income (loss) applicable to Common Shares	\$ (22,433)	\$ (71,196)	\$ 14,318	\$ (6,022)
Per share				
Net income (loss) applicable to Common Shares, basic	\$ (1.42)	\$ (4.50)	\$ 0.90	\$ (0.34)
Net income (loss) applicable to Common Shares, diluted	\$ (1.42)	\$ (4.50)	\$ 0.90	\$ (0.34)

23. Subsequent Event

All relevant events or transactions that occurred after the balance sheet date not otherwise disclosed and incorporated in the Notes to the Consolidated Financial Statements are described below.

On February 23, 2011 the Trust acquired through a 50/50 joint venture for \$15,628,000 a performing \$16,303,000 first mortgage secured by a lien on a recently constructed, 26-story, 66 room limited service boutique hotel located in New York, New York. The loan bears interest at a rate of 9.33%, matures in May 2011 and is subject to one six month extension option.

On March 3, 2011 the Trust amended its existing revolving line of credit with KeyBank, such that (i) the maximum borrowing was increased to \$50,000,000 with an accordion feature of up to \$150,000,000 (ii) the maturity date was extended to March 2014 with an option to extend the maturity date to March 2015. The amended credit facility bears interest at Libor plus 3%. On March 7, 2011, the Trust utilized \$8,799,000 under the revolving line of credit to repay the maturing mortgage loans encumbering the Andover and Burlington properties and approximately \$2,186,000 to payoff the balance on the mortgage loan payable with Keybank. In addition, we drew down \$16,000,000 on the line of credit to fund new investments.

On March 4, 2011 the Trust financed its Plantation, Florida property with an \$11,000,000 first mortgage loan bearing interest at 6.483% and maturing on April 1, 2018. The net proceed of approximately \$10,676,000 and cash on hand of approximately \$6,143,000 were used to pay down the mortgage loan payable with KeyBank by \$16,819,000.

WINTHROP REALTY TRUST
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On March 2, 2011 the Trust entered into an agreement pursuant to which it agreed, subject to the satisfaction of certain conditions, to purchase for \$25,200,000 an effective 75% interest in a joint venture which owns the general partnership interests in and developer fees and advances receivable of approximately \$57,500,000 from partnerships owning 26 multifamily and senior housing properties comprising approximately 4,400 units located primarily in the Pacific Northwest and California. On March 8, 2011, the first stage of the transaction closed pursuant to which the Trust acquired for a purchase price of \$7,000,000 certain of the receivables owed by the underlying partnerships. The balance of the transaction is expected to close upon obtaining all requisite lender and limited partner consents which are anticipated to be obtained during the second quarter. If the second step of the transaction fails to close by June 30, 2011, the seller has the right to repurchase the assets acquired at a price equal to the Trust's purchase price plus a 12% return thereon.

In February 2011 the Trust entered into separate contracts to sell two properties located in St. Louis, Missouri and Knoxville, Tennessee for an aggregate purchase price of \$3,900,000 subject to the purchasers' due diligence.

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

None.

ITEM 9A – CONTROLS AND PROCEDURES

Evaluation of 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, 2010. 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, 2010 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) 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, 2010.

The effectiveness of the Trust's internal control over financial reporting as of December 31, 2010 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 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 2011, 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.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules.

(1) Financial Statements:

Reports of Independent Registered Public Accounting Firm on page 56 of ITEM 8.

Management's Report on Internal Controls over Financial Reporting on page 107 of ITEM 9A.

Consolidated Balance Sheets - December 31, 2010 and 2009 on page 57 of ITEM 8.

Consolidated Statements of Operations and Comprehensive Income - For the Years Ended December 31, 2010, 2009 and 2008 on page 58 of ITEM 8.

Consolidated Statements of Shareholders' Equity - For the Years Ended December 31, 2010, 2009 and 2008 on page 59 of ITEM 8.

Consolidated Statements of Cash Flows - For the Years Ended December 31, 2010, 2009 and 2008 on pages 61 and 62 of ITEM 8.

Notes to Consolidated Financial Statements on pages 63 through 106 of ITEM 8.

(2) Financial Statement Schedules:

Schedule III - Real Estate and Accumulated Depreciation.

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

(b) Exhibits.

The exhibits listed on the Exhibit Index on page 113 are filed as a part of this Report or incorporated by reference.

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 16, 2011

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

Dated: March 16, 2011

By: /s/ Thomas Staples
Thomas Staples
Chief Financial 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
<u>/s/ Michael L. Ashner</u>	Trustee	March 16, 2011
<u>/s/ Carolyn Tiffany</u>	Trustee	March 16, 2011
Arthur Blasberg, Jr. Howard Goldberg Thomas McWilliams Lee Seidler Steven Zalkind	Trustee	March 16, 2011

By: /s/ Carolyn Tiffany
Carolyn Tiffany,
as attorney-in fact

WINTHROP REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
At December 31, 2010
(amounts in thousands)

Description	Location	Location	Initial Cost to Registrant			As of December 31, 2010			Date Acquired	Life		
			Mortgage Encumbrances	Building and Improvements		Land	Building and Improvements	Total			Accumulated Depreciation	
				Land	Improvements							
Continuing Operations:												
Office	Orlando	FL	\$ 38,657	\$ -	\$ 17,248	\$ 42	\$ -	\$ 17,290	\$ 17,290	\$ 2,647	11/2004	40 yrs
Office	Plantation	FL	-	-	8,915	4,020	4,000	8,935	12,935	1,368	11/2004	40 yrs
Office	Indianapolis	IN	4,245	270	1,609	6,268	1,763	6,384	8,147	3,414	10/1974	40 yrs
Office	Chicago	IL	20,828	-	23,635	1,745	-	25,380	25,380	3,586	10/2005	40 yrs
Office	Amherst	NY	16,116	1,591	18,027	-	1,591	18,027	19,618	2,535	5/2005	40 yrs
Office	Andover	MA	6,135	-	7,611	717	1,200	7,128	8,328	881	12/2005	40 yrs
Office	South Burlington	VT	2,629	-	3,099	314	-	3,413	3,413	392	12/2005	40 yrs
Office	Chicago	IL	9,100	1,149	9,989	4,796	1,149	14,785	15,934	1,081	10/2007	40 yrs
Office	Houston	TX	60,351	7,075	62,468	-	7,075	62,468	69,543	9,500	1/2005	40 yrs
Office	Lisle	IL	16,973	3,774	16,371	591	3,774	16,962	20,736	2,027	2/2006	40 yrs
Office	Lisle	IL	6,932	2,361	6,298	290	2,361	6,588	8,949	783	2/2006	40 yrs
Office	Lisle	IL	5,600	780	2,803	463	780	3,266	4,046	372	2/2006	40 yrs
Office	Phoenix	AZ	-	801	7,387	25	801	7,412	8,213	86	8/2010	40 yrs
Office	Englewood	CO	-	2,580	5,403	-	2,580	5,403	7,983	45	11/2010	40 yrs
Office	Englewood	CO	-	1,829	5,612	-	1,829	5,612	7,441	15	12/2010	40 yrs
			187,566	22,210	196,475	19,271	28,903	209,053	237,956	28,732		
Retail	Atlanta	GA	-	-	4,633	5	-	4,638	4,638	710	11/2004	40 yrs
Retail	Louisville	KY	-	-	2,722	377	373	2,726	3,099	417	11/2004	40 yrs
Retail	St. Louis	MO	-	-	990	649	647	992	1,639	152	11/2004	40 yrs
Retail	Greensboro	NC	-	-	3,797	4	-	3,801	3,801	582	11/2004	40 yrs
Retail	Memphis	TN	-	-	760	637	635	762	1,397	117	11/2004	40 yrs
Retail	Denton	TX	-	-	1,574	918	915	1,577	2,492	241	11/2004	40 yrs
Retail	Seabrook	TX	-	-	1,393	618	616	1,395	2,011	214	11/2004	40 yrs
			-	-	15,869	3,208	3,186	15,891	19,077	2,433		
Other	Jacksonville	FL	-	2,166	8,684	1,491	2,166	10,175	12,341	1,523	11/2004	40 yrs
Other	Churchill	PA	-	-	23,834	(9,963)	-	13,871	13,871	3,405	11/2004	40 yrs
Other	Meriden	CT	23,875	2,887	22,367	-	2,887	22,367	25,254	139	10/2010	40 yrs
Other (1)			19,002	-	-	-	-	-	-	-		
			42,877	5,053	54,885	(8,472)	5,053	46,413	51,466	5,067		
Total from Continuing Operations			\$ 230,443	\$ 27,263	\$ 267,229	\$ 14,007	\$ 37,142	\$ 271,357	\$ 308,499	\$ 36,232		

(1) Represents a first mortgage loan collateralized by the Finova properties.
The aggregate cost in the properties for federal income tax purposes was approximately \$228,541

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,		
	2010	2009	2008
Real Estate			
Balance at beginning of period	\$ 249,078	\$ 267,706	\$ 266,290
Additions during the period:			
Land	9,408	-	-
Buildings and improvements	6,121	2,548	3,376
Consolidation of Deer Valley	8,188	-	-
Consolidation of Newbury Apartments	25,254	-	-
Consolidation of Crossroads II	7,983	-	-
Purchase of Crossroads I	7,441	-	-
Transfer (to) from discontinued operations, net	(3,970)	(10,811)	140
Impairments during the period	-	(10,000)	(2,100)
Disposal of fully amortized assets	(1,004)	(365)	-
Balance at end of period	<u>\$ 308,499</u>	<u>\$ 249,078</u>	<u>\$ 267,706</u>
Accumulated Depreciation			
Balance at beginning of period	\$ 31,269	\$ 25,901	\$ 19,214
Additions charged to operating expenses	6,399	6,652	6,701
Transfer (to) from discontinued operations, net (1)	(432)	(919)	(14)
Disposal of fully amortized assets	(1,004)	(365)	-
Balance at end of period	<u>\$ 36,232</u>	<u>\$ 31,269</u>	<u>\$ 25,901</u>

- (1) In 2010, the Knoxville, Tennessee; Lafayette, Louisiana and Sherman, Texas properties were placed into discontinued operations. In 2009, the Athens, Georgia property was placed into discontinued operations and the Kansas City, Kansas property was foreclosed.

<u>Exhibit</u>	<u>Description</u>	<u>Page Number</u>
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	Warrant to purchase 500,000 shares of Beneficial Interest of Trust - Incorporated by reference to Exhibit 4(l) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998.	-
4.3	Agreement of Limited Partnership of WRT Realty L.P., dated as of January 1, 2005 - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed January 4, 2005.	-
4.4	Amended and Restated Certificate of Designations for Series B-1 Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest ("Series B-1 Certificate of Designations") - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed June 21, 2005.	-
4.5	Amendment No. 1 to Series B-1 Certificate of Designations - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed November 13, 2007.	-
4.6	Certificate of Designations for Series C Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest - Incorporated by reference to Exhibit 4.1 to the Trust's Form 8-K filed November 2, 2009.	-
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 Form 8-K filed December 1, 2003.	-
10.2	Second Amended and Restated Advisory Agreement dated March 5, 2009, between the Trust, WRT Realty L.P. and FUR Advisors LLC. Incorporated by reference to Exhibit 10.3 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008.	-
10.3	Amendment No. 1 to Second Amended and Restated Advisory Agreement - Incorporated by reference to Exhibit 10.30 to the Trust's Quarterly Report on Form 10-Q for the period ended March 31, 2009.	-
10.4	Amendment No. 2 to Second Amended and Restated Advisory Agreement - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed January 29, 2010.	-
10.5	Exclusivity Services Agreement between the Trust and Michael L. Ashner - Incorporated by reference to Exhibit 10.4 to the Trust's Form 8-K filed December 1, 2003.	-
10.6	Amendment No. 1 to Exclusivity Agreement, dated November 7, 2005 - Incorporated by reference to Exhibit 10.7 to the Trust's Form 8-K filed November 10, 2005.	-

10.7	Covenant Agreement between the Trust and FUR Investors, LLC - Incorporated by reference to Exhibit 10.5 to the Trust's Form 8-K filed December 1, 2003.	-
10.8	Amended and Restated Omnibus Agreement, dated March 16, 2005, among Gerald Nudo, Laurence Weiner and WRT Realty L.P. - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed March 18, 2005.	-
10.9	Agreement, dated as of July 1, 2009, among Gerald Nudo, Laurence Weiner and WRT Realty L.P. Incorporated by reference to Exhibit 10.14 to the Trust's Form 10-Q for the period ended June 30, 2009 filed August 10, 2009.	-
10.10	Securities Purchase Agreement, dated February 25, 2005, between First Union Real Estate Equity and Mortgage Investments, Perrin Holden & Davenport Capital Corp. and the Investors named therein - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed March 3, 2005.	-
10.11	Securities Purchase Agreement, dated June 15, 2005, between First Union Real Estate Equity and Mortgage Investments, Perrin Holden & Davenport Capital Corp. and the Investors named therein - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed June 21, 2005.	-
10.12	Amended and Restated Registration Rights Agreement, dated June 20, 2005, between First Union Real Estate Equity and Mortgage Investments and the Investors named therein - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed June 21, 2005.	-
10.13	Amended and Restated Investor Rights Agreement, dated June 20, 2005, between First Union Real Estate Equity and Mortgage Investments and the Investors named therein - Incorporated by reference to Exhibit 10.3 to the Trust's Form 8-K filed June 21, 2005.	-
10.14	Securities Purchase Agreement, dated November 7, 2005, between the Trust and Vornado Investments L.L.C. ("Vornado") - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed November 10, 2005.	-
10.15	Agreement between Michael L. Ashner and Winthrop Realty Trust dated July 23, 2006 - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed July 25, 2006.	-
10.16	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.	-
10.17	Form of Series B-1 and Series C Preferred Share Purchase Agreement, dated November 1, 2009 - Incorporated by reference to Exhibit 10.1 to the Trust's Form 8-K filed November 2, 2009.	-
10.18	Investor Rights Agreement (Series C Preferred Shares), dated November 1, 2009, between Winthrop Realty Trust and the investors party thereto - Incorporated by reference to Exhibit 10.2 to the Trust's Form 8-K filed November 2, 2009.	-
10.19	Amended and Restated Loan Agreement, dated as of March 3, 2011, between WRT Realty L.P. and KeyBank, National Association.	*
10.20	Guaranty from Winthrop Realty Trust and certain of its Subsidiaries in favor of KeyBank, National Association.	*
21	List of Subsidiaries	*

23.1	Consent of Independent Accounting Firm – PricewaterhouseCoopers LLP	*
23.2	Consent of Independent Accounting Firm – PricewaterhouseCoopers LLP (Lex-Win Concord 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 Lex-Win Concord LLC	*

* filed herewith

<u>Name of Entity</u>	<u>State of Formation</u>
1051 Perimeter Drive Property LLC	Delaware
180 North Wacker Property LLC	Delaware
29 East Madison Property LLC	Delaware
5400 Westheimer Court LLC	Delaware
5400 Westheimer Holding L.P.	Delaware
5400 Westheimer Limited Partnership	Delaware
CDH CDO LLC	Delaware
FT-5400 New Unit Lender LLC	Delaware
FT-5400 Westheimer LLC	Delaware
FT-Amherst Property LLC	Delaware
FT-Amherst Property Manager LLC	Delaware
FT-Churchill Property L.P.	Delaware
FT-Circle Tower LLC	Delaware
FT-Circle Tower Manager LLC	Delaware
FT-FIN Acquisition LLC	Delaware
FT-FIN GP LLC	Delaware
FT-Florida Property LLC	Delaware
FT-Florida Property Manager LLC	Delaware
FT-KRG (Athens) LLC	Delaware
FT-KRG (Atlanta) LLC	Delaware
FT-KRG (Denton) LLC	Delaware
FT-KRG (Greensboro) LLC	Delaware
FT-KRG (Knoxville) LLC	Delaware
FT-KRG (Lafayette) LLC	Delaware
FT-KRG (Louisville) LLC	Delaware
FT-KRG (Memphis) LLC	Delaware
FT-KRG (Seabrook) LLC	Delaware
FT-KRG (Sherman) LLC	Delaware
FT-KRG (St. Louis) LLC	Delaware
FT-KRG Property L.P.	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
Lex-Win Acquisition LLC	Delaware
Newbury Apartments LLC	Delaware
NY 46 th Street Lender LLC	Delaware
WRT-46 th Street Gotham LLC	Delaware
WRT-1050 Corporetum Holdings LLC	Delaware

<u>Name of Entity</u>	<u>State of Formation</u>
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 Arboretum Property LLC	Delaware
WRT-701 Arboretum Property Manager LLC	Delaware
WRT-Andover Property LLC	Delaware
WRT-Andover Property Manager LLC	Delaware
WRT-Atlanta LLC	Delaware
WRT-CDH II LLC	Delaware
WRT-Concord LLC	Delaware
WRT-Crossroads LLC	Delaware
WRT-Crossroads One LLC	Delaware
WRT-DV LLC	Delaware
WRT-Lender LLC	Delaware
WRT-Marc 180 North Wacker LLC	Delaware
WRT-Marc RC Holding LLC	Delaware
WRT-Marc RC Land LLC	Illinois
WRT-Marc RC LLC	Illinois
WRT-Moffett LLC	Delaware
WRT-MT LLC	Delaware
WRT-Nashville Airpark LLC	Delaware
WRT-Plantation Property Owner LLC	Delaware
WRT-Property Holdings LLC	Delaware
WRT Realty L.P.	Delaware
WRT-Rockwell LLC	Delaware
WRT-ROIC Riverside LLC	Delaware
WRT-Science Center Property Owner LLC	Delaware
WRT-Science Center Property Manager LLC	Delaware
WRT-SD Driver LLC	Delaware
WRT-South Burlington Property LLC	Delaware
WRT-South Burlington Property Manager LLC	Delaware
WRT-Springing Member LLC	Delaware
WRT-TALF LLC	Delaware
WRT TRS Management Corp.	Delaware
WRT-VHH LLC	Delaware
WRT-Vision Creekwood LLC	Delaware
WRT-Vision Holdings LLC	Delaware
WRT-Vision LLC	Delaware
WRT-Vision Loan LLC	Delaware
WRT-Vision Management LLC	Delaware
WRT-Westwood Noteholder LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-163157 and 333-125987), Form S-3/A (No. 333-155761) and Form S-3D (No. 333-161664) of Winthrop Realty Trust and subsidiaries of our report dated March 16, 2011, relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 16, 2011

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-163157 and 333-125987), Form S-3/A (No. 333-155761) and Form S-3D (No. 333-161664) of Winthrop Realty Trust and subsidiaries of our report dated February 19, 2010, relating to the financial statements of Lex-Win Concord LLC, which includes an explanatory paragraph relating to Lex-Win Concord LLC's ability to continue as a going concern as described in Note 2 to the consolidated financial statements which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 16, 2011

**WINTHROP REALTY TRUST (FORMERLY KNOWN AS FIRST UNION
REAL ESTATE EQUITY AND MORTGAGE INVESTMENTS)**

**ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2010**

Power of Attorney – Trustees

Each of the undersigned, a Trustee of Winthrop Realty Trust (formerly known as First Union Real Estate Equity and Mortgage Investments), an Ohio business trust (the “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, 2010 (the “Form 10-K”), does hereby constitute and appoint 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 1st day of March, 2011.

/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

WINTHROP REALTY TRUST
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

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 16, 2011

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

WINTHROP REALTY TRUST
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010

CERTIFICATIONS

I, Thomas C. Staples, 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 16, 2011

/s/ Thomas C. Staples
 Thomas C. Staples
 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, 2010, 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 16, 2011

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

Date: March 16, 2011

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

Lex-Win Concord LLC

Consolidated Financial Statements

**For the Period from January 1, 2010 to August 26, 2010 (Dissolution),
and the Years Ended December 31, 2009 and December 31, 2008**

LEX-WIN CONCORD LLC

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Report of Independent Registered Public Accounting Firm

To the Members of Lex-Win Concord LLC:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, changes in members' capital and cash flows present fairly, in all material respects, the financial position of Lex-Win Concord LLC and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for non-controlling interests and other-than-temporary impairment of available for sale securities in 2009.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the financial statements, the Company has suffered losses from operations and is in violation of certain debt covenants that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 19, 2010

LEX-WIN CONCORD LLC
CONSOLIDATED BALANCE SHEET

(In thousands)

	December 31, 2009
Assets:	
Cash and cash equivalents	\$ 747
Restricted cash	25,369
Real estate debt investments, net of allowance for loss	447,270
Real estate debt investments held for sale, at fair value	66,311
Available for sale securities, net	83,977
Interest and other receivables	1,756
Deferred financing costs, net of accumulated amortization	5,306
Real estate properties held for sale	3,634
Other assets	138
Total assets	<u>\$ 634,508</u>
Liabilities and Members' Capital:	
Liabilities:	
Repurchase agreements	\$ 135,064
Revolving credit facility	58,850
Collateralized debt obligations	347,525
Collateral support obligation	9,757
Sub-participation obligation	4,500
Liabilities of discontinued operations	142
Other liabilities	14,056
Note payable to related parties	-
Total liabilities	<u>569,894</u>
Non-controlling redeemable preferred interest:	
Non-controlling redeemable preferred interest	5,720
Total non-controlling redeemable preferred interest	<u>5,720</u>
Members' Capital:	
Lex-Win Concord LLC members' capital	113,928
Accumulated other comprehensive loss	(55,148)
Total Lex-Win Concord LLC members' capital	58,780
Non-controlling equity interest	114
Total members' capital	<u>58,894</u>
Total liabilities and members' capital	<u>\$ 634,508</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC

CONSOLIDATED STATEMENTS OF OPERATIONS
For the Period from January 1, 2010 to August 26, 2010 (Dissolution) and the
Years Ended December 31, 2009 and 2008

(In thousands)

	(Unaudited) 2010	2009	2008
Income:			
Interest income on real estate debt investments and available for sale securities	\$ 17,930	\$ 38,948	\$ 71,307
Realized gain on sale of real estate debt investments	7,760	-	-
Total income	<u>25,690</u>	<u>38,948</u>	<u>71,307</u>
Expenses:			
Interest	9,581	17,335	36,410
Provision for loss on real estate debt investments	106,150	80,620	31,053
Realized loss on sale of real estate debt investments	2,407	9,606	-
Impairment loss on real estate debt investments held for sale	-	101,027	-
Realized loss on sale of real estate debt investments held for sale	-	17,566	-
Other-than-temporary impairment losses on available-for-sale securities			
Gross impairment losses	3,874	29,770	65,905
Less: Impairments recognized in other comprehensive losses	-	(13,468)	7,927
Net impairment losses recognized in earnings	<u>3,874</u>	<u>16,302</u>	<u>73,832</u>
Realized loss on sale of available for sale securities	-	5,074	-
Fees and expenses paid to related party	470	1,108	1,637
Collateral support expense	319	9,757	-
General and administrative	<u>1,754</u>	<u>4,604</u>	<u>3,187</u>
Total expenses	<u>124,555</u>	<u>262,999</u>	<u>146,119</u>
Other income:			
Interest income on bank deposits	6	7	426
Gain on extinguishment of debt	-	-	15,603
Total other income	<u>6</u>	<u>7</u>	<u>16,029</u>
Loss from continuing operations	<u>(98,859)</u>	<u>(224,044)</u>	<u>(58,783)</u>
Discontinued operations:			
Loss from discontinued operations	<u>(971)</u>	<u>(959)</u>	<u>-</u>
Total discontinued operations	<u>(971)</u>	<u>(959)</u>	<u>-</u>
Consolidated net loss	<u>(99,830)</u>	<u>(225,003)</u>	<u>(58,783)</u>
(Income) loss attributable to the non-controlling redeemable preferred interest	4,585	68,709	(1,619)
Income attributable to the non-controlling interest	<u>(8)</u>	<u>(12)</u>	<u>(12)</u>
Net loss attributable to Lex-Win Concord LLC	<u>\$ (95,253)</u>	<u>\$ (156,306)</u>	<u>\$ (60,414)</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the Period from January 1, 2010 to August 26, 2010 (Dissolution) and the
Years Ended December 31, 2009 and 2008

(In thousands)

	(Unaudited) 2010	2009	2008
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Consolidated net loss	\$ (99,830)	\$ (225,003)	\$ (58,783)
Other comprehensive income (loss):			
Unrealized gain (loss) on cash flow hedges	(4,486)	10,668	(20,200)
Unrealized gain (loss) on available for sale securities	5,774	(29,770)	(65,905)
Reclassification of unrealized loss to impairment loss	-	16,302	73,832
Other comprehensive loss	<u>1,288</u>	<u>(2,800)</u>	<u>(12,273)</u>
Comprehensive loss	(98,542)	(227,803)	(71,056)
Comprehensive income attributable to non-controlling interest	(8)	(12)	(12)
Comprehensive (income) loss attributable to non-controlling redeemable preferred interest	4,585	68,709	(1,619)
	<u>4,585</u>	<u>68,709</u>	<u>(1,619)</u>
Comprehensive loss attributable to Lex-Win Concord LLC	<u>\$ (93,965)</u>	<u>\$ (159,106)</u>	<u>\$ (72,687)</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL
For the Period from January 1, 2010 to August 26, 2010 (Dissolution) and the
Years Ended December 31, 2009 and 2008

(In thousands)

	<u>Winthrop</u>	<u>Lexington</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
Balance at December 31, 2007	\$ 163,851	\$ 163,851	\$ (16,781)	\$ 102	311,023
Contributions from Members	5,087	5,087	-	-	10,174
Distributions to Members	(14,600)	(14,600)	-	-	(29,200)
Net income allocated to non-controlling interests	-	-	-	12	12
Distributions to non- controlling interests	-	-	-	-	-
Unrealized loss on cash flow hedges	-	-	(20,200)	-	(20,200)
Unrealized gain on available for sale securities	-	-	7,927	-	7,927
Net income allocation	<u>(30,207)</u>	<u>(30,207)</u>	<u>-</u>	<u>-</u>	<u>(60,414)</u>
Balance at December 31, 2008	124,131	124,131	(29,054)	114	219,322
Adjustment to opening balance for cumulative effect of adopting new accounting method	11,647	11,647	(23,294)	-	-
Net income allocated to non-controlling interests	-	-	-	12	12
Contributions from Members	118	118	-	-	236
Distributions to Members	(779)	(779)	-	-	(1,558)
Distributions to non- controlling interests	-	-	-	(12)	(12)
Unrealized gain on cash flow hedges	-	-	10,668	-	10,668
Unrealized loss on available for sale securities	-	-	(13,468)	-	(13,468)
Net loss allocation	<u>(78,153)</u>	<u>(78,153)</u>	<u>-</u>	<u>-</u>	<u>(156,306)</u>
Balance, December 31, 2009	<u>56,964</u>	<u>56,964</u>	<u>(55,148)</u>	<u>114</u>	<u>58,894</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL
For the Period from January 1, 2010 to August 26, 2010 (Dissolution) and the
Years Ended December 31, 2009 and 2008

(In thousands, Continued)

	<u>Winthrop</u>	<u>Lexington</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
(Unaudited)					
Balance at December 31, 2009	56,964	56,964	(55,148)	114	58,894
Net income allocated to non-controlling interests	-	-	-	8	8
Distributions to non- controlling interests	-	-	-	(12)	(12)
Unrealized loss on cash flow hedges	-	-	(4,486)	-	(4,486)
Unrealized gain on available for sale securities	-	-	5,774	-	5,774
Net loss allocation	(47,627)	(47,626)	-	-	(95,253)
Dissolution adjustment	<u>(9,337)</u>	<u>(9,338)</u>	<u>53,860</u>	<u>(110)</u>	<u>35,075</u>
Balance, August 26, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period from January 1, 2010 to August 26, 2010 (Dissolution) and the
Years Ended December 31, 2009 and 2008

(In thousands)

	(Unaudited) 2010	2009	2008
Cash flows from operating activities:			
Consolidated net income (loss)	\$ (99,830)	\$ (225,003)	\$ (58,783)
Adjustments to reconcile net income (loss) to cash provided by operating activities			
Amortization and accretion of interest	(1,270)	(4,866)	(7,686)
Amortization of deferred financing costs	1,634	1,945	1,469
Impairment loss on available for sale securities	3,874	16,302	73,832
Provision for loss on real estate debt investments	106,150	80,620	31,053
Impairment loss on real estate debt investments held for sale	-	101,027	-
Realized loss on sale of real estate debt investments	1,187	9,606	-
Realized loss on sale of real estate debt investments held for sale	1,220	17,566	-
Realized loss on sale of available for sale securities	-	5,074	-
Realized loss on sale of real estate properties held for sale	708	-	-
Realized gain on sale of investments held for sale	(2,130)	-	-
Realized gain on available for sale securities	(1,323)	-	-
Realized gain on sale of real estate debt investments	(4,307)	-	-
Gain on extinguishment of debt	-	-	(15,603)
Changes in operating assets and liabilities:			
Interest and other receivables	250	1,842	1,579
Other assets	104	(36)	455
Other liabilities	(527)	(904)	442
Liabilities of discontinued operations	(90)	142	-
Collateral support obligation	319	9,757	-
Net cash provided by operating activities	<u>5,969</u>	<u>13,072</u>	<u>26,758</u>
Cash flows from investing activities:			
Proceeds from sale of real estate debt investments	9,888	18,817	-
Proceeds from sale of real estate debt investments held for sale	70,038	86,481	-
Proceeds from sale of available for sale securities	2,868	3,670	-
Proceeds from sale of real estate properties held for sale - discontinued operations	-	6,721	-
Purchase of real estate debt investments	-	-	(14,534)
Funding of commitments on real estate debt investments	-	(1,714)	-
Real estate debt investments repaid	-	30,168	78,496
Available for sale securities purchased	(13,562)	(6,856)	-
Real estate debt investments purchased	(3,000)	-	-
Available for sale securities repaid	296	3,935	5,296
Change in restricted cash	13,112	(22,550)	2,770
Net cash provided by investing activities	<u>79,640</u>	<u>118,672</u>	<u>72,028</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period from January 1, 2010 to August 26, 2010 (Dissolution) and the
Years Ended December 31, 2009 and 2008

(In thousands, Continued)

	(Unaudited) 2010	2009	2008
Cash flows from financing activities:			
Proceeds from related party notes payable	\$ -	\$ 8,360	\$ 20,000
Repayment of related party notes payable	-	(18,360)	(10,000)
Repayments on repurchase agreements	(71,627)	(105,540)	(231,720)
Proceeds from revolving line of credit facility	-	-	80,000
Repayment of revolving credit facility	(20,801)	(21,150)	-
Payment to terminate derivative contract	-	(8,221)	-
Payment on collateralized debt obligation	-	-	(13,111)
Proceeds from sub-participation arrangement	-	4,500	-
Payment of deferred financing costs	-	(87)	(1,401)
Distributions to non-controlling redeemable preferred interest	-	(3,152)	-
Distributions to non-controlling interests	(12)	(12)	(1,178)
Distribution to members	-	(1,240)	(29,200)
Distribution to members upon liquidation	(3,416)	-	-
Contributions from non-controlling redeemable preferred interest	9,500	1,354	76,000
Contributions from members	-	236	10,174
Net cash used in financing activities	<u>(86,356)</u>	<u>(143,312)</u>	<u>(100,436)</u>
Net decrease in cash and cash equivalents	(747)	(11,568)	(1,650)
Cash and cash equivalents at beginning of period	747	12,315	13,965
Cash and cash equivalents at end of period	<u>\$ -</u>	<u>\$ 747</u>	<u>\$ 12,315</u>
Supplemental cash flow information:			
Interest paid	<u>\$ 7,881</u>	<u>\$ 16,505</u>	<u>\$ 33,798</u>
Collateral support arrangement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231</u>
Non-cash investing activity:			
Investment in real estate debt investment by issuance of first mortgage seller financing on real estate property sold	<u>\$ -</u>	<u>\$ 955</u>	<u>\$ -</u>
Non-cash financing activities:			
Distribution of available for sale security to members	<u>\$ -</u>	<u>\$ 318</u>	<u>\$ -</u>
Distribution of available for sale security to non-controlling redeemable preferred interest	<u>\$ -</u>	<u>\$ 214</u>	<u>\$ -</u>
Accrued dividend payable to non-controlling interest	<u>\$ 8</u>	<u>\$ 12</u>	<u>\$ 12</u>
Accrued dividend payable to non-controlling redeemable preferred interest	<u>\$ -</u>	<u>\$ 5,720</u>	<u>\$ 441</u>
Adjustment of Assets and Liabilities upon Dissolution			
Restricted cash	<u>\$ (12,257)</u>	<u>\$ -</u>	<u>\$ -</u>
Real estate debt investments, net of allowance	<u>\$ (338,008)</u>	<u>\$ -</u>	<u>\$ -</u>
Available for sale securities	<u>\$ (98,217)</u>	<u>\$ -</u>	<u>\$ -</u>
Interest and other receivables	<u>\$ (1,506)</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred and other assets	<u>\$ (4,788)</u>	<u>\$ -</u>	<u>\$ -</u>
Repurchase agreements	<u>\$ 63,437</u>	<u>\$ -</u>	<u>\$ -</u>
Revolving credit facility	<u>\$ 38,049</u>	<u>\$ -</u>	<u>\$ -</u>
Collateralized debt obligations	<u>\$ 347,525</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral support obligation	<u>\$ 10,076</u>	<u>\$ -</u>	<u>\$ -</u>
Sub-participation obligation	<u>\$ 17,762</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred items and other liabilities	<u>\$ 5,783</u>	<u>\$ -</u>	<u>\$ -</u>
Non-controlling redeemable preferred interest	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ -</u>
Non-controlling equity interest	<u>\$ 10,635</u>	<u>\$ -</u>	<u>\$ -</u>
Members' capital	<u>\$ (35,185)</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

LEX-WIN CONCORD LLC
Notes to Consolidated Financial Statements
(Information from January 1, 2010 to August 26, 2010 (Dissolution) is Unaudited)

Note 1 - Description of Business and Dissolution

Lex-Win Concord LLC (the “Company” and “Lex-Win”) was created on August 2, 2008. Prior to the Company’s formation, its subsidiary Concord Debt Holdings LLC (“Concord”), a Delaware limited liability company, was formed on March 31, 2006 to acquire real estate whole loans and subordinate real estate debt investments such as B-notes, mezzanine loans and preferred equity, and commercial real estate securities including commercial mortgage backed securities, collateralized debt obligations and real estate mortgage investment conduits. Concord upon its formation was owned 50% each by Winthrop Realty Trust (“Winthrop”) and Lexington Realty Trust (“Lexington”), collectively the Members. In connection with the formation of Concord, Lexington contributed existing real estate debt investments and other assets totaling \$54,279,000 and repurchase agreements and other liabilities of \$32,251,000, which had been acquired in anticipation of the formation of the venture. Concurrently with the formation of Concord, Winthrop contributed \$10,864,000 in exchange for 50% of the net equity of Concord.

Concord Debt Funding Trust is a majority owned subsidiary of the Company through its investment in Concord and was formed November 3, 2006. Concord Debt Funding Trust issued 100,000 common shares and 102 shares of 12% cumulative redeemable preferred shares and Concord owns 100% of the common shares while the preferred shares are owned by individuals associated with Winthrop and Lexington.

In connection with the formation of the Company, both Winthrop and Lexington contributed their 50% interests in Concord and WRP Management LLC (“WRP Management”), the entity that provided management services to Concord Real Estate CDO 2006-1, Ltd (“CDO-1” and “the Issuer”), and a wholly-owned subsidiary of Concord. WRP Management contracted with WRP Sub-Management LLC (“WRP Sub Management”) to act as Administrative Manager to the Company. The Second Amended and Restated Limited Liability Company Joint Venture Agreement (the “Joint Venture Agreement”) of Concord was amended and restated reflect this change in legal structure and to admit Inland America Concord Sub LLC (“Inland”) with a redeemable preferred membership interest in Concord. Inland committed to invest up to \$100,000,000 in Concord over a 12-18 month investment period subject to certain conditions. The Company will hold 100% of the common membership interests in Concord and will serve as its managing member.

On May 22, 2009, a wholly-owned subsidiary of Inland filed a legal action against the Company and Concord generally seeking declaratory relief that Inland should not be required to satisfy the May 11, 2009 capital call made by Concord in the amount of \$24,000,000 and that Inland is entitled to a priority return of its capital. The Company filed counterclaims against Inland which state, in general, that Inland is in material breach of their agreements with the Company and seeking to recover all losses incurred by it as a result of such breach.

On August 26, 2010 the Company finalized a settlement agreement to resolve the action which would provide for, among other things, no obligation on any of the parties to make additional capital contributions to Concord, the allocation of distributions equally among Inland, Lexington, and Winthrop and the formation of a new entity to be owned by subsidiaries of Inland, Lexington and Winthrop named CDH CDO LLC which purchased 100% of the stock of CDO-1 from Concord.

The settlement agreement triggered simultaneous transactions that effectively changed the organization structure, economics and governance of Concord such that Lex-Win was dissolved and transferred 100% of its interest in Concord to its members, Winthrop and Lexington. As a result of the concurrent transfer of the Company’s equity interests in Concord to Winthrop and Lexington and its dissolution on August 26, 2010, no balance sheet is presented as of August 26, 2010, the date of the Company’s dissolution.

LEX-WIN CONCORD LLC
Notes to Consolidated Financial Statements
(Information from January 1, 2010 to August 26, 2010 (Dissolution) is Unaudited)

Note 2 – Going Concern Considerations

The conditions that existed as of December 31, 2009, as described below are indicative of the entity's potential inability to continue as a going concern. The financial information included in this report does not include any adjustments that might result from the outcome of this uncertainty.

The real estate markets have been significantly impacted by the continued deterioration of the global credit markets and other macro economic factors. As a result of these and other factors including increased margin calls on Concord's repurchase agreements, the Company has experienced further declines in values during the year ended December 31, 2009 to its real estate debt investments and available for sale securities. This has generated significant impairment charges and difficulty in executing sales of select investments pursuant to certain repurchase agreements. The initial strategy to issue CDOs and the availability of new financing has effectively been eliminated, making the execution of the Company's initial strategy unachievable.

Accordingly, the Company is unable to satisfy certain of its financial covenants under its loan documents for which it has not yet received waivers and is in technical default under these loans. In addition the Company has near-term repayment obligations under its repurchase agreements. The Company is working with the lenders, but there can be no assurance that the lenders will grant long-term forbearance and could exercise their remedies at any time.

In addition, a continued decline in the operating performance of the underlying collateral of certain of the Company's available for sale securities and real estate loans may result in borrowers' inability to meet its debt service coverage, which could result in additional impairments of loan assets. Such defaults could significantly reduce the cash flow available to the Company for its obligations and also necessitate additional asset sales at disadvantageous terms.

In response to the declining real estate and capital markets the Company may be unable to consummate certain activities that would improve the Company's financial flexibility such as the sale of encumbered assets for fair value.

Note 3 - Summary of Significant Accounting Policies

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") 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.

Out of Period Adjustment

During 2009, the Company determined that there was an error in the recognition of fees paid to the party which originated certain loans purchased by the Company which is recorded as a reduction of interest income. The Company determined that interest income was overstated by approximately \$594,000 for the year ended December 31, 2008. The Company has recorded an adjustment to correct this error in 2009 and determined that adjustment does not materially affect the financial statements for any of the years presented.

LEX-WIN CONCORD LLC
Notes to Consolidated Financial Statements
(Information from January 1, 2010 to August 26, 2010 (Dissolution) is Unaudited)

Note 3 - Summary of Significant Accounting Policies (Continued)

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 and available for sale securities and estimates pertaining to credit. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

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

Concentration of Credit Risk

The Company maintains cash deposits and restricted cash deposits with major financial institutions, which 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.

Within its real estate debt investment portfolio, the Company holds 11 impaired loans with related loan loss allowances at December 31, 2009, six of which are non-performing loans that subject the Company to a concentration of credit risk. See Note 7.

Restricted Cash

The Company had restricted cash of \$25,369,000 at December 31, 2009 which included \$20,726,000 in proceeds from the repayment of principal of real estate debt investments that the Company is required to reinvest under the terms of its CDO indenture. The remaining balance of \$4,643,000 at December 31, 2009 represents funding of future lending commitments for certain real estate debt investments as well as amounts held in escrow accounts as collateral.

Real Estate Debt Investments

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

Real Estate Debt Investment Impairment

The Company considers a real estate debt investment ("loan") impaired when, based upon current information and events, it is probable that it will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. The Company believes its loans are collateral dependent and, accordingly, it generally utilizes the fair value of the loan collateral when assessing its loans for impairment. If the fair value of the collateral is equal to or greater than the recorded investment in the loan, no impairment is recognized. Specific valuation allowances are established for impaired loans based on the fair value of collateral on an individual loan

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Note 3 - Summary of Significant Accounting Policies (Continued)

basis. The fair value of the collateral is determined by selecting the most appropriate valuation methodology. These methodologies include the evaluation of operating cash flow from the collateral during the projected holding period, and the estimated sales value of the collateral computed by applying an expected capitalization rate to the stabilized net operating income of the specific property, discounted at market discount rates. If upon completion of the valuation, the fair value of the underlying real estate collateralizing the impaired loan is less than the net carrying value of the loan, a specific loan allowance is created with a corresponding charge to the provision for loan losses. The allowance for each loan is maintained at a level deemed adequate by management to absorb potential losses.

In addition, a formula specific loss allowance may be established to cover performing loans when (i) available information indicates that it is probable a loss has occurred in the portfolio and (ii) the amount of the loss can be reasonably estimated in accordance with FASB guidance on loss contingencies. Required loss allowance balances for the performing loan portfolio are derived from probabilities of default and loss severity estimates assigned to each loan as part of the Company's quarterly internal risk rating assessment. Probabilities of principal loss and severity factors are based on industry and/or internal experience and may be adjusted for significant factors that, based on management's judgment, impact the collectability of the loans.

Income Recognition for Impaired Real Estate Debt Investments

The Company recognizes interest income on impaired, non-performing real estate debt investments using the cash-basis method.

Real Estate Debt Investments Held for Sale

The Company reports real estate debt investments held for sale at the lower of cost or fair value.

Available for Sale Securities

The Company evaluates its portfolio of available for sale securities for other-than-temporary impairment by conducting and documenting periodic reviews of all securities with unrealized losses to evaluate whether the impairment is other than temporary. Any credit-related impairment on debt securities the Company does not plan to sell and is not more-likely-than-not to be required to sell is recognized in the Consolidated Statement of Operations, with the non-credit-related impairment recognized in other comprehensive loss. For other impaired debt securities, the entire impairment is recognized in the Consolidated Statement of Operations.

The Company recognizes interest income on its portfolio of available for sale securities by estimating the excess of all cash flows attributable to the security estimated at the measurement date over the Company's initial investment in the security using the effective yield method. Discounts attributable to previously recognized other-than-temporary impairment charges are recognized in interest income on the effective interest method based upon the excess of all estimated prospective cash flows over the investment balance in the loan security at the measurement date. The Company will accrete certain impairment discounts over the remaining life of the securities using the effective interest method.

During the period from January 1, 2010 to August 26, 2010 and the years ended December 31, 2009 and 2008, the Company recognized in interest income accretion of discounts totaling \$637,000, \$1,071,000 and \$1,215,000 respectively.

Deferred Financing Costs

Fees and costs incurred to obtain long-term financing have been deferred and are being amortized over the terms of the related financing, on a basis which approximates the effective interest method.

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Note 3 - Summary of Significant Accounting Policies (Continued)

Real Estate Properties Held For Sale – Discontinued Operations

Real estate properties held for sale are comprised of real property collateralizing certain loans that was acquired by foreclosure. Real estate that is acquired by foreclosure and held for sale is recorded at the lower of its carrying amount or fair value less cost to sell and is not depreciated.

Impairment charges, when applicable, are recorded as a valuation allowance with a loss from foreclosed assets held for sale recognized in the income statement. Any expenditure that significantly improves the estimated fair value of the assets may be capitalized.

Non-Controlling Interests

Effective January 1, 2009, the Company adopted new FASB provisions on non-controlling interests (previously known as “minority interests”). The adoption of this new accounting standard resulted in (i) the reclassification of minority interests in consolidated subsidiaries to non-controlling interests in consolidated subsidiaries, a component of permanent equity on the Company’s Consolidated Balance Sheet, (ii) the reclassification of minority interest expense to net income attributable to non-controlling interests on the Company’s consolidated statements of operations and comprehensive income, and (iii) additional disclosures, including consolidated statements of changes in members’ capital. The implementation of this standard had no effect on the Company’s results of operations. However on the Consolidated Balance Sheet as a result of the adoption, the Company reclassified certain non-controlling interests to permanent equity from the mezzanine section which totaled approximately \$114,000 as of December 31, 2009. The remaining non-controlling interests related to redeemable preferred interests which continue to be classified in the mezzanine section was \$5,720,000 as of December 31, 2009.

Allocations of members’ capital and the non-controlling redeemable preferred interest are determined in accordance with the governing documents of Concord. At each reporting period, Concord performs a hypothetical liquidation of the members’ capital and non-controlling redeemable preferred interests as a basis for these allocations. As a result of this analysis, the Company was allocated net losses from operations for the period from January 1, 2010 to August 26, 2010 and the year ended December 31, 2009 of \$95,253,000 and \$156,306,000 and net losses of \$68,709,000 were allocated to the non-controlling redeemable preferred interest. The unpaid accrued preferred return was \$5,720,000 at December 31, 2009.

As of December 31, 2009, Concord did not distribute \$5,720,000 of the total \$8,427,000 accrued priority interest payable to satisfy the 10% preferred return on Inland’s invested capital and was not in compliance with the Total Debt Limit as defined in Concord’s operating agreement. As a result, Concord is required to accrue and distribute to Inland its priority return at a rate of 13% per annum until such time as Concord is able to comply with these covenants.

Members’ Capital

Capital contributions, distributions and profits and losses are allocated in accordance with the terms of the Joint Venture Agreement.

Other Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income, as presented in the consolidated statements of operations, adjusted for changes in unrealized gains or losses on debt securities available for sale and changes in the fair value of derivative financial instruments accounted for as cash flow hedges.

Note 3 - Summary of Significant Accounting Policies (Continued)

Income Taxes

Concord Debt Funding Trust is organized and conducts its operations to qualify as a real estate investment trust 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 ("Taxable Income"), which is distributed to its stockholders, provided that at least 90% of Taxable Income is distributed and certain other requirements are met.

Income taxes are not considered in the accompanying consolidated financial statements since the Company is not a taxable entity. 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 which 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.

Derivatives and Hedging Activities

The Company measures its designated and qualifying derivative instruments at fair value and records them in the Consolidated Balance Sheets as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. Fair value adjustments will be recorded in accumulated other comprehensive income or earnings in the current period based on whether the derivative financial instrument is designated and qualifies as a hedging instrument. The effective portions of changes in fair value of designated and qualifying instruments are reported in other comprehensive income and are subsequently reclassified into earnings when the hedged item affects earnings.

The changes in fair value of derivative instruments which are not designated as hedging instruments and the ineffective portions of hedges are recorded in earnings for the current period.

The Company utilizes derivative financial instruments to reduce exposure to fluctuations in interest rates. The Company has not entered, and does not plan to enter, into financial instruments for trading or speculative purposes. Additionally, the Company has a policy of only entering into derivative contracts with major financial institutions. The principal financial instruments used by the Company are interest rate swaps.

Note 4- Changes in Accounting Principles

Other-than-temporary impairments

On April 1, 2009, the Company adopted newly issued accounting guidance that amended the existing accounting model for evaluating whether declines in the fair value of debt securities are other-than-temporary in nature. Previously, declines in the fair value of a debt security were generally considered to be other-than-temporary in nature unless the investor could positively assert that it had the intent and ability to hold the security long enough to recover its amortized cost basis. The guidance requires that an investor recognize other-than-temporary impairment for (a) those securities that the investor has the present intent to sell or (b) those securities that it will more likely than not be required to sell before the anticipated recovery. For those securities that the Company does not have the present intent to sell or for which it is not more likely than not it will be required to sell, the Company must recognize only credit losses in earnings. Non-credit losses are recognized as a charge to other comprehensive income.

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Note 4 - Changes in Accounting Principles (Continued)

For other-than-temporary impairment charges recognized in prior periods, the newly issued accounting guidance required the Company to assess whether (a) it had the intent to sell, (b) more likely than not would have been required to sell the related securities and (c) for those not meeting these criteria (a) and (b), determine the decline in fair value attributable to non-credit factors and recognize the cumulative of initially applying the newly issued guidance as an adjustment to the opening balance of members' capital with a corresponding adjustment to accumulated other comprehensive income.

The cumulative effect of the Company's adoption of the newly issued accounting guidance resulted in an increase to members' capital of \$23,294,000 and a corresponding decrease to other comprehensive income totaling \$23,294,000.

Non-controlling interests

The consolidated financial statements reflect certain retrospective revisions of prior period amounts, resulting from the adoption and retrospective application of newly adopted accounting guidance on related to non-controlling interests. The revisions had no impact on previously reported net income.

Effective January 1, 2009, the Company adopted accounting guidance which establishes and expands accounting and reporting standards for entities that have outstanding minority interests which are re-characterized as non-controlling interests in a subsidiary. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure on the face of the consolidated statements of operations and comprehensive income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. Previously, net income attributable to the non-controlling interest generally was reported as an expense in arriving at consolidated net income. This adoption resulted in (i) the reclassification of minority interests in consolidated subsidiaries to non-controlling interests in consolidated subsidiaries, a component of permanent equity on the Company's Consolidated Balance Sheet, (ii) the reclassification of minority interest expense to net income attributable to non-controlling interests on the Company's consolidated statements of operations and comprehensive income, and (iii) additional disclosure relating to non-controlling interests.

Note 5 - Fair Value Measurement

On January 1, 2008, the Company adopted guidance for fair value measurements and the fair value option for financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. Accordingly, the standard does not require any new fair value measurements of reported balances. Cash equivalents, available for sale securities, derivative financial instruments, impaired real estate debt investments and real estate debt investments held for sale are reported at fair value.

The accounting standards 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

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Note 5 - Fair Value Measurement (Continued)

liabilities in active markets, as well as inputs that are observable for the asset or liability other than quoted prices, such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The 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 securities include highly liquid government bonds, mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows, which would generally be classified within Level 2 of the valuation hierarchy. Examples of such instruments include certain derivative financial instruments. In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include, for example, residual interests in securitizations and other less liquid securities.

In October 2008 the Company adopted amendments to the guidance for fair value measurements which provide clarification that determination of fair value in an inactive market depends on facts and circumstances and may require the use of significant judgment to determine whether certain individual transactions are forced liquidations or distressed sales. In cases where the volume and level of trading activity for an asset has declined substantially, the available prices vary significantly over time or among market participants, or the prices are not current, observable inputs might not be relevant and could require material adjustment. In addition, the amended guidance also clarifies that broker or pricing service quotes may be appropriate inputs when measuring fair value, but are not necessarily determinative if an active market does not exist for the financial asset. Regardless of the valuation techniques used, the accounting rules require that an entity include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks. The Company has always considered nonperformance and liquidity risks in its analysis of loans and collateral underlying its securities and the adoption of this new guidance did not have a material impact on its consolidated financial statements.

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

Recurring Measurements

Cash, Cash Equivalents and Restricted Cash

The Company's cash, cash equivalents and restricted cash are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on quoted market prices in active markets include most U.S. government securities and most money market securities. Such instruments are generally classified within Level 1 of the fair value hierarchy.

Available for Sale Securities

Broker quotations within Level 1 or Level 2 of the hierarchy are obtained if available and practicable. Management typically obtains counterparty quotations for certain of its securities that are pledged under certain repurchase agreements. Such counterparty quotations are predominantly based on the use of unobservable inputs that are considered Level 3 inputs. In addition, the Company uses a third-party pricing model to establish values for the securities in its portfolio. Management also performs further analysis of the performance of the loans and collateral underlying the securities, the estimated value of the collateral supporting such loans and a consideration of local,

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Note 5 - Fair Value Measurement (Continued)

industry, and broader economic trends and factors. Significant judgment is utilized in the ultimate determination of fair value. This valuation methodology has been characterized as Level 3 in the fair value hierarchy as defined by FASB guidance for fair value measurements.

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. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments

(or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

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.

Impaired Real Estate Debt Investments

All of the Company's loans identified as being impaired are collateral dependent loans and are evaluated for impairment by comparing the fair value of the underlying collateral to the carrying value of each loan. Due to the unique nature of the individual property collateralizing the Company's loans, the Company uses the income or market approach, as deemed appropriate, through internally developed valuation models to estimate the fair value of the collateral. This approach requires the Company to make significant judgments in respect to discount rates and the timing and amounts of estimated future cash flows that are considered Level 3 inputs.

Real Estate Debt Investments Held For Sale

At December 31, 2009, the Company had identified four loans meeting the criteria for held-for-sale treatment. These loans are carried at their fair value of \$66,311,000, which represents a decline of \$64,143,000 from the Company's cost basis of \$130,454,000. This decline in fair value has been charged to impairment loss on real estate debt investments in the Company's consolidated statements of operations.

The Company has estimated the fair value of these investments using current market spreads which are reflective of exit prices using market participant assumptions. These assets fall within Level 3 of the fair value hierarchy.

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Note 5 - Fair Value Measurement (Continued)

The table below presents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 aggregated by the level in the fair value hierarchy within which those measurements fall.

(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, 2009
Assets				
Cash and cash equivalents	\$ 747	\$ -	\$ -	\$ 747
Restricted cash	25,369	-	-	25,369
Impaired real estate debt investments	-	-	15,473	15,473
Real estate debt investments held for sale	-	-	66,311	66,311
Available for sale securities	-	-	83,977	83,977
Liabilities				
Derivative financial instruments	\$ -	\$ 12,274	\$ -	\$ 12,274

Changes in Level Three Fair Value Measurements

The tables below includes a roll forward of the balance sheet amounts for the period from January 1, 2010 to August 26, 2010 and January 1, 2009 to December 31, 2009 , including the change in fair value, for financial instruments classified by the Company within level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement.

Period Ended August 26, 2010 (in thousands)	Available For Sale Securities	Impaired Real Estate Debt Investments	Real Estate Debt Investments Held for Sale
Fair value, January 1, 2010	\$ 83,977	\$ 15,473	\$ 66,311
Transfers in/and or out of level 3	-	-	-
Included in statement of operations:			
Net impairment losses recognized in earnings	(3,874)	-	-
Provision for loan loss contingencies	-	(4,078)	-
Amortization of discount	637	119	-
Unrealized impairment losses	(5,774)	-	-
Purchases, issuances and settlements, net	13,248	(17)	-
Sale of investments	(1,545)	-	-
Dissolution adjustment	(86,669)	(11,497)	(66,311)
Fair value, August 26, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 5 - Fair Value Measurement (Continued)

Year Ended December 31, 2009 (in thousands)	Available For Sale Securities	Impaired Real Estate Debt Investments	Real Estate Debt Investments Held for Sale
Fair value, January 1, 2009	\$ 118,491	\$ 65,638	\$ -
Transfers in/and or out of level 3	-	11,731	276,243
Included in statement of operations:			
Accretion income on realized losses	1,071	-	-
Impairment losses on real estate debt investments held for sale	-	-	(101,027)
Net impairment losses recognized in earnings	(16,302)	-	-
Provision for loan loss contingencies	-	(52,141)	-
Amortization of discount	538	170	-
Unrealized impairment losses	(13,468)	-	-
Purchases, issuances and settlements, net	11	75	(4,857)
Sale of investments	(6,364)	(10,000)	(104,048)
Fair value, December 31, 2009	<u>\$ 83,977</u>	<u>\$ 15,473</u>	<u>\$ 66,311</u>

Note 6 – Real Estate Debt Investments

Real estate debt investments, consisting of whole loans, B-note participation interests, and mezzanine loans, are intended to be held for investment and, accordingly, are carried at the Company's investment cost basis, net of unamortized loan purchase discounts and allowances for loan losses when such investments are deemed to be impaired. 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 table is a summary of the Company's real estate debt investments at December 31, 2009 (in thousands):

	Real Estate Debt Investments, Net of Allowance December 31, 2009	Loan Count
Whole loans	50,836	4
B-notes	184,550	13
Mezzanine loans	303,979	23
Loan loss allowance	(86,035)	-
Discounts on loans	(6,060)	-
Total loans	<u>\$ 447,270</u>	<u>40</u>

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Note 6 – Real Estate Debt Investments (Continued)

The Company had \$70,937,000 of impaired principal real estate debt investments with loan loss allowances of \$55,464,000 at December 31, 2009. The Company recorded a provision for loss allowance in real estate debt investments of \$106,150,000, \$80,620,000 and \$31,053,000 for the period from January 1, 2010 to August 26, 2010 (Dissolution) and the years ended December 31, 2009 and 2008, respectively.

The fair value of the Company's real estate debt investments was \$244,313,000 at December 31, 2009.

The following table sets forth the activity in the loan allowance for credit losses account balance for the period from January 1, 2010 to August 26, 2010 (Dissolution) and the years ended December 31, 2009 and 2008 (in thousands):

	2010	2009	2008
Balance at beginning of year	\$ (55,464)	\$ (26,021)	\$ -
Charge-offs (1)	3,118	17,900	-
Recoveries	42,421	-	-
Valuation allowance	(111,870)	(51,343)	(26,021)
Transfers (2)	-	4,000	-
Dissolution adjustment	121,795	-	-
Balance at end of year	<u>\$ -</u>	<u>\$ (55,464)</u>	<u>\$ (26,021)</u>

- (1) The charge-offs of \$17,900,000 for the year ended December 31, 2009 represent allowances for which the Company foreclosed on and the collateral of which was sold or obtained through foreclosure sale.
- (2) Transfers represent loan allowances on real estate debt investments that were transferred to real estate loan assets held for sale.

Credit Risk Concentrations

As of December 31, 2009 no loan exceeded 10% of the Company's assets and for the year ended December 31, 2009 no single loan generated more than 10% of the Company's revenue.

Note 7 – Real Estate Debt Investments Held For Sale

Due to the disruption in the capital and credit markets, the continued decline in the fair value of the Company's assets, and the covenant failures on its debt facilities, the Company was required to identify certain assets to be sold in order to reduce its outstanding balances on its debt.

During 2009 the Company sold six loans that were designated as real estate debt investments held for sale which resulted in losses of \$17,566,000.

The Company was not able to completely satisfy its repayment obligation on the Column facility of \$60,000,000 by December 31, 2009 and identified four real estate debt investments which were sold in 2010 and the Company recognized additional losses of \$545,000 from these transactions and used the proceeds to repay Column and satisfy the remaining accelerated repayment schedule required by the modification.

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Note 8 - Available for Sale Securities

The Company had a portfolio of loan securities (also referred to as available for sale securities) which includes investments in CDO securities, pooled collateralized mortgage backed securities ("CMBS"), and rake bonds. These bonds are accounted for as available for sale securities and, accordingly, are marked to fair value on a quarterly basis based upon management's assessment of fair value. The Company's portfolio of available for sale securities was comprised of purchased beneficial interests in 36 CMBS consisting of both Pool and Rake bonds and three CDOs at December 31, 2009.

In April 2009 the Company adopted new accounting guidance on investments in debt and equity securities related to determining whether an impairment for investments in debt securities is other-than-temporary. As a result of the adoption, the Company recognized a cumulative-effect adjustment to retained earnings of \$23,294,000 as of April 1, 2009, with a corresponding adjustment to accumulated other comprehensive loss.

The amortized cost and fair value of securities available-for-sale at December 31, 2009 was as follows (in thousands):

December 31, 2009	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
CMBS				
Rake Bonds	\$ 60,668	\$ -	\$ (13,804)	\$ 46,864
Pool Bonds	59,521	2,176	(25,044)	36,653
Total CMBS	<u>120,189</u>	<u>2,176</u>	<u>(38,848)</u>	<u>83,517</u>
CDO	<u>460</u>	<u>-</u>	<u>-</u>	<u>460</u>
Total available for sale securities	<u>\$ 120,649</u>	<u>\$ 2,176</u>	<u>\$ (38,848)</u>	<u>\$ 83,977</u>

(1) Amortized cost basis includes adjustments made to the cost of an investment for accretion, amortization, collection of cash, and previous other-than-temporary impairments recognized in earnings.

The table below shows the fair value of investments in available for sale securities that have been in an unrealized loss position for less than 12 months or for 12 months or longer (in thousands).

December 31, 2009	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	\$ 52	\$ (986)	\$ 45,231	\$ (12,819)	\$ 45,283	\$ (13,805)
Pool Bonds	4,513	(3,126)	20,183	(21,918)	24,696	(25,044)
Total CMBS	<u>4,565</u>	<u>(4,112)</u>	<u>65,414</u>	<u>(34,737)</u>	<u>69,979</u>	<u>(38,849)</u>
CDO	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total available for sale securities	<u>\$ 4,565</u>	<u>\$ (4,112)</u>	<u>\$ 65,414</u>	<u>\$ (34,737)</u>	<u>\$ 69,979</u>	<u>\$ (38,849)</u>

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Note 8 - Available for Sale Securities (Continued)

The following table presents the amortized cost and fair value of debt securities available for sale by contractual maturity dates as of December 31, 2009 (in thousands).

	December 31, 2009	
	Amortized Cost	Fair Value
CMBS - Rake Bonds		
Due within 1 year	\$ 36,506	\$ 28,107
After 1 but within 5 years	13,089	9,750
After 5 but within 10 years	11,072	9,007
After 10 years	-	-
Total CMBS - Rake Bonds	60,667	46,864
CMBS - Pool Bonds		
Due within 1 year	33,736	17,277
After 1 but within 5 years	18,609	10,023
After 5 but within 10 years	7,177	9,353
After 10 years	-	-
Total CMBS - Pool Bonds	59,522	36,653
CDO		
Due within 1 year	-	-
After 1 but within 5 years	-	-
After 5 but within 10 years	460	460
After 10 years	-	-
Total	460	460
Total available for sale securities	\$ 120,649	\$ 83,977

Interest income on the available for sale securities for the period from January 1, 2010 to August 26, 2010 (Dissolution) and years ended December 31, 2009 and 2008 was \$3,523,000, \$4,320,000 and \$9,496,000, respectively.

Evaluating Investments for Other-than-Temporary Impairments

The Company conducts periodic reviews to identify and evaluate each investment that has an unrealized loss. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded in accumulated other comprehensive loss for available-for-sale securities.

The Company has assessed each position for credit impairment. Securities for which the amortized cost basis exceeds fair value are assessed to determine whether the Company has the present intent to sell the security in which case the entire difference between the amortized cost basis and fair value is recognized in earnings as an other than temporary impairment ("OTTI"). If the Company determines that it will more likely than not be required to sell

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Notes to Consolidated Financial Statements
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Note 8 - Available for Sale Securities (Continued)

securities for which the amortized cost basis exceed fair value then the entire difference between fair value and amortized cost basis is recognized in earnings as an other than temporary impairment.

For securities that the Company does not intend to sell, and does not believe it is more likely than not that it will be required to sell, management performs additional analysis to determine whether or not it will recover its amortized cost basis in the investment. Declines in fair value attributable to credit events are recognized as other than temporary impairment recognized in earnings while declines attributable to other factors are recognized in other comprehensive loss.

Factors considered in determining whether a loss is temporary or other than temporary include:

- The length of time and the extent to which fair value has been below amortized cost basis;
- Adverse conditions specifically related to the security, an industry, or a geographic area;
- The historical and implied volatility of the fair value of the security;
- The payment structure of the debt security;
- Failure of the issuer of the security to make scheduled interest or principal payments;
- Any changes to the rating of the security by the rating agency; and
- Recoveries or additional declines in fair value subsequent to the balance sheet date.

The Company's review for impairment generally entails:

- Identification and evaluation of investments that have indications of possible impairment;
- Analysis of individual investments that have fair values less than amortized cost, including consideration of the length of time the investment has been in an unrealized loss position and expected recovery period;
- Discussion of evidential matter, including an evaluation of factors or triggers that could cause individual investments to qualify as having other-than-temporary impairment and those that would not support other-than-temporary impairment; and
- Documentation of the results of these analyses, as required under business policies.

A critical component of the evaluation for other-than-temporary impairments is the identification of credit impaired securities where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. The extent of the Company's analysis regarding credit quality and the stress on assumptions used in the analysis has been refined for securities where warranted by the current fair value or other characteristics of the security.

The following table presents the total other-than-temporary impairments recognized for the period from January 1, 2010 to August 26, 2010 (Dissolution) and the year ended December 31, 2009 (in thousands).

	2010	2009
Impairment losses related to securities which the Company does not intend to sell or is not more likely than not that it will be required to sell :		
Total OTTI losses recognized during the period	\$ 3,874	\$ 24,826
Less: portion of OTTI loss recognized in other comprehensive loss	-	(13,468)
Net impairment losses recognized in earnings for securities that the Company does not intend to sell or is more likely than not that will not be required to sell	3,874	11,358
Plus OTTI Losses recognized in earnings for securities that the Company intends to sell or is more-likely-than-not will be required to sell	-	4,944
Total impairment losses recognized in earnings	<u>\$ 3,874</u>	<u>\$ 16,302</u>

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Notes to Consolidated Financial Statements
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Note 8 - Available for Sale Securities (Continued)

The roll forward of the credit-related position recognized in earnings for all securities still held as of December 31, 2009 is as follows: (in thousands)

Cumulative Other-Than-Temporary Impairment Credit Losses Recognized in Earnings for Available-for-Sale Debt Securities						
	December 31, 2008 Balance	Beg Balance Adjustment to Other Comprehensive Loss	Credit impairments recognized in earnings on securities not previously impaired	Credit impairments recognized in earnings on securities that have been previously impaired	Reductions due to sales or maturities of credit impaired securities	December 31, 2009 Balance
CMBS						
Rake Bonds	\$ 10,938	\$ (9,095)	\$ 689	\$ 949	\$ -	\$ 3,481
Pool Bonds	45,896	(15,491)	-	9,705	(3,009)	37,101
Total CMBS	56,834	(24,586)	689	10,654	(3,009)	40,582
CDO						
	27,875	-	-	4,959	-	32,834
Total	\$ 84,709	\$ (24,586)	\$ 689	\$ 15,613	\$ (3,009)	\$ 73,416

The Company does not intend to sell nor does it believe it will be required to sell bond with losses currently deferred in accumulated other comprehensive loss.

Note 9 - Variable Interest Entities

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

In connection with and subsequent to the formation of the Company, Concord was determined not to be a VIE entity but rather consolidated Concord pursuant to alternative FASB guidance related to partnerships since the Company is the functional equivalent of a general partner. On August 19, 2009, Concord received an infusion of additional capital totaling approximately \$10,150,000 million in the form of a capital contribution of \$1,700,000 million made by the Company and short-term demand notes totaling \$8,360,000 million, which were subsequently repaid upon the sale of certain of Concord's assets. These proceeds, which were used to pay down debt and settle five interest rates swaps, resulted in the reconsideration of Concord's VIE status. In connection with this reconsideration event, the Company determined that Concord is a VIE since it is not sufficiently capitalized to finance its activities primarily due to the significant decline in the fair value of its assets.

The Company determined that it was the primary beneficiary of this VIE since it absorbs the majority of expected residual returns and therefore continued to consolidate Concord.

Under the accounting guidance on consolidations there is a requirement to measure the assets, liabilities and non-controlling interests of the newly consolidated VIE at their fair values at the date that the reporting entity becomes the primary beneficiary. However, because the primary beneficiary of the VIE, the Company, and the VIE,

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Notes to Consolidated Financial Statements
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Note 9 - Variable Interest Entities (Continued)

Concord, are under common control and, as discussed above, Concord was already consolidated in prior periods, albeit under different guidance, no fair value adjustment was necessary.

At December 31, 2009 the Company identified certain real estate debt investments with aggregate carrying values of \$21,465,000. 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 which the Company would be required to absorb expected losses or be entitled to receive expected residual returns of the borrower entities. For the year ended December 31, 2009 no events occurred that would cause the Company to reconsider the VIE status of these debt investments.

Note 10 – Repurchase Agreements

The following table outlines borrowings under the Company's repurchase agreements as of December 31, 2009:

(in thousands)	December 31, 2009	
	Debt Carrying Value	Collateral Carrying Value (3)
Royal Bank of Scotland, PLC, successor in interest to Greenwich Capital Financial Products, Inc., matures on February 1, 2012, interest is variable based on 1-month LIBOR rate plus 1% or 1.23% and 2.04% respectively.	\$ 59,550	\$ 71,530
Royal Bank of Scotland, PLC, successor in interest to Greenwich Capital Financial Products, Inc., matures on January 15, 2011, interest is variable based on 1-month LIBOR rate plus 1% or 1.23% and 1.51% respectively.	3,543	6,452
Column Financial Inc., variable interest based on 1-month LIBOR plus 1%, the rate was 1.47% at December 31, 2008. (1)	-	-
Column Financial Inc., expiration December 31, 2010, interest is variable based on 1-month LIBOR plus 0.85% to 1.35%, the weighted average was 1.27%, and 1.49%, respectively. (2)	71,971	74,276
Total repurchase agreements	<u>\$ 135,064</u>	<u>\$ 152,258</u>

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

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Notes to Consolidated Financial Statements
(Information from January 1, 2010 to August 26, 2010 (Dissolution) is Unaudited)

Note 10 – Repurchase Agreements (Continued)

Upon the dissolution of the Company the repurchase agreement liabilities were assumed by the Company's successor.

The fair value of the Company's repurchase agreements was \$79,358,000 at December 31, 2009.

In certain circumstances, the Company financed the purchase of its real estate debt investments and available for sale securities from a counterparty through a repurchase agreement with the same counterparty. The Company records these investments in the same manner as other investments financed with debt whereby the investment recorded is as an asset and the related borrowing as a liability on the Company's Consolidated Balance Sheet. Interest income earned on the investments and interest expense incurred on the repurchase obligations are reported separately on the consolidated statements of operations.

Under the terms of the repurchase facility with Column, the Company was required to maintain minimum liquidity, comprised of cash and cash equivalents, of at least \$10,000,000 at all times. The Company had failed these requirements during measurements periods in 2010 and 2009 however, the Column facility has been satisfied in full.

In July 2009 Royal Bank of Scotland PLC ("RBS") agreed to restructure its agreement with the Company. The restructuring of the agreement required a reduction of the outstanding balance by \$11,500,000, which was satisfied on July 31, 2009 as a result of the sale of a real estate debt investment. Under the RBS repurchase facilities the Company has a \$10,000,000 minimum liquidity requirement. At certain times during the period from January 1, 2010 to August 26, 2010 (Dissolution) and the year ended December 31, 2009 Concord's cash balance declined to an amount below the \$10,000,000 minimum liquidity requirements. In addition, the RBS repurchase facility required the Company to maintain a minimum net worth and a maximum indebtedness to tangible net worth. The Company failed these covenants during 2010 and 2009.

Upon the dissolution of the Company the repurchase agreement liabilities were assumed by the Company's successor.

Note 11 - Revolving Credit Facility

On September 23, 2009, the Company amended and restated its agreement with KeyBank. Under the terms of this amendment the credit line was reduced from the original \$100,000,000 to the actual outstanding balance of \$73,666,000 as of the date of the agreement. Key Bank received as additional collateral all remaining unpledged assets including cash and any previously unencumbered loans and bonds the Company had repurchased. Under the conditions of the agreement, no distributions are allowed to be made to the Company's members until KeyBank is fully repaid. The bank has allowed for a maximum of \$650,000 per month in operating expenses, however a mandatory monthly principal payment of \$300,000 plus an additional annual principal repayment of \$10,000,000 is required or the Company will be in default of the loan. The agreement expires on December 31, 2010 with rights for three – one year extensions through December 31, 2013 at the Company's option subject to the satisfaction of certain conditions.

Borrowings under the facility bear interest rates based upon prevailing LIBOR plus an applicable spread or an Alternative Base Rate ("ABR"), as defined. At December 31, 2009, the Company's borrowings bear interest at LIBOR plus 300 bps.

The Company had an outstanding balance on the revolving credit facility of approximately \$58,850,000 at December 31, 2009, which was collateralized by a first priority lien on certain of the Company's equity interests as well as first priority perfected liens in certain of the Company's loan assets and bonds with a carrying value of

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Note 11 - Revolving Credit Facility (Continued)

\$113,959,000. The weighted-average interest rate on amounts outstanding was approximately 3.24% during the year ended December 31, 2009.

The terms of the restructured agreement with KeyBank require the Company to maintain a number of customary financial and other covenants on an ongoing basis including: i) maximum leverage ratio not to exceed 75%, ii) minimum fixed charge ratio not less than 1:50 to 1:00, iii) tangible net worth cannot be less than twice the aggregate principal balance of all loans (minimum net worth), iv) cannot payout any restricted payments in excess of 100% of net income (maximum payout ratio), v) prohibition on additional indebtedness.

The Company has failed certain of its covenants during the year ended December 31, 2009, and therefore was in default of its agreement with KeyBank. Under the default provisions, KeyBank has the right to accelerate repayments and all amounts of principal and accrued interest immediately become due and payable. KeyBank has not exercised such rights.

The fair value of the revolving credit facility was \$48,657,000 at December 31, 2009.

Upon the dissolution of the Company the revolving credit facility was assumed by the Company's successor.

Note 12 – Collateralized Debt Obligations

CDO-1 holds assets, consisting primarily of whole loans, mezzanine loans and available for sale securities totaling approximately \$444,849,000, which serve as collateral for the CDO. The CDO-1 issued investment grade rated notes with a principal amount of approximately \$347,525,000 and a wholly-owned subsidiary of the Company purchased the G and H tranches and preferred equity interests of CDO-1. The seven investment grade tranches were issued with floating rate coupons with a combined weighted average rate of 0.71% and 0.95% at December 31, 2009 and 2008, respectively, and has a maturity of December 2016. The Company has the ability to contribute additional assets to the CDO-1 through December 31, 2011 in order to replenish the assets of the CDO-1 to the extent that an asset of the CDO-1 is repaid prior to such date. Thereafter, the outstanding debt balance will be reduced as loans are repaid. The Company incurred approximately \$7,774,000 of issuance costs which are being amortized over the average estimated life of the CDO-1, estimated to be approximately 10 years or when debt is satisfied on a pro rata basis. For accounting purposes, the CDO-1 is consolidated in the Company's financial statements. The seven investment grade tranches are treated as a secured financing and are non-recourse to the Company. Interest proceeds received from investments collateralizing the CDO are distributed to holders of the CDO notes on a monthly basis.

For the year ended December 31, 2008, the Company purchased \$11,200,000 of Tranche D, \$5,000,000 of Tranche E, \$10,925,000 of Tranche C and \$2,000,000 of Tranche F of its CDO-1 notes for \$13,110,000. The Company determined that the repurchase of the CDO-1 tranches qualified as an extinguishment of debt pursuant to the guidance for transfers and servicing of financial instruments and recognized a gain on extinguishment of \$15,603,000. For the year ended December 31, 2008, unamortized deferred issuance costs of \$411,000 were charged against the gains.

The fair value of the collateralized debt obligations was \$201,719,000 at December 31, 2009.

CDO-1 contains covenants that are both financial and non-financial in nature. Significant covenants include cash coverage and collateral quality tests. CDO-1 was in compliance with its financial covenants at December 31, 2009 and 2008.

The borrower of a \$44,000,000 first mezzanine note owned by Concord (the "Note") failed to satisfy its obligation when the Note matured in February 2008. On March 28, 2008 Concord sold the Note at par together with accrued interest and late charges to an unaffiliated third party. Concord concluded that this transaction qualified as a sale pursuant to the accounting guidance for transfers of financial assets. Concurrently with the sale of the Note, the Company entered into a credit support arrangement with Deutsche Bank (the "Bank") for which Concord, subject to

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Note 12 – Collateralized Debt Obligations (Continued)

certain terms and conditions, was required to return a portion of the purchase price of the Note equal to 2.75% of any shortfall received by the buyer of the Note on the sale of the underlying real property in satisfaction of the loan.

As consideration for the collateral support arrangement, Concord has received cumulative fees of \$1,589,000 through July 2009. Upon entering into the collateral support arrangement, Concord determined that it meets the criteria of a guarantee pursuant to the accounting guidance for guarantees and estimated the fair value of the guarantee at inception to be approximately \$50,000.

During July 2009 the Concord received notice that pursuant to the credit support arrangement, a collateral deficiency was realized on the aggregate net proceeds from the sale of the underlying collateral of the Note for which Concord was allocated 2.75% of the total deficiency. Accordingly, a collateral support obligation has been recorded for the aggregate liability amount of \$9,757,000 at December 31, 2009.

On December 10, 2009, a final arbitration ruling was issued and a settlement amount for Concord's share of the shortfall of \$9,598,000 plus per diem interest and expenses of \$159,000 was awarded to the Bank.

Upon the sale of the CDO-1 by the Company the collateralized debt obligation was assumed by the CDH CDO LLC.

Note 13 - Sub-participation obligation

On October 14, 2009, the Company received a principal repayment of \$6,000,000 in partial satisfaction of a loan collateralized by a hotel located in New York, NY. In exchange, the Company granted to the borrower waivers of certain loan conditions and agreed to exercise its rights under the loan in accordance with instructions furnished by the borrower. Concurrently with the execution of the agreement, the borrower also purchased sub-participation interests in certain bonds owned by the Company for approximately \$4,500,000. The sub-participation obligation requires the Company to remit to the borrower principal and interest payments received from the bonds. The collateral for the bonds that are subject to the sub-participation obligation are controlled by the borrower.

In addition, the Company has written certain call options giving the borrower the right to purchase the bonds that are subject to the sub-participation obligation. The call options are exercisable at the discretion of the borrower at anytime through the maturity date of the bonds for a specified strike price. The Company has also written a call option for one of the bonds to an unaffiliated third party that is only exercisable upon either the expiration of the borrower's call option or the event of default by the borrower as specified in the option agreement. The Company has determined that the call options are not derivative instruments, but should be marked to fair value with changes in fair value recognized in earnings. The fair value of the call options written to both the borrower and the unaffiliated third party were not considered material and therefore have not been recorded at December 31, 2009.

Note 14 - 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 are 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.

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Note 14 - Derivative Financial Instruments (Continued)

Cash Flow Hedges of Interest Rate Risk

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. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income (Loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2009, 2008 and 2007, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The Company also assesses and documents, both at the hedging instruments inception and on an ongoing basis, whether the derivative instruments are highly effective in achieving offsetting changes in the cash flows attributable to the hedged items. The Company has recorded changes in fair value related to the effective portion of its interest swap contracts designated and qualifying as cash flow hedges totaling an increase of \$16,539,000 for the period from January 1, 2010 to August 26, 2010 (Dissolution) and a decrease of \$16,539,000 for the year ended December 31, 2009. This change was a component of other liabilities and accumulated other comprehensive loss within the Company's Consolidated Balance Sheet.

Designated Hedges

On August 19, 2009, the Company terminated five interest rate swap agreements consisting of four designated cash flow hedging instruments with a notional value of \$54,375,000 and one hedging derivative not designated as a cash flow hedge with a notional value of \$11,000,000. The cost to terminate the five hedges was \$ 8,221,000. A loss of \$74,000 which includes a termination fee was recognized for the period ended December 31, 2009.

The Company has recorded changes in fair value related to the deferred loss on the cancellation of interest rate swaps totaling an decrease of \$5,870,000 for the period from January 1, 2010 to August 26, 2010 (Dissolution), an increase of \$5,870,000 for the year ended December 31, 2009, a decrease of \$63,000 for the year ended December 31, 2008. This change was a component of other liabilities and accumulated other comprehensive loss within the Company's Consolidated Balance Sheet at December 31, 2009.

There was no ineffective portion of the change in fair value of the designated hedges recognized directly in earnings during the years ended December 31, 2009 and 2008 respectively. The Company completed the restructuring as discussed in Note 1 and the deferred loss was reclassified as loss and was recognized in earnings for the period from January 1, 2010 to August 26, 2010.

As of December 31, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk which mature in August 2016:

<u>Interest Rate Derivative</u>	<u>Number of Instruments</u>	<u>Notional</u>
Interest Rate Swaps	2	\$137,887,000

Non-designated Hedges

Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of derivatives. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and

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Note 14 - Derivative Financial Instruments (Continued)

were equal to \$683,686 of income for the year ended December 31, 2009 and \$1,478,000 of expense for the year ended December 31, 2008.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheet as of December 31, 2009 (in thousands):

<u>Liability Derivatives</u>		
(in thousands)		
	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133		
Interest Rate Swap	Other Liabilities	\$ 8,714
Interest Rate Swap	Other Liabilities	3,560
Total derivatives designated as hedging instruments under SFAS 133		<u>\$ 12,274</u>

Note 15 – Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss reflected in members' capital as of August 26, 2010 (Dissolution) and December 31, 2009 is comprised of the following:

(in thousands)		
	2010	2009
Unrealized losses on cash flow hedges	\$ (17,762)	\$ (12,274)
Deferred loss on cancellation of interest rate swaps	(5,201)	(6,203)
Unrealized gains/(losses) on available-for-sale securities	(7,603)	(13,377)
Adjustment for cumulative effect of adopting new accounting pronouncement	(23,294)	(23,294)
Dissolution adjustment	53,860	-
	<u>\$ -</u>	<u>\$ (55,148)</u>

Note 16 – Discontinued Operations

The Company was granted a decree of foreclosure from the United States District Court of Ohio on April 15, 2009 on a mortgage loan asset with a face value of \$20,900,000 and carrying value of \$12,000,000 at the date of foreclosure. As a result of the decree, the Court granted the Company a permanent order of possession over six properties, which represented the collateral on the loan, and a foreclosure sale occurred on October 7, 2009 at which time the Company was the successful bidder and received title to six multi-family Ohio residential properties with an estimated fair value of \$11,202,000.

For the period from January 1, 2010 to August 26, 2010 (Dissolution), two of the properties were sold for an aggregate net selling price of \$2,818,000 and four properties were sold during the period ended December 31, 2009 for an aggregate net selling price of \$7,676,000 which included a \$955,000 short term seller financing that was repaid by the borrower on April 7, 2010.

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Note 16 – Discontinued Operations (Continued)

The combined results related to discontinued operations for the period from January 1, 2010 to August 26, 2010 (Dissolution) and the year ended December 31, 2009 were as follows (in thousands):

	2010	2009
Total revenues	\$ 159	\$ 332
Total expenses	(422)	(1,291)
Loss on discontinued operations	(708)	-
Loss from discontinued operations	<u>\$ (971)</u>	<u>\$ (959)</u>

Note 17 – Dividends

In order for the Company's consolidated subsidiary, Concord Debt Funding Trust, to maintain its election to qualify 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, 2009 and 2008 dividends were comprised of 100% ordinary dividends. Because taxable income differs from cash flow from operations due to non-cash revenues and expenses, the Company may generate operating cash flow in amounts below or in excess of its dividends.

At December 31, 2009, the Company's members' capital was \$289,798,000 for federal tax reporting purposes as compared to \$58,780,000 for financial reporting purposes.

Note 18 – Related Party Transactions

WRP Sub-Management LLC

Since January 1, 2007, WRP Management has retained WRP Sub-Management to perform accounting collateral management and loan brokerage services.

On August 2, 2008, the Company, WRP Management and WRP Sub-Management entered into an Administration and Advisory Agreement whereby WRP Sub-Management became the Administrative Manager to provide day-to-day management, collateral management and administrative services for the Company. For providing these management services, WRP Sub-Management is entitled to receive a base management fee equal to five basis points multiplied by the total assets of the Company. The Administrative Manager is also entitled to receive loan acquisition fees based on pre-determined budgeted amount and reimbursement for actual out-of-pocket expenses. Related party fees and expenses paid for the period from January 1, 2010 to August 26, 2010 (Dissolution) and the years ended December 31, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Base management fee	\$ 361	\$ 533	\$ -
Employee wages and benefits	228	647	1,960
Total related party fees and expenses paid	<u>\$ 589</u>	<u>\$ 1,180</u>	<u>\$ 1,960</u>

Related party fees and expenses recorded on an accrual basis were \$469,695 for the period from January 1, 2010 to August 26, 2010 (Dissolution) and \$1,108,000 and \$1,637,000 for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, the Company owed WRP Sub-Management \$163,000.

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Note 18 – Related Party Transactions (Continued)

Note Payable to Related Parties

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

On August 19, 2009, Winthrop and Lexington each advanced proceeds of \$ 4,160,000 to the Company pursuant to short-term demand notes bearing interest of 5.44%. These notes were subsequently repaid to each of Winthrop and Lexington in September 2009 along with accrued interest.

Sale of Assets to Winthrop

During 2009, the Company sold four real estate debt investments and four bonds with an aggregate carrying value of \$84,302,000 to Winthrop for net proceeds of \$53,339,000.

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