WINTHROP REALTY TRUST

FORM 10-K
(Annual Report)

Filed 03/15/12 for the Period Ending 12/31/11

Address	7 BULFINCH PLACE SUITE 500 PO BOX 9507 BOSTON, MA 02114
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2011

or

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

For the transition period from to

Commission File Number 1-6249

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

Ohio **(State or other jurisdiction of incorporation or organization)**	**34-6513657** **(IRS Employer Identification Number)**
7 Bulfinch Place, Suite 500, Boston, Massachusetts **(Address of principal executive offices)**	**02114** **(Zip Code)**

(617) 570-4614
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Exchange on Which Registered
Common shares, $1.00 par value	New York Stock Exchange
9.25% Series D Cumulative Redeemable Shares, $1.00 par value	New York Stock Exchange

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

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

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 x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of March 1, 2012, there were 33,053,502 Common Shares outstanding.

At June 30, 2011, the aggregate market value of the Common Shares held by non-affiliates was $350,775,000.

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, 2011, are incorporated by reference into Part III hereof.

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

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

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

- the declaration or payment of dividends 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.

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 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, 2011 we held (i) interests in operating properties totaling $442,209,000 containing approximately 7.8 million square feet of rentable space and 4,347 apartment units; (ii) loan assets totaling $217,174,000 (iii) REIT securities with a market value of $28,856,000 and (iv) cash and cash equivalents of $40,952,000.

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. Since January 1, 2004, we have been externally managed by FUR Advisors LLC, which we refer to as FUR Advisors or our Advisor. FUR Advisors is an entity owned by our current executive officers and senior management, including Michael L. Ashner who is the managing member of FUR Advisors and members of senior management of AREA Property Partners, a New York based real estate investment advisor.

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

Investment, Operating and Capital Strategy

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. While this approach may result in short-term uneven earnings, 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 2011, we focused our investment activity in our loan asset segment and to a lesser extent, REIT securities, specifically Cedar Realty Trust, Inc. common shares. 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 2012. 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. We generally do not pursue those investments in which there is a significant component of raw land, 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 and, in certain instances, interest guarantees as credit enhancements, 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 primarily dependent on external equity and debt financing to fund the growth of our business because of the dividend 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 November 2011 through the issuance of our 9.25% Series D Cumulative Redeemable Preferred Shares, which we refer to as Series D Preferred Shares. 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

Operating Properties

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

Operating Property Acquisition Activities

450 West 14th Street / 446 High Line LLC Investment —On May 13, 2011 we committed to invest up to $15,000,000 for a preferred equity interest in the entity that holds the leasehold interest in a newly constructed 70.4% pre-leased 105,000 square foot retail and office property located on the High Line at 450 West 14th Street, New York, New York. At December 31, 2011, we had invested $9,539,000. The investment is subject to a first mortgage loan with an outstanding balance of $49,585,000 at December 31, 2011 plus any future advances up to a limit of $54,000,000. Our preferred equity entitles us to a 10% current cash return on our invested balance plus an equity interest. In October 2011, the joint venture that owns the property obtained its temporary certificate of occupancy from the New York City Buildings Department which enabled us to exercise our right to become the managing member of the entity. The exercise of such right became effective on November 1, 2011. As a result of the change in control, effective November 1, 2011, we consolidated the operations of the property.

Vintage Housing Holdings LLC Investment— On March 8, 2011 the first stage of the Vintage Housing Holdings LLC, which we refer to as Vintage, transaction closed pursuant to which we acquired developer fees and advances receivable owed by real estate partnerships for a purchase price of $7,000,000. On June 24, 2011 we closed on the second phase of the Vintage transaction to acquire for $18,200,000, plus a contribution of its previously purchased receivables, an effective 75% interest in the Vintage venture entitling us to a 12% preferred return from current cash flow. Vintage owns general partnership interests and certain developer fees and advances receivable from partnerships owning 25 multifamily and senior housing properties comprising 4,167 units located primarily in the Pacific Northwest and California. We account for our investment in Vintage using the equity method of accounting.

We have already made additional investments using the Vintage platform and during the third and fourth quarter of 2011 made contributions to the venture totaling $7,510,000. The venture’s new investments included a $1,500,000 contribution to a planned 231 unit multi-family project in Tacoma, Washington, a $4,300,000 acquisition of non-controlling partner interests in seven of the existing Vintage investments and $1,710,000 toward a purchase agreement to acquire 75% interests in the general partners of two multifamily properties comprising approximately 490 units located in California and Nevada.

Operating Property Disposition Activities

Marc Realty —On June 1, 2011 we sold to our partner, Marc Realty, for $18,544,000 our equity interest in three properties in our Marc Realty Portfolio (8 South Michigan, 11 East Adams and 29 East Madison). The purchase price was paid $6,000,000 in cash and $12,544,000 in aggregate secured promissory notes which each bear interest at 8% per annum, require payments of interest only and mature on May 31, 2016. We have received payments in full satisfaction of its $4,910,000 8 South Michigan loan and $2,265,000 11 East Adams loan. In addition, Marc Realty made $1,369,000 in payments on its 29 East Madison loan. At December 31, 2011, the 29 East Madison has an outstanding balance of $4,000,000.

Properties in Discontinued Operations —In August 2011, we sold our Knoxville, Tennessee property for net proceeds of $2,151,000 and in December 2011 we sold our St. Louis, Missouri property for net proceeds of $1,290,000.

Operating Property Financing Activities

Newbury Apartments Loan Modification —On February 24, 2011 we reached an agreement with the first mortgage lender on our Newbury Apartments property 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. This loan was subsequently refinanced in October 2011. See " *Loan Restructure* " below.

Plantation, Florida Property Level Financing —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 proceeds of approximately $10,676,000 were used to partially satisfy a mortgage loan payable on other properties.

Sealy Northwest Atlanta Loan —On June 23, 2011 we made a $20,641,000 bridge loan to our Sealy Northwest Atlanta joint venture. Our bridge loan enabled the joint venture to satisfy its $28,750,000 first mortgage loan at a discounted payoff amount of $20,500,000. On September 29, 2011 the joint venture obtained replacement financing in the amount of $14,000,000 bearing interest at LIBOR + 5.35% and maturing on September 29, 2015. In connection with the financing, the joint venture purchased an interest rate cap which caps LIBOR at 1% through October 1, 2013. Net proceeds from the new loan plus additional capital contributions of $4,650,000 from us and of $3,100,000 from Sealy were utilized to pay off the bridge loan due to us.

Loan Satisfaction— On July 13, 2011, we satisfied the $23,773,000 first mortgage loan on our wholly owned Lisle, Illinois properties for a discounted payoff of $14,500,000 plus reserves held by the lender of approximately $736,000.

Financing —On October 18, 2011, we obtained a $21,000,000 mortgage loan secured by our Newbury Apartments, 550/650 Corporetum and 701 Arboretum properties. The loan bears interest at LIBOR plus 2.5%, matures October 2014, subject to two, one-year extension terms, and requires payments of interest only through the initial term and payments of principal and interest based on a 25 year amortization schedule during the extended terms. In connection with the financing, we purchased an interest rate cap which caps LIBOR at 1.0% through October 18, 2014. The proceeds from the loan, together with approximately $3,160,000 of reserves, were used to satisfy the existing approximately $23,875,000 loan encumbering Newbury Apartments discussed above.

Churchill, PA Litigation Settlement

On September 30, 2011 we entered into a settlement agreement which provides for the dismissal of our lawsuit against CBS Corporation. The settlement provided for a payment to us of $6,500,000, the conveyance to us of approximately 148 acres of land and the waiver of all ground lease payments by us for 2011.

In connection with the settlement, we also entered into a new net lease with Westinghouse Electric Company LLC, which we refer to as Westinghouse, for approximately 57,000 square feet of space at the Churchill property. The lease has a term of 12 years and requires annual rent of $750,000 per year, increasing annually by 3%. Westinghouse is responsible for all costs associated with the leased space and can terminate the lease at any time after the fifth anniversary by making a termination payment of $4,400,000 which decreases each year thereafter. The lease requires that we make certain improvements and utility upgrades with an anticipated cost of approximately $1,000,000.

Under the terms of the settlement agreement, we agreed to market for sale both the portion of the property leased to Westinghouse and the remaining portion of the property. Toward that end, in December 2011 we engaged a national broker to begin marketing the non-Westinghouse parcel with an auction scheduled for March 2012. The Westinghouse parcel is expected to be marketed during the fourth quarter of 2012. Upon completion of the marketing, we have agreed to pay CBS 50% of the net sales proceeds received from the sale, or if not sold, 50% of the value as determined by the bids for the property received, in each case in excess of $6,500,000. Any proceeds from the sale or bidding process are in addition to the settlement amount already received.

Loan Assets

The following table sets forth certain information relating to our loans receivable, and loan securities carried at fair value. All information presented is as of December 31, 2011 (in thousands).

Name	Loan Position	Asset Type	Location	Stated Interest Rate (1)	Carrying Amount (2)	Par Value	Maturity Date (3)	Senior Debt (4)
Loans Receivable								
Magazine *	Mezzanine	Multi-Family	Various	LIBOR + 1.23%	18,805	20,000	07/09/12	120,000
160 Spear	B Note	Office	San Francisco, CA	9.75%	11,555	15,000 (5)	06/09/13	35,000
160 Spear	Mezzanine	Office	San Francisco, CA	15.00%	4,846	4,800	06/09/13	50,000
Hotel Wales *	Whole loan	Hotel	New York, NY	LIBOR + 4% (7)	20,101	20,000	10/05/14	—
Legacy Orchard	Secured	Corporate Loan	n/a	15.00%	9,750	9,750 (5)	10/31/14	—
Rennaisance Walk *	Mezzanine	Mixed use	Atlanta, GA	LIBOR + 12%	3,000	3,000	01/01/15	4,000
San Marbeya	Whole loan	Multi-Family	Tempe, AZ	5.88%	26,501	30,466	01/01/15	—
Rockwell	Mezzanine	Industrial	Shirley, NY	12.00%	275	1,493	05/01/16	16,766
Marc 29 East Madison	Mezzanine	Office	Chicago, IL	8.00%	4,028	4,000	05/31/16	10,494
500-512 7th Ave	B Note	Office	New York, NY	7.19%	9,979	11,400	07/11/16	244,887
180 N. Michigan (6)	Mezzanine	Office	Chicago, IL	8.50%	2,930	2,930	12/31/16	17,601
Wellington Tower	Mezzanine	Mixed use	New York, NY	6.79%	2,563	3,501	07/11/17	22,500
					$ 114,333			
Loan Securities								
WBCMT 2007 WHL8	CMBS	Hotel	Various	LIBOR + 1.75%	$ 34	1,130	06/09/12	1,351,667
West Olive	Rake Bonds	Office	Burbank, CA	(8)	5,275	6,364	02/28/13	15,666
					$ 5,309			
Loans in Equity Investment (9)								
Socal Office Portfolio *	C Note	Office	Various	LIBOR + 3.10%	$ 72,626	86,064	08/09/12	678,797
Riverside Plaza	B Note	Retail	Riverside, CA	12.00%	7,883	7,800	12/01/12	54,400
					$ 80,509			
Preferred Equity								
180 North Michigan	Preferred Equity	Office	Chicago, IL	8.50%	$ 4,020	3,923	—	21,798
Vintage Housing	Preferred Equity	Multi-Family	Tacoma, WA	12.00%	1,500	1,500	—	—
					$ 5,520			

* *Loan Asset was acquired in 2011. 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 our 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 in payment and priority 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 on the ownership interest in the property owner.

(7) Minimum rate of 7%

(8) Ranges from LIBOR + 0.65% to LIBOR + 1.60%.

(9) Does not include our equity interests in Concord, RE CDO Management and WRT-Elad which invested in Sullivan Center which closed in 2012.

Loan Asset Acquisition Activities

Magazine Mezzanine Loan —On June 1, 2011 we acquired from Concord Debt Holdings LLC, which we refer to as Concord, for a purchase price of $17,525,000 a $20,000,000 senior mezzanine loan collateralized by a pledge of the equity interest in six cross-collateralized apartment communities, totaling 2,106 units located in Orlando, Sarasota, Bradenton and Palm Beach Gardens, Florida. The loan is subordinate to $120,000,000 of senior debt, is currently paying one month LIBOR plus 123 basis points and is scheduled to mature on July 9, 2012.

Loan Asset Originations

Hotel Wales —On October 6, 2011 we originated a $20,000,000 mortgage loan collateralized by the Hotel Wales located in Manhattan, New York which loan bears interest at LIBOR plus 4%, with a 3% LIBOR floor (i.e. a minimum 7% rate on the loan), and matures in October 2013, with a one-year extension right. Subsequently, we sold a $14,000,000 senior participation to Concord Real Estate CDO-1 Ltd., which we refer to as CDO-1, which bears interest at LIBOR plus 1.25% with a 3% LIBOR floor, and retained a $6,000,000 junior participation which provides for interest payments equal to the interest payable on the loan less the amount payable on the senior participation for an initial rate of 13.4%.

Renaissance Walk —On December 12, 2011 we originated a $3,000,000 mezzanine loan collateralized by the Renaissance Walk property comprised of 140 residential rental and condominium units, over 30,000 square feet of retail space plus structured parking and amenities on 1.6 acres, located in downtown Atlanta, Georgia. The loan is subordinate to $4,000,000 of senior debt, bears interest at LIBOR plus 12% with a 2% LIBOR floor, and is scheduled to mature on January 1, 2014.

127 West 25th Street— On October 25, 2011 we committed to make a $9,000,000 subordinate mortgage loan collateralized by the commercial property located at 127 West 25th Street, Manhattan, New York. The loan is subject to the satisfaction by the borrower of certain conditions on or prior to the loan funding date. If funded, the loan will mature on October 1, 2014, bear interest at a rate equal to the greater of 14% per annum or LIBOR plus 10%, and require minimum monthly payments equal to interest as well as principal payments. In connection with entering into the loan agreement, we received an origination fee of $90,000. Our commitment may be extended by the borrower on a monthly basis through March 24, 2012 by paying a monthly commitment fee of $105,000. The loan, when and if made, will be subordinate to a first mortgage loan with an outstanding principal balance expected to be not more than $35,200,000. The property is net leased to the Bowery Residents' Committee, Inc., a New York not-for-profit corporation, which obtains funding from the City of New York.

Loan Asset Modifications

San Marbeya Loan Receivable Participation Interest - On January 14, 2011 we restructured the San Marbeya first mortgage loan to create 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 issued the senior loan participation to CDO-1 at par.

Loan Assets Repaid During the Year

CDH-CDO LLC— As of August 8, 2011 we received final payment on the $3,498,000 compliance loan we had previously made to CDH CDO LLC, which we refer to as CDH CDO, an entity in which we hold a 33.3% interest. The outstanding loan plus accrued interest totaling approximately $3,669,000 was fully repaid.

In addition, on February 15, 2011, we sold to Concord Debt Funding Trust, which we refer to as CDFT, a wholly owned subsidiary of CDH CDO and the sole equity owner of CDO-1, tranche E bonds with a face amount of $9,000,000 issued by CDO-1. In exchange for the bonds, we received a note in the amount of our original purchase price plus accrued interest. The note plus accrued interest totaling approximately $763,000 was repaid in full on April 15, 2011.

Metropolitan Tower- On March 31, 2011 we received repayment of the Metropolitan Tower B-Note and Rake Bond at par in the amount of $23,750,000 resulting in an annualized return of 112.7%. We acquired the investments on December 16, 2009 for $11,750,000.

Siete Square Loan— On June 9, 2011 the borrower on our Sub-Participation B Interest exercised its discounted payoff option and repaid the loan for $2,500,000. The loan asset was originally acquired in June 2009 for $2,460,000 and generated an annualized return of 19.7%.

Beverly Hills Hilton— On September 15, 2011 our B-Note receivable was paid off at par. We received repayment of $10,000,000 on the loan which was originally acquired on December 9, 2009 for $5,250,000 and generated an annualized return of 48.7%.

Moffet Towers— On October 25, 2011 we received payment of $23,034,000 plus accrued interest in full satisfaction of our senior participation in a B-Note secured by a first mortgage lien on the Moffet Tower office complex in the amount of $21,558,000 and additional advances of $1,476,000 made under the terms of the note. The B-Note was originally acquired on October 29, 2010. This investment generated an annualized return of 8.8%.

Westwood Business Park— On December 19, 2011 we received repayment on a first mortgage loan secured by four class B office buildings in Phoenix, Arizona. The first mortgage loan was originally purchased on October 29, 2010. This investment generated an annualized return of 11.5%.

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

Gotham Hotel—Joint Venture Loan Acquisition —On February 23, 2011 we acquired 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 through a 50/50 joint venture. The loan earned interest at a rate of 9.33%, and matured on May 4, 2011. On May 24, 2011 we received repayment of $8,638,000 on our $8,037,000 pro-rata share of the equity investment resulting in an annualized return of 34%.

Lakeside Eagle—Joint Venture Loan Acquisition— On March 22, 2011 we purchased through a 50/50 joint venture, two non-performing first mortgage loans at par for an aggregate price of $35,558,000. The loans were collateralized by two retail centers located in Riverside County, California. Both notes matured on April 1, 2010 and were in maturity default. The notes bore interest at their default rate of 8.92% (4.92% stated note rate plus 4% default rate). Upon acquisition, the joint venture began foreclosure proceedings. In May 2011 we received repayments on the two non-performing first mortgage loans. We received repayments totaling $18,650,000 on our $18,093,000 pro-rata share of the equity investment resulting in an annualized return of 30%.

Sofitel / LW Sofi LLC Investment —On June 2, 2011 we entered into a 50/50 joint venture named LW SOFI LLC, which we refer to as LW SOFI, with Lexington Realty Trust, which we refer to as Lexington. We and Lexington each contributed approximately $5,760,000 to LW SOFI. On June 3, 2011 LW SOFI acquired from Concord for approximately $11,520,000, 100% of the economic rights and obligations in a $71,530,000 mezzanine loan collateralized by an interest in the Sofitel hotel in New York City. The loan required payments of interest only at a rate of LIBOR plus 185 basis points and was scheduled to mature on February 1, 2012. The loan was encumbered by a $56,090,000 repurchase obligation that bore interest at a variable interest rate of 1-month LIBOR plus 100 basis points which was scheduled to mature on December 31, 2012.

On October 31, 2011 the venture received $71,530,000 plus accrued interest in full satisfaction of the mezzanine loan, the proceeds of which were utilized to satisfy the repurchase obligation encumbering the loan receivable resulting in net proceeds of $15,876,000. We received a $7,937,000 distribution from LW-SOFI on November 2, 2011 resulting in an annualized return of 89.1%.

Southern California Office Portfolio Note —We contributed approximately $71,000,000 to a venture, WRT-Socal Lender, which owns an approximately 73% interest in Socal Office Portfolio Loan LLC, which we refer to as Socal Loan. On November 4, 2011 Socal Loan acquired for a purchase price of $96,700,000 a $117,900,000 C-Note in the $798,000,000 first mortgage encumbering a 4,500,000 square foot, 31 property portfolio of office properties situated throughout southern California. The C-Note, which is the controlling holder of the mortgage loan, bears interest at a rate of LIBOR plus 310 basis points, requires payments of interest only and matures on August 9, 2012.

On January 6, 2012 Socal Loan obtained a $40,000,000 repurchase facility on the C-Note. All of the net proceeds from the repurchase facility were distributed entirely to us in partial redemption of our interest in Socal Loan resulting in a decrease in our ownership interest in Socal Loan to approximately 56%. Pursuant to the repurchase facility: (i) monthly payments on the funds advanced at a rate of LIBOR (with a 1% LIBOR floor) plus 9% are required to be made by Socal Loan (on January 26, 2012 the venture purchased an interest rate cap which caps LIBOR at 1%); (ii) interest at the rate of 2% is added to the repurchase price; (iii) Socal Loan is required to repurchase the C-Note on January 6, 2014, however Socal Loan has the right, subject to certain conditions including the payment of a 0.5% extension fee, to extend the repurchase date for two, six-month extensions; (iv) Socal Loan is permitted to voluntarily repurchase the C-Note at any time, provided, however, if such repurchase is made prior to April 30, 2013, Socal Loan is required to pay a make-whole amount equal to the interest payable on the amount advanced through April 30, 2013 less any interest previously paid; and (v) upon repurchase, Socal Loan is required to pay an exit fee of 1.5% if such repurchase is during the initial term or 1.0% if during an extended term. The repurchase date is subject to acceleration in the event of customary payment and covenant defaults by Socal Loan but not a default on the C-Note so long as Socal Loan continues to make the required payments under the repurchase facility.

The obligations under the repurchase facility are fully recourse to Socal Loan. In addition, we have provided the purchaser under the repurchase facility a guaranty for customary “bad-boy” acts, including bankruptcy, fraud or intentional misrepresentation, bad faith contesting of a claim by the purchaser under the repurchase facility, liens on the C Note, and misappropriation of funds. In addition, we have agreed to guaranty all interest payments under the repurchase facility during its term. Our joint venture partner, New Valley LLC, has agreed to reimburse and indemnify us for its proportionate share of any payments required to be made by us on account of the guarantees provided by us.

Sullivan Center —On December 23, 2011 we formed a 50/50 joint venture with a subsidiary of Elad Canada Inc., which we refer to as Elad. The joint venture entered into an agreement to acquire an approximately $145,000,000 defaulted first mortgage loan which includes defaulted interest, for a purchase price of approximately $128,500,000. The loan is collateralized by the Sullivan Center, a 942,000 square foot mixed use property located in Chicago, Illinois comprised of approximately 200,000 square feet of retail space and 742,000 square feet of office space.

On February 3, 2012 the acquisition of the loan for a purchase price of approximately $128,000,000 was consummated. In connection with the consummation of the transaction, we formed two substantially identical 50/50 joint ventures with Elad; one to hold a mezzanine loan which we refer to as the ML joint venture, and the other to hold a future profits participation interest in the mezzanine loan borrower, which we refer to as the PP joint venture. Upon acquisition, the original loan was restructured into: (i) a $100,000,000 non-recourse mortgage loan provided by a third party lender; (ii) a $47,500,000 mezzanine loan (inclusive of additional advances for reserves, property expenses and transaction costs) held by the ML joint venture; and (iii) a profits participation in the property held by the PP joint venture.

The $100,000,000 non-recourse mortgage loan has a three-year term, is pre-payable without premium after 20 months, bears interest at 11% per annum, of which up to 3% accrues, and requires payments of interest only. The lender has also agreed to provide up to an additional $8,650,000 in advances for tenant improvements, leasing commissions and capital expenditures. This loan is a bridge facility to be used for the completion of the property’s lease-up.

The $47,500,000 mezzanine loan has a six year term, bears interest at 15% per annum, 5% of which accrues on a compounded basis, and requires payments of interest only. If the mezzanine loan is not satisfied at maturity or an event of default occurs, the borrower is required to pay an additional $18,000,000 together with a 15% compounded return on such amount, which represents the discount on the purchase price paid by the ML joint venture and the PP joint venture together with accrued default interest and expenses. In addition, the ML joint venture has agreed to provide approximately $4,400,000 to fund the costs associated with the completion of the build out of the two retail anchors, Target and DSW, as well as for 80% of additional tenant improvements, leasing commissions and capital expenditures not funded under the mortgage loan. Both the interest rate and compounded return are subject to adjustment as described below.

The PP joint venture acquired a 65% future profits participation. The profits participation is in excess of all amounts due under the mezzanine loan. If a $3,000,000 principal payment is made on the mezzanine loan on or prior to December 31, 2012, the interest rate and compounded return are increased to 15.5% and the profits participation is decreased to 60%.

REIT Securities

During 2011 we invested $19,321,000 in REIT securities to capitalize on market mispricing on certain securities. In particular, we acquired in market transactions 7.6% of the outstanding common shares of Cedar Realty Trust Inc. for an average purchase price of $3.61.

At December 31, 2011 our investments in REIT securities consisted of the following (in thousands):

	Cost	Fair Value
REIT Preferred Shares	$ 2,067	$ 4,277
REIT Common Shares	21,492	24,579
	$ 23,559	$ 28,856

Revolving Line of Credit

On March 3, 2011 we amended our existing revolving line of credit such that (i) the maximum borrowing was increased to $50,000,000 with an accordion feature of up to $150,000,000 and (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%. We capitalized $370,000 of expenses incurred in connection with this transaction and are amortizing the balance over the modified life.

Employees

As of December 31, 2011 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, we pay to our Advisor a quarterly base management fee equal to 1.5% of (i) the issuance price of our outstanding equity securities plus (ii) 0.25% of any equity contribution by an unaffiliated third party to a venture managed by us.

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 dividends 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, 2011 the threshold amount required to be distributed before any incentive fee would be payable to FUR Advisors was approximately $560,871,000, which was equivalent to $16.97 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 19 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 May 17, 2011, following our 2011 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 properties, 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;
- fluctuations in interest rates;
- reduced availability of financing;
- the cyclical nature of the real estate industry and possible oversupply of, or reduced demand for, properties in the markets in which our investments are located;
- the attractiveness of our properties to tenants and purchasers;
- how well we manage our properties;
- changes in market rental rates and our ability to rent space on favorable terms;

- the financial condition of our tenants and borrowers including their becoming insolvent and bankrupt;
- the need to periodically renovate, repair and re-lease space and the costs thereof;
- increases in maintenance, insurance and operating costs;
- civil unrest, armed conflict or acts of terrorism against the United States; and
- earthquakes, floods and other natural disasters or acts of God that may result in uninsured losses.

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

We may not be able to invest our cash reserves in investments which will increase equity value.

As of December 31, 2011, we had approximately $40,952,000 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 a capital intensive business that is dependent primarily on third party debt and equity 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. Access to third party capital sources depends, in part, on general market conditions, the market's perception of our growth potential, our current and expected future earnings, our cash flow and the market price of our Common Shares. Additionally, we may not be able to obtain debt or equity financing on favorable terms. Accordingly, if we cannot obtain capital from third parties or if such access is on unfavorable terms, 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. Thirteen of our properties, containing an aggregate of approximately 2,222,000 square feet of space are net leased to nine different tenants. Gross leases accounting for approximately 7% of the aggregate annual base rent from our operating properties for 2011, representing approximately 3% of the net rentable square feet at the properties, are scheduled to expire in 2012. 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 pay dividends 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 to pay dividends to holders of our Series D 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 to pay dividends to holders of Series D 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 effects 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 dividends 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 dividends 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 dividend 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 or our loan assets may be subject to unfavorable treatment in a borrower bankruptcy.

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

The subordinate loan assets in which 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 debt holder. 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 assets 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.

Deterioration of the credit markets may have 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 dividend obligations to holders of our Series D Preferred Shares.

The provisions of our Series D Preferred Shares require us to pay quarterly dividends presently aggregating approximately $925,000 or $3,700,000 annually before any dividends may be paid 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.

Increased market interest rates may hurt the value of our Common and Preferred Shares.

We believe that investors consider the dividend rate on REIT shares, expressed as a percentage of the price of the shares, relative to market interest rates as an important factor in deciding whether to buy or sell the shares. If market interest rates go up, prospective purchasers of REIT shares may expect a higher dividend rate. Higher interest rates would likely increase our borrowing costs and might decrease funds available to pay dividends. Thus, higher market interest rates could cause the market price of our Common and Preferred Shares to decline.

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.

We can issue Preferred and Common Shares without common shareholder approval. 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.

Increases in interest rates may adversely affect the market price of our Common Shares.

One of the factors that influences the market price of our Common Shares is the annual rate of dividends that we pay on our Common Shares, as compared with interest rates. An increase in interest rates may lead purchasers of REIT shares to demand higher annual dividend rates, which could adversely affect the market price of our Common Shares.

We may fail to remain qualified as a REIT, which would reduce the cash available for dividends 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 dividends paid 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 to pay dividends 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 dividend 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 to pay dividends 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 pay dividends sufficient to enable us to pay out enough of our taxable income to satisfy the REIT dividend 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. In 2011 we were conveyed title to the land underlying our Churchill, Pennsylvania property. Prior to the conveyance of the land, a Phase II environmental study was performed. The study found that there were certain contaminants at the property all of which were within permitted ranges. In addition, given the nature and use of the property currently and in the past, it is possible that additional contamination could occur which could require remediation. We believe that based on applicable law and existing agreements any such remediation costs would be the responsibility of a prior owner or tenant.

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

Other than for severe economic conditions or natural forces which may be unanticipated or uncontrollable, the ultimate value of our assets and the results of our operations will depend on the ability of our Advisor and other third parties we retain to operate and manage our assets in a manner sufficient to maintain or increase revenues and control our operating and other expenses in order to generate sufficient cash flows to pay amounts due on our indebtedness and to pay 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 dividends 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, 2011, the threshold amount required to be distributed before any incentive fee would be payable to FUR Advisors was approximately $560,871,000, which was equivalent to $16.97 for each of our Common Shares on a fully diluted basis. At such time as shareholders' equity in accordance with generally accepted accounting principles exceeds the threshold amount, we will record a liability in our financial statements equal to approximately 20% of the excess of shareholders' equity in accordance with generally accepted accounting principles and the threshold amount.

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 10.38% 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

CONSOLIDATED OPERATING PROPERTIES

The following table sets forth a schedule of consolidated operating properties at December 31, 2011. Our portfolio of consolidated properties consists of 24 commercial properties consisting of 4,243,000 square feet and one residential apartment complex consisting of 180 units.

Description and Location	Year Acquired	Trust's Owner-ship	Rentable Square Feet	(**) % Leased	Major Tenants (Lease / Options Exp)	Major Tenants' Sq. Feet.	($000's) Depreciated Cost Basis	Cost per Square Foot or Unit	Owner-ship of Land	($000's) Debt Balance	Debt Maturity & Int Rate
Office											
Amherst, NY (2)	2005	100%	200,000	100%	Ingram Micro Systems (2013/2023)	200,000	$ 16,632	$ 83	Fee	$ 15,682	10/2013 5.65%
Andover, MA	2005	100%	93,000	100%	PAETEC Comm. (2022/2037)	93,000	7,180	77	Fee	(1)	(1)
Chicago, IL (One East Erie / Marc Realty)	2005	80%	126,000	83%	The Gettys Group (2012/2016)	13,000	21,513	171	Fee	20,522	03/2016 5.75%
					River North Surgery (2015/ n/a)	15,000					
Chicago, IL (River City / Marc Realty)	2007	60%	253,000	72%	Bally Total Fitness (2013/2021)	55,000	14,709	58	Fee	8,900	04/2012 6.25%
					ITAV (2024/2029)	35,000					
					MFS/Worldcom (2019/2023)	61,000					
Deer Valley, AZ	2010	96.5%	82,000	96%	United Healthcare (2017/2027)	42,000	10,839	132	Fee	(1)	(1)
					Premier Research Group (2016/2026)	13,800					
					Southwest Desert Cardiology (2022/2037)	9,200					
Englewood, CO Crossroads I	2010	100%	118,000	57%	RGN-Denver LLC (2015/ 2025)	17,000	7,831	66	Fee	(1)	(1)
Englewood, CO Crossroads II	2010	100%	118,000	87%	TIC Holdings (2019 / 2044)	75,000	10,330	88	Fee	(1)	(1)
Houston, TX	2004	8%	614,000	100%	Spectra Energy (2018/2028)	614,000	58,481	95	Fee	56,423	04/2016 6.34%
Indianapolis, IN (Circle Tower)	1974	100%	111,000	83%	No Tenants Over 10%	—	4,991	45	Fee	4,169	04/2015 5.82%
Lisle, IL	2006	100%	169,000	61%	United Healthcare (2014/ n/a)	41,000	18,911	112	Fee	5,753	10/2014 Libor+2.5%
Lisle, IL	2006	100%	67,000	17%	ABM Janitorial (2012/2014)	11,000	5,239	78	Fee	1,657	10/2014 Libor+2.5%
Lisle, IL (Marc Realty)	2006	60%	54,000	100%	Ryerson (2018/2028)	54,000	3,590	66	Fee	5,600	03/2017 5.55%
New York, NY (450 West 14th)	2011	70%	105,000	var	Fast Retailing (2026/2036)	23,000	55,231	526	Ground Lease	49,585	05/2016 Libor +2.5%
					Alice + Olivia (2021/2031)	22,000					
					Access Industries (2021/2031)	14,000					
Orlando, FL	2004	100%	257,000	100%	Siemens Real Estate, Inc. (2017/2042)	257,000	14,210	55	Ground Lease	38,132	07/2017 6.40%
Plantation, FL	2004	100%	120,000	100%	AT&T Service, Inc. (2020/2035)	120,000	11,344	95	Fee	10,927	04/2018 6.48%
South Burlington, VT	2005	100%	54,000	100%	Fairpoint Comm. (2014/2029)	54,000	2,922	54	Ground Lease	(1)	(1)
Subtotal—Office			2,541,000				263,953			217,350	

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CONSOLIDATED OPERATING PROPERTIES (Continued)

Description and Location	Year Acquired	Trust's Owner-ship	Rentable Square Feet	(**) % Leased	Major Tenants (Lease /Options Exp)	Major Tenants' Sq. Feet.	($000's) Cost Basis	Cost per Square Foot or Unit	Owner-ship of Land	($000's) Debt Balance	Debt Maturity & Int Rate
Retail											
Atlanta, GA	2004	100%	61,000	100%	The Kroger Co. (2016/2026)	61,000	$ 3,812	$ 62	Ground Lease	(1)	(1)
Denton, TX	2004	100%	46,000	64%	Diesel Fitness (2012)	29,000	2,459	53	Fee	(1)	(1)
Greensboro, NC	2004	100%	46,000	100%	The Kroger Co. (2017/2037)	46,000	3,124	68	Ground Lease	(1)	(1)
Louisville, KY	2004	100%	47,000	100%	The Kroger Co. (2015/2040)	47,000	2,612	56	Fee	(1)	(1)
Memphis, TN	2004	100%	44,000	100%	The Kroger Co. (2015/2040)	44,000	1,262	29	Fee	(1)	(1)
Seabrook, TX	2004	100%	52,000	100%	The Kroger Co. (2015/2040)	52,000	1,763	34	Fee	(1)	(1)
Subtotal Retail			**296,000**				**15,032**				
Other											
Warehouse											
Jacksonville, FL	2004	100%	580,000	100%	Football Fanatics (2015/2024)	558,000	10,483	18	Fee	(1)	(1)
Mixed Use											
Churchill, PA	2004	100%	826,000	19%	n/a	—	5,555	7	Fee	—	—
Residential											
Meriden, CT	2010	100%	180 units	97%	n/a	n/a	24,253	n/a	Fee	13,590	10/2014 Libor + 2.5%
Subtotal—Other			**1,406,000**				**40,291**				
Total Consolidated Properties			**4,243,000**				**$319,276**			**$230,940**	

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

Notes to Consolidated Properties—Selected Data

(1) These properties collateralize our revolving line of credit.

(2) 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.

UNCONSOLIDATED OPERATING PROPERTIES

The following table sets forth a schedule of unconsolidated operating properties at December 31, 2011. Our portfolio of unconsolidated properties is accounted for under the equity method of accounting. These properties consist of 12 commercial properties consisting of 3,504,000 square feet and 25 residential apartment complexes consisting of 4,167 units.

	Year Acquired	Trust's Ownership	Rentable Square Feet	(**) % Leased	Major Tenants (Lease /Options Exp)	Major Tenants' Sq. Feet.	($000's) Equity Investment Balance	Ownership of Land	($000's) Debt Balance (1)	Debt Maturity & Int Rate
Marc Realty Portfolio — Equity Investments										
30 North Michigan, Chicago, IL	2005	50%	221,000	88%	No tenants over 10%	—	$ 10,049	Fee	$ 12,723	08/2014 5.99%
223 West Jackson, Chicago, IL (Brooks Building)	2005	50%	168,000	67%	No tenants over 10%	—	7,679	Fee	7,356	06/2012 6.92%
4415 West Harrison, Hillside, IL (High Point)	2005	50%	192,000	57%	North American Medical Mgmt (2015/2020)	20,400	2,441	Fee	4,516	12/2015 5.62%
2000-60 Algonquin, Shaumburg, IL (Salt Creek)	2005	50%	101,000	67%	Familia Development (2015 / 2020)	10,300	—	Fee	(2)	02/2013 Libor + 2.75%
1701 E. Woodfield, Shaumburg, IL	2005	50%	175,000	87%	No tenants over 10%	—	2,047	Fee	5,632	09/2015 Libor + 3% (3)
2720 River Rd, Des Plains, IL	2005	50%	108,000	86%	No tenants over 10%	—	1,000	Fee	2,433	10/2012 6.095%
3701 Algonquin, Rolling Meadows IL	2005	50%	193,000	79%	ISACA (2018/2024)	29,600	250	Fee	9,864	02/2013 Libor + 2.75%
					Relational Funding (2013/ n/a)	27,400				
2205-55 Enterprise, Westchester, IL	2005	50%	130,000	90%	Consumer Portfolio (2014/2019)	18,900				
					Uro Partners (2015/n/a)	14,500	2,679	Fee	(2)	02/2013 Libor + 2.75%
900-910 Skokie, Northbrook, IL (Ridgebrook)	2005	50%	119,000	88%	MIT Financial Group (2016/ n/a)	12,600	1,000	Fee	5,343	07/2016 Libor + 2.75%
Total—Marc Realty Portfolio			**1,407,000**				**$ 27,145**		**$ 59,159**	
Sealy Venture Properties—Equity Investments										
Atlanta, GA (Northwest Atlanta)	2006	60%	472,000	77%	Original Mattress (2020/2025)	57,000	$ 8,537	Fee	$ 13,955	09/2015 Libor + 5.35% (4)
Atlanta, GA (Newmarket)	2008	68%	470,000	52%	No tenants over 10%	—	2,811	Fee	37,000	11/2016 6.12%
Nashville, TN (Airpark)	2007	50%	1,155,000	83%	No tenants over 10%	—	—	Fee	74,000	05/2012 5.77%
Total—Sealy Venture Properties			**2,097,000**				**$ 11,348**		**$124,955**	

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

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UNCONSOLIDATED OPERATING PROPERTIES—(Continued)

	Year Acquired	Trust's Ownership	Units	% Leased	Ownership of Land	($000's) Debt Balance (1)	Debt Maturity & Int Rate (6)	Subordinated Debt ($000's)	Subodinated Debt Maturity
Vintage Housing Holdings LLC—Equity Investment									
Vintage at Bend Bend, OR	2011	(5)	106	97%	Fee	$ 5,600	12/15/2036 SIFMA + 1.21%		
Bouquet Canyon Seniors Santa Clarita, CA	2011	(5)	264	98%	Fee	11,375	7/1/2028 6.38%		
Vintage at Bremerton Bremerton, WA	2011	(5)	143	94%	Fee	6,200	3/15/2033 SIFMA + 1.44%		
Vintage at Burien Burien, WA	2011	(5)	101	100%	Ground Lease	6,885	1/15/2038 SIFMA + 1.40%		
Vintage at Chehalis Chehalis, WA	2011	(5)	150	95%	Fee	8,190	6/15/2040 SIFMA + 1.575% (7)		
Elk Creek Apartments Sequim, WA	2011	(5)	138	96%	Fee	7,400	11/1/2039 6.46%		
Vintage at Everett Everett, WA	2011	(5)	259	94%	Fee	16,700	1/15/2038 SIFMA + 1.37%		
Falls Creek Apartments Couer d' Alene, ID	2011	(5)	170	94%	Fee	8,389	12/1/2040 6.24%		
Forest Creek Apartments Spokane, WA	2011	(5)	252	92%	Fee	13,680	6/15/2040 SIFMA + 1.41%		
Hamilton Place Seniors Bellingham, WA	2011	(5)	94	97%	Fee	3,590	7/1/2033 SIFMA + 1.40%	163	7/1/2014 5.88%
Heritage Place Apartments St. Ann, MO	2011	(5)	113	96%	Fee	1,816	7/19/2015 8.37%	522	5/1/2039 1.0%
Holly Village Apartments Everett, WA	2011	(5)	149	98%	Fee	7,190	7/31/2032 SIFMA + 1.31%		
Larkin Place Apartments Bellingham, WA	2011	(5)	101	94%	Fee	4,825	7/1/2033 SIFMA + 1.47%	42	6/1/2012 5.92%
Vintage at Mt. Vernon Mt. Vernon, WA	2011	(5)	154	97%	Fee	7,500 1,270	1/15/2037 SIFMA + 1.39% (8) LIBOR + 1.39% (9)		
Vintage at Napa Napa, CA	2011	(5)	115	100%	Fee	6,166	6/1/2034 6.141%		
Vintage at Richland Richland, WA	2011	(5)	150	97%	Fee	7,535	1/15/2038 SIFMA + 1.75%		
Rosecreek Senior Living Arlington, WA	2011	(5)	100	96%	Fee	3,382	12/31/2037 SIFMA + 0.331%		
Vintage at Sequim Sequim, WA	2011	(5)	118	98%	Fee	6,379	3/1/2038 SIFMA + 2.22%		
Silver Creek Apartments Pasco, WA	2011	(5)	242	96%	Fee	13,095	1/1/2018 SIFMA + 1.59%		
Vintage at Silverdale Silverdale, WA	2011	(5)	240	94%	Fee	14,880	9/15/2039 SIFMA + 2.9% (10)		
Vintage at Spokane Spokane, WA	2011	(5)	287	95%	Fee	16,295	8/15/2040 SIFMA + 1.38%		
Seven Hills/ St Rose Henderson, NV	2011	(5)	244	98%	Fee	14,770	10/15/2035 SIFMA + 1.51%		
Twin Ponds Apartments Arlington, WA	2011	(5)	134	98%	Fee	5,515 1,405	1/1/2038 SIFMA + 1.385% 6.20%		
Vintage at Vancouver Vancouver, WA	2011	(5)	154	99%	Fee	7,725 745	1/1/2035 SIFMA + 2.114% 8.12%		
Vista Sonoma Seniors Apts Santa Rosa, CA	2011	(5)	189	95%	Fee	10,304	1/1/2032 6.562%		
Subtotal—Vintage Properties			**4,167**	*units*		**$ 218,806**		**$ 727**	

(Continued on next page)

UNCONSOLIDATED OPERATING PROPERTIES—(Continued)

Notes to Unconsolidated Operating Properties Table

(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 $11,292 which is included in total debt balance.

(3) An interest rate swap agreement with a notional amount of $5,632 effectively converts the interest rate to a fixed rate of 4.78%

(4) An interest rate cap was purchased that caps LIBOR at 1%.

(5) The Vintage equity investment of $29,887 represents a 75% interest in Vintage Housing Holdings LLC, an entity which owns the general partnership interests in the properties listed above. In addition, Vintage Housing Holdings LLC owns receivables and advances in two other partnerships.

(6) SIFMA = Securities Industry and Financial Markets Association Municipal Swap Index. Each of the Vintage floating rate debt instruments is subject to an interest rate cap ranging from 5.50% and 8.25%.

(7) An interest rate swap agreement with a notional amount of $8,190 effectively converts the interest rate to a fixed rate of 4.66%.

(8) An interest rate swap agreement with a notional amount of $7,500 effectively converts the interest rate to a fixed rate of 4.955%.

(9) An interest rate swap agreement with a notional amount of $1,153 effectively converts the interest rate to a fixed rate of 5.706%.

(10) An interest rate swap agreement with a notional amount of $14,670 effectively converts the interest rate to a fixed rate of 5.734%.

LEASE EXPIRATIONS

The following table sets forth a schedule of lease expirations at our consolidated and unconsolidated properties respectively, with respect to leases in place at December 31, 2011 for each of the next five years and thereafter (assuming that no tenants exercise renewals or cancellation options and that there are no tenant bankruptcies or other tenant defaults). Annual contractual rent under expiring leases represents base rent charges for the year ended December 31, 2011 and does not reflect any straight-line rent adjustments or expense reimbursements. The average annualized revenue per square foot as of December 31, 2011 was $17.56 for consolidated multi-tenant operating properties and $8.67 for consolidated single tenant operating properties. Annualized revenue represents contractual base rent for December multiplied by twelve. The following tables set forth certain information concerning lease expirations:

Year of Lease Expirations	Number of Expiring Leases	Net Rentable Square Feet Subject to Expiring Leases	Percentage of Leased Square Footage Represented by Expiring Leases (%)	Annual Contractual Rent Under Expiring Leases ($)	Annual Rent Per Leased Square Foot of Expiring Leases ($)
Consolidated Multi Tenant Operating Properties:					
2012	29	148,000	17%	$ 2,166,000	$ 14.64
2013	27	190,000	21%	2,354,000	12.39
2014	20	103,000	11%	1,786,000	17.34
2015	13	81,000	9%	1,401,000	17.30
2016 and Thereafter	43	375,000	42%	5,078,000	13.54
			100%		
Consolidated Single Tenant Operating Properties:					
2012	—	—	—	—	—
2013	1	200,000	9%	2,016,000	10.08
2014	1	54,000	3%	800,000	14.81
2015	4	696,000	31%	1,348,000	1.94
2016 and Thereafter	8	1,272,000	57%	14,982,000	11.78
			100%		
Unconsolidated Operating Properties:					
2012	219	529,000	20%	6,972,000	13.17
2013	156	448,000	17%	6,250,000	13.94
2014	116	400,000	15%	4,968,000	12.41
2015	84	409,000	16%	5,223,000	12.78
2016 and Thereafter	140	837,000	32%	11,122,000	13.29
			100%		

TENANT DIVERSIFICATION

The following table sets forth information regarding the leases with respect to the five largest tenants in our consolidated properties portfolio, based on the amount of square footage leased by our tenants at December 31, 2011.

Tenant	Property	Remaining Lease Term in months	Total Leased Square Fee	Percentage of Aggregate Portfolio Leased Square Feet (%) (1)	Percentage of Aggregate Portfolio Annual Rent (%) (2)
Spectra Energy	Houston, TX	76	614,000	19.2%	21.8%
Football Fanatics, Inc.	Jacksonville, FL	43	553,000	17.3%	2.0%
Siemens Real Estate, Inc.	Orlando, FL	72	257,000	8.1%	9.8%
The Kroger Company	Various (3)	53	250,000	7.8%	3.2%
Ingram Micro, Inc.	Amherst, NY	22	200,000	6.3%	5.7%

(1) Represents percentage of square footage leased excluding month to month leases.

(2) Represents base rent plus straight line rent adjustments less concessions and abatements.

(3) The Kroger Company is a tenant in five net leased properties located in Georgia, Kentucky, North Carolina, Tennessee, and Texas. Remaining lease term represents a weighted average based on square footage and percentage of annual rent represents an aggregate of all five properties.

GROUND LEASES

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

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

Property Location	Current Term Expiration	Renewal Terms	Lease Term Rents Per Annum
Atlanta, GA	09/30/16	Two 5-Year Renewal Options (Extended Term 2026)	Ground lease calls for $30,000/yr plus 1/2 of 1% of sales greater than $27,805,800. (1)
Greensboro, NC	12/31/12	Four 5-Year Renewal Options (Extended Term 2032)	Ground lease calls for $71,178/ yr increased by approx $12,000 for each successive renewal period plus 1% of sales over $36,213,850. (1)
Orlando, FL	12/31/17	Five 5-Year Renewal Options (Extended Term 2037)	Ground lease calls for $2/yr of rent though the current term and then fair market value for each successive renewal period. (1)
South Burlington, VT	01/02/15	Three 5-Year and One 10-Year Renewal Options (Extended Term 2040)	Ground lease calls for $51,854/yr though the current term and then fair market value. (1)
450 West 14th Street, New York, NY	05/31/53	None	Ground Lease calls for $100,574/month plus increases of 3% per annum each June as well as $100,000 increases per annum on November 1, 2013, 2015, and 2017.

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

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, 2011, the Trust was not involved in any material litigation.

ITEM 4—MINE SAFETY DISCLOSURES

Not Applicable.

PART II

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

Market Information

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

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

	High	Low
Year Ended December 31, 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
Year Ended December 31, 2011:		
First quarter	$ 13.15	$ 11.42
Second quarter	12.46	11.59
Third quarter	12.03	8.54
Fourth quarter	10.55	8.16

Holders

As of December 31, 2011 there were 563 record holders of our Common Shares. This does not include beneficial owners for whom Cede & Co. or others act as nominee.

Dividends

In order to retain REIT status, and thus avoid paying federal corporate tax, we are required by the Code to distribute at least 90% of our REIT taxable income. Dividends declared on Common Shares in each quarter for the last two years are as follows:

Quarter Ended	2011	2010
March 31	$ 0.1625	$ 0.1625
June 30	0.1625	0.1625
September 30	0.1625	0.1625
December 31	0.1625	0.1625

Pursuant to the terms of our Series D Preferred Shares, we are required to pay quarterly dividends of $0.578125 per Series D Preferred Share. The first dividend following the issuance in November 2011 of $0.212 per Preferred Share which represented the pro-rata dividend amount was made on December 30, 2011.

While we intend to continue paying regular quarterly dividends to holders of our Common Shares, future dividend declarations will be at the discretion of our Board of Trustees and will depend on our actual cash flow, our financial condition, capital requirements, the annual dividend requirements under the REIT provisions of the Code and such other factors as our Board of Trustees deems relevant. The actual cash flow available to pay dividends will be affected by a number of factors, including, among others, the risks discussed under "Risk Factors" in Part I, Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Annual Report.

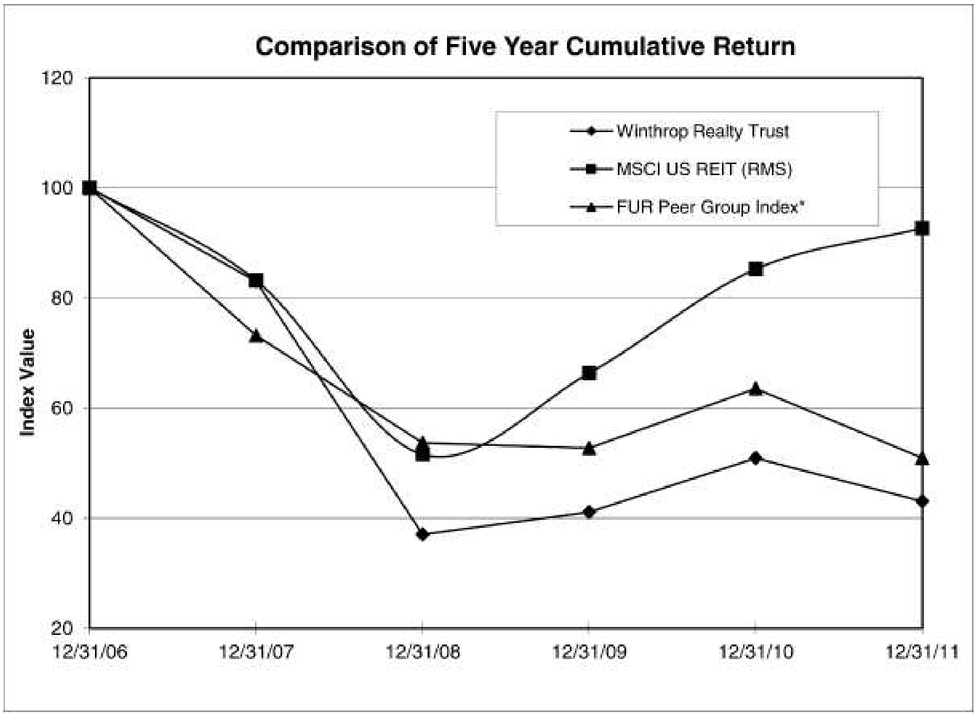
We do not believe that the financial covenants contained in our loan agreements will have any adverse impact on our ability to pay dividends in the normal course of business to our common and preferred shareholders or to distribute amounts necessary to maintain our qualifications as a REIT.

See Item 7—Common Share Dividends.

On November 18, 2011, the Trust repurchased all of its outstanding Series B-1 Preferred Shares and Series C Preferred Shares for an aggregate purchase price of $25,000,000 plus accrued dividends.

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 24, 2012 under $750,000,000. The graph assumes that $100 was invested on December 31, 2006 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, 2006, the results depicted would not have been the same.



	Year Ended					
Index	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**	**12/31/10**	**12/31/11**
Winthrop Realty Trust	100.00	83.04	37.04	41.09	50.91	43.06
MSCI US REIT (RMS)	100.00	83.18	51.60	66.36	85.26	92.67
FUR Peer Group Index*	100.00	73.19	53.70	52.72	63.54	50.96

* *Peer Group consists of REITs with a diversity and other property focus and have a current market value as of January 24, 2012 of less than $750M.*

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,				
	2011	2010	2009	2008	2007
Operating Results					
(in thousands, except per share data)					
Revenue	$ 70,094	$ 55,187	$ 47,139	$ 43,734	$ 49,390
Income (loss) from continuing operations (1)	$ 10,505	$ 18,379	$ (85,373)	$ (70,520)	$ 2,982
Income (loss) from discontinued operations (2)	428	(1,902)	1,026	2,344	(501)
Net income (loss)	10,933	16,477	(84,347)	(68,176)	2,481
Preferred dividends	(924)	(288)	(147)	—	—
Net income (loss) applicable to Common Shares	$ 10,009	$ 16,189	$ (84,494)	$ (68,176)	$ 2,481
Per Common Share					
Income (loss) from continuing operations, basic	$ 0.31	$ 0.80	$ (5.25)	$ (4.75)	$ 0.23
Income (loss) from discontinued operations, basic (2)	0.01	(0.08)	0.06	0.16	(0.04)
Net income (loss) applicable to Common Shares, basic	$ 0.32	$ 0.72	$ (5.19)	$ (4.59)	$ 0.19
Income (loss) from continuing operations per Common Share, diluted	$ 0.31	$ 0.80	$ (5.25)	$ (4.75)	$ 0.23
Income (loss) from discontinued operations, diluted	0.01	(0.08)	0.06	0.16	(0.04)
Net income (loss) applicable to Common Shares, diluted (3)	$ 0.32	$ 0.72	$ (5.19)	$ (4.59)	$ 0.19
Dividends declared per Common Share (3)	$ 0.65	$ 0.65	$ 0.9125	$ 1.35	$ 2.15
Balance Sheet Data:					
(in thousands)					
Total Assets	$ 734,933	$ 610,128	$ 493,192	$ 578,094	$ 745,447
Total Debt (4)	$ 300,090	$ 277,193	$ 238,067	$ 299,865	$ 335,191
Non-Controlling redeemable preferred interest	$ —	$ 3,221	$ 12,169	$ —	$ —
Total Shareholders' Equity	$ 387,802	$ 295,771	$ 217,089	$ 248,250	$ 291,794

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

(2) The results of Ventek and the Biloxi, Mississippi property were classified as discontinued operations for 2007 and 2008. The results of the Athens, Georgia property were classified as discontinued operations for 2007 through 2010. The results of the Lafayette, Louisiana; Knoxville, Tennessee; Sherman, Texas; and St. Louis, Missouri properties were classified as discontinued operations for 2007 through 2011. The results of the Creekwood, Apartment property were classified as discontinued operations for 2007 through 2009.

(3) In November 2008 Winthrop Realty Trust effected a 1-for-5 reverse stock split, of its Common Shares of Beneficial Interest, 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.

(4) For comparability purposes, the Total Debt balance for 2007 does not include repurchase agreements of $75,175. These debt securities were sold in January 2008.

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

Certain statements conta **i** ned herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "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. We have executed an investment strategy that focuses on a current yield and long term appreciation by pursuing value opportunities in real estate assets throughout the capital stack. We have demonstrated our ability to adjust our business plan to capitalize on evolving marketing conditions both with respect to business segment and capital structure. During 2011, we pursued opportunities in acquiring debt with near term maturities with a view towards equity ownership or a superior return in event of a payoff. Accordingly, we invested $67,619,000 in the issuance and acquisition of new loans and $115,644,000 in ventures which acquired new loan assets. We funded our investment activity in 2011 from cash reserves, our public Common Shares offering in May 2011, our offering of 9.25% Series D Cumulative Redeemable Preferred Shares, which we refer to as our Series D Preferred Shares, in November 2011 and drawing down funds from our revolving line of credit. At December 31, 2011, we held $40,952,000 in unrestricted cash and cash equivalents and $28,856,000 in REIT securities and, subject to covenant compliance, have $10,000,000 of available funds from our revolving line of credit. See additional details in our "Liquidity and Capital Resources" section below.

With respect to our operating results for 2011, net income attributable to Common Shares was $10,009,000 or $0.32 per Common Share as compared with net income in 2010 of $16,189,000 or $0.72 per Common Share. Funds From Operations attributable to Common Shares was $58,236,000 or $1.85 per Common Share for 2011 as compared to Funds From Operations of $35,032,000 or $1.53 per Common Share in 2010. The most significant factors in this decrease in net income were the impairment charges of $7,600,000 taken on our consolidated properties and other-than-temporary impairment charges of $21,058,000 on our equity investments. See "Results of Operations" below.

As discussed in more detail below, for 2012 we expect that our performance will stabilize at our existing operating properties as a result of certain debt restructurings completed in 2011 and improved occupancy. We believe that our loan investment segment will provide the most opportunistic investments and superior returns. In addition with respect to our REIT securities segment, we expect to capitalize on market mispricing on certain securities when we see opportunity which we expect will result in strong performance in realized and unrealized gains.

Loan Assets

Our investment strategy in 2011 focused heavily on our loan asset segment which we believed would generate the greatest overall return to us through 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 or recapitalization that will lead to an equity ownership interest.

During 2011 all of our loans were performing in accordance with their terms. We had $70,289,000 in loan assets repaid during the year as well as three loans held in equity investments totaling $31,890,000 repaid. As a result of our investment activity; operating income from loan assets increased by $16,702,000 to $36,220,000 for the year ended December 31, 2011 compared to $19,518,000 for the year ended December 31, 2010. In addition, during 2011 we invested approximately $183,263,000 in new loan assets consisting of whole loans, B-notes, mezzanine loans, preferred equity loan securities as well as loans held in joint ventures. For a description of our loan assets acquired during 2011 see ITEM 8. Financial Statements, Note 4.

We intend to continue our loan asset acquisition and origination strategy in 2012 with a focus on loans with underlying collateral value, future income return potential and in certain cases, acquisitions of non-performing loans in the fulcrum position which have a high possibility that our debt position in the capital stack will be converted into equity participation.

We expect the 160 Spear loans will be repaid in early 2012 providing approximately $19,800,000 in cash proceeds and discount accretion income of approximately $3,500,000. Also, the loan receivable totaling approximately $117,900,000 held by a joint venture in which we currently hold a 56% interest matures in August 2012. Although the property is generating positive cash to cover debt service, we believe that without additional equity, the borrower will not easily obtain replacement financing. As a result, we anticipate that this loan will present a significant restructuring opportunity to the joint venture. The remaining loans, loan securities and loans in equity investments scheduled to mature in 2012 totaling approximately $35,294,000 are anticipated to be repaid or extended.

Our investment in Concord Debt Holdings LLC and CDH CDO LLC, which we refer to as our Concord investment platform, is held as an equity investment and was previously written down to zero. During 2011 operations provided cash distributions to us of $3,954,000 for the year ended December 31, 2011.

Operating Properties

During 2011 we acquired one new investment property located at 450 W 14 th Street, New York, New York. Through this transaction we added an aggregate 105,000 square feet of retail and office space to our consolidated operating property portfolio. We also invested in a portfolio transaction, which we refer to as the Vintage portfolio, whereby we have access to a large portfolio of assets that have positioned us well for continued growth. Consistent with our original expectations, we have begun to realize cash flow on our Vintage portfolio of 25 multifamily and senior housing properties comprising 4,167 units located primarily in the Pacific Northwest and California which we acquired in June 2011 with an investment of $25,200,000. We have already made additional investments using the Vintage platform and during the third and fourth quarter of 2011 made contributions to the venture totaling $7,510,000. The venture’s new investments included a $1,500,000 contribution to a planned 231 unit multi-family project in Tacoma, Washington, a $4,300,000 acquisition of non-controlling partner interests in seven of the existing Vintage investments and $1,710,000 toward a purchase agreement to acquire 75% interests in the general partners of two multifamily properties comprising approximately 490 units located in California and Nevada.

During 2011, increases in our operating income from our 2010 acquisitions (new store) have been offset by unfavorable operating results from same store properties, that is properties held during both twelve month periods. The 2011 operating properties segment was negatively impacted by a weak overall economy and the Churchill property lawsuit and lease expiration.

Consolidated Operating Properties— The average occupancy of our consolidated properties was approximately 75.1% during the year ended December 31, 2011. As of December 31, 2011 our consolidated properties were approximately 74.2% leased compared to approximately 90.8% leased at December 31, 2010.

Occupancy at our Lisle, Illinois property known as 550-560 Corporetum remains down and is 61% occupied as of December 31, 2011. At our other Lisle, Illinois property, referred to as 701 Arboretum, our major tenant which occupied approximately 53% of the building vacated their space at the expiration of their lease term on May 31, 2011. In addition, another tenant who occupied approximately 15% of the building vacated at the expiration of their lease in August 2011. As a result, this property is 17% occupied as of December 31, 2011. We negotiated a discounted payoff of the debt which resulted in a debt extinguishment gain of approximately $8,514,000. In connection with the restructuring, we re-evaluated the carrying value of these properties which resulted in recording an impairment charge of $3,000,000 on 701 Arboretum.

Our 82,000 square foot Deer Valley Professional Building, located in Phoenix, Arizona is 95.6% leased at December 31, 2011 compared to 61.0% leased at our acquisition on August 6, 2010. In the aggregate, our Crossroads I and II buildings, which contain approximately 236,000 square feet, were 72.4% leased at December 31, 2011 as compared to 55.9% leased at the date of our acquisition during the fourth quarter of 2010.

The Churchill, Pennsylvania property litigation was settled on September 30, 2011. In connection with the settlement, we received a payment of $6,500,000, were conveyed by our former tenant approximately 148 acres of land and the ground lease payments for 2011 were waived. In addition, we entered into a long-term net lease with one of our existing Churchill tenants, Westinghouse, for 57,000 square feet of space. The lease has a 12 year term and requires annual rent of $750,000, increasing by 3% annually. Westinghouse is responsible for all costs associated with the leased space and can terminate the lease at any time after the fifth anniversary by making a termination payment of $4,400,000 which decreases each year thereafter. The lease requires that we make certain improvements and utility upgrades with an anticipated cost of approximately $1,000,000. Under the terms of the settlement agreement, we agreed to market for sale both the portion of the property leased to Westinghouse and the remaining portion of the property. In December 2011 we engaged a national broker to begin marketing the non-Westinghouse parcel with an auction scheduled for March 2012. The Westinghouse parcel is expected to be marketed during the fourth quarter of 2012. We agreed to pay CBS 50% of the sales proceeds received from the sale, or if not sold, 50% of the value as determined by the bids for the property received in each case, in excess of $6,500,000. In connection with the settlement, the Trust recorded an impairment charge in the fourth quarter of $4,600,000.

Tenant Concentration – We seek to reduce our operating and leasing risks through diversification achieved by the geographic distribution of our properties, avoiding dependence on any single property and a large tenant base. At December 31, 2011, we had two tenants, Spectra Energy and Siemens Real Estate, which represented approximately 21.8% and 9.8%, respectively, of our annualized base rental revenues from consolidated commercial operating properties.

Sealy Equity Investments in Operating Properties – As of December 31, 2011 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. Two of the investment properties are located in Atlanta, Georgia, (Northwest Business Park and Newmarket), which had occupancies of 77% and 52% respectively, at December 31, 2011 as compared to occupancy of 75% and 66%, respectively at December 31, 2010. The third Sealy investment is located in Nashville, Tennessee and was 83% and 86% occupied at December 31, 2011 and December 31, 2010, respectively.

On June 23, 2011, we were able to satisfy the $28,750,000 first mortgage loan secured by the Northwest Business Park property at a discounted payoff in the amount of $20,500,000. The payoff was funded by our making a $20,641,000 bridge loan. On September 29, 2011, the venture obtained a $14,000,000 replacement first mortgage loan which bears interest at LIBOR + 5.35% and matures on September 29, 2015. Proceeds from the loan were utilized to pay down the bridge loan, and the balance of the bridge loan was satisfied by additional equity of $4,650,000 from us and of $3,100,000 from our venture partner. We recorded a $2,900,000 other-than-temporary impairment charge on this investment in 2011.

The loan secured by the Newmarket property matures in 2016 and is currently in special servicing. We, together with our venture partner, are attempting to negotiate a restructuring of the debt with the special servicer. The venture has ceased making its debt service payments until the loan is restructured. There can be no assurance that a restructuring of the loan will be accomplished. We recorded a $900,000 other-than-temporary impairment charge on this investment in 2011.

With respect to the Nashville, Tennessee property, during the fourth quarter of 2011 we wrote the investment down to $0 and recorded a $1,494,000 impairment loss. The mortgage on the Nashville Airpark property matures in May 2012, and we, together with our venture partner, have been unable to obtain an extension. Based upon the current fair value of the property and our unwillingness to invest more cash in the property without concessions by the lender, we determined the writedown to $0 was appropriate.

Marc Realty Equity Investments in Operating Properties— As of December 31, 2011, we held equity interests in nine properties with Marc Realty which consist of an aggregate of approximately 1,407,000 rentable square feet of office and retail space which was 78.5% occupied as compared to 79.9% occupied at December 31, 2010.

We sold our equity investments in 8 South Michigan, 11 East Adams and 29 East Madison for an aggregate selling price of $18,544,000 to our partner, Marc Realty. The selling price was paid $6,000,000 in cash and with a $12,544,000 secured promissory note of which $8,544,000 has been paid. At December 31, 2011, the 29 East Madison loan had a balance of $4,000,000 and deferred income was $166,000. In addition, we have certain future participating rights if the properties are sold within a specified timeframe for amounts in excess of our sale price.

During the fourth quarter of 2011, as part of our annual budget preparation we determined, based upon projected 2012 operating results and required capital improvements in the properties, a further evaluation of the potential impairment of our investment would be appropriate. We recently entered into an agreement with Marc Realty concerning divestiture of certain of the assets. As a result, we have determined that impairment charges totaling $15,764,000 are to be recorded in the fourth quarter of 2011.

Of the properties in which we held an equity interest at December 31, 2011, two downtown Chicago properties contain approximately 389,000 rentable square feet of the aggregate Marc Realty portfolio and accounted for $17,728,000 of our December 31, 2011 carrying value. These two properties had a combined occupancy of 79.1% at December 31, 2011, compared to a combined occupancy of 77.1% at December 31, 2010.

The balance of the portfolio, located in the Chicago suburbs represents $9,417,000 of our December 31, 2011 carrying value, contains approximately 1,018,000 square feet and was 78.2% occupied at December 31, 2011 compared to 80.9% occupied at December 31, 2010.

At December 31, 2011, the Marc Realty properties are encumbered with $59,159,000 of mortgage debt, with $9,789,000 of mortgage debt maturing in 2012, $11,292,000 maturing in 2013 and the remainder in 2014 or later.

REIT Securities

During the first nine months of 2011, we sold a significant portion of our REIT preferred shares. However, during the fourth quarter of 2011 in light of recent declines in market pricing of REIT securities we began investing again in REIT common shares, particularly in Cedar Realty Trust Inc. of which we own 5,196,000 shares which we acquired for $18,752,000 and had a fair market value of $22,395,000 at December 31, 2011.

During the year ended December 31, 2011 we invested $19,321,000 in REIT securities. We sold REIT securities with a cost basis of $14,890,000 and received cash proceeds of $26,408,000. As of December 31, 2011 our portfolio of REIT securities had a fair value of $28,856,000 compared to an original acquisition cost basis of $23,559,000.

Liquidity and Capital Resources

At December 31, 2011, we held $40,952,000 in unrestricted cash and cash equivalents and $28,856,000 in REIT securities. In addition, as of December 31, 2011 we had, subject to covenant compliance, $10,000,000 available to draw on our $50,000,000 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.

Public Offerings

On April 6, 2011, we closed a public offering of 5,750,000 Common Shares at a price of $11.25 per share before underwriter's discount and received net proceeds of approximately $61,386,000.

On November 28, 2011, we executed an underwritten public offering of 1,600,000 shares of 9.25% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value of $1.00 per share. The shares were issued at a price of $25.00 per share before underwriter's discount and we received net proceeds of approximately $38,378,000.

Debt Maturities

At December 31, 2011, our balance sheet contains mortgage debt payable of $230,940,000. We have $8,900,000 of mortgage debt maturing in 2012, $15,682,000 maturing in 2013 and $21,000,000 maturing in 2014 with the remainder maturing in 2015 or later. We have a $50,000,000 revolving line of credit which matures in March 2014 with an option to extend to March 2015. With respect to our debt maturing in 2012, we are currently in negotiation with the lender for a three year extension to April 2015. On December 31, 2011, we had $40,000,000 of borrowing outstanding on the line. We continually evaluate our debt maturities and except as noted above on our Sealy equity investments, 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.

Net Operating Loss Carry Forwards

At December 31, 2010, we had a net operating loss carry forward of approximately $24,040,000 which expires in 2023. We anticipate utilizing $23,108,000 of the net operating loss carry forward in 2011. The utilization of a majority of our net operating loss carry forward will limit our ability to shelter taxable income in the future which may require us to distribute funds and reduce cash available for reinvestment on a going forward basis. We also have capital loss carry forwards of $45,508,000 which expire from 2014 through 2015.

Cash Flows

Our liquidity based upon cash and cash equivalents decreased by approximately $4,305,000 from $45,257,000 at December 31, 2010 to $40,952,000 at December 31, 2011.

Our cash flow activities for the year ended December 31, 2011 are summarized as follows (in thousands):

Net cash flow provided by operating activities	$ 39,687
Net cash flow used in investing activities	(105,350)
Net cash flow provided by financing activities	61,358
Decrease in cash and cash equivalents	$ (4,305)

Operating Activities

For the year ended December 31, 2011, our operating activities generated consolidated net income of $11,747,000 and positive cash flow of $39,687,000. Our cash provided by operations reflects our net income adjusted by: (i) an increase for non-cash items of $2,641,000 representing primarily current period loan discount accretion and unrealized gains on loan securities offset by adding back depreciation and amortization expenses and $7,600,000 for impairment charges; (ii) an increase of $13,290,000 for discount accretion received in cash; (iii) an increase for $13,267,000 of distributions from non-consolidated interests; and (iv) a net decrease due to changes in other operating assets and liabilities of $1,258,000. See our discussion of Results of Operations below for additional details on our operations.

Investing Activities

Cash flow used in investing activities for the year ended December 31, 2011 was approximately $105,350,000 as compared to cash flows used in investing activities of approximately $112,650,000 for the comparable period in 2010. The change from 2010 of approximately $7,300,000 resulted primarily from repayments of loans receivable, return of capital distributions from our equity investments, increased investment in equity investments, decreased proceeds from the sale of REIT securities carried at fair value, proceeds from payoff of loan securities and increased investment in REIT security acquisitions.

Net cash used in investing activities of $105,350,000 for the year ended December 31, 2011 was comprised primarily of the following:

- $72,354,000 for investment in our WRT-Socal Lender joint venture;
- $31,335,000 for investment in our Vintage Housing property joint venture;
- $23,000,000 for origination of two new loans receivable (Hotel Wales and Renaissance Walk);
- $20,641,000 for a new loan to our Sealy Northwest Atlanta joint venture (of which $15,991,000 was repaid and the balance converted to a capital contribution);
- $19,321,000 for the acquisition of REIT securities;
- $18,093,000 for investment in our Lakeside Eagle loan joint venture;
- $17,525,000 for the acquisition of the Magazine loan receivable;
- $9,751,000 for investment in capital and tenant improvements at our operating properties;
- $10,150,000 for the deposit associated with investment in our Sullivan joint venture;
- $8,810,000 for investment in our other new joint ventures;
- $8,086,000 for investment in 450 W 14th St.;
- $8,037,000 for investment in our Gotham loan joint venture;
- $4,453,000 for additional loan advances under existing facilities;
- $2,440,000 for investment in our Marc Realty equity investments; and
- $1,500,000 for preferred equity investment in Vintage Housing.

These uses of cash flow were offset primarily by:

- $31,890,000 in return of capital distributions including full returns of our investments in Lakeside Eagle, Gotham, and LW-SOFI;
- $26,408,000 in proceeds from the sale of REIT securities carried at fair value;
- $23,034,000 in proceeds from the repayment of our Moffet Towers loan receivable;
- $15,991,000 in proceeds from the repayment of our Sealy Northwest Atlanta loan;
- $8,748,000 in proceeds from maturing loan securities;
- $8,544,000 in proceeds from the repayment on our Marc Realty loans;
- $6,500,000 in proceeds from the repayment of our Metropolitan Tower loan receivable;
- $6,000,000 in proceeds from the sale of three of our Marc Realty investments;
- $5,250,000 in proceeds from the repayment of our Beverly Hilton loan;
- $4,160,000 in repayments from Concord on our compliance loan receivable;
- $3,646,000 in proceeds from the repayment of our Westwood loan receivable;
- $2,460,000 in proceeds from the repayment of our Siete Square loan receivable; and
- $3,629,000 in proceeds from the sale of two properties.

Financing Activities

Cash flow provided by financing activities for the year ended December 31, 2011 was approximately $61,358,000 as compared to cash flow provided by financing activities of approximately $71,802,000 for the comparable period in 2010. This change of approximately $10,444,000 resulted primarily from repayments on our revolving line of credit, principal payments on our mortgage loans payable, proceeds from new from new mortgage loans payable and secured financings, the issuance of Preferred Shares and the redemption of Preferred Shares and dividends paid.

Net cash provided by financing activities of $61,358,000 for the year ended December 31, 2011 was comprised primarily of the following:

- $67,324,000 drawn down on our revolving line of credit;
- $61,386,000 of net proceeds from the issuance in April 2011 of 5,750,000 Common Shares;
- $38,378,000 of net proceeds from the issuance in November 2011 of 1,600,000 Series D Preferred Shares;
- $21,000,000 in proceeds from the financing of our Lisle, Illinois and Meriden, Connecticut properties;
- $15,150,000 in proceeds from the issuance of the senior participation in the San Marbeya loan;
- $14,000,000 in proceeds from the issuance of the senior participation in the Hotel Wales loan; and
- $11,000,000 in proceeds from the financing of our Plantation, Florida property.

These sources of cash flow were offset primarily by:

- $72,574,000 for mortgage loan repayments which, in addition to scheduled debt amortization, included $8,764,000 for the satisfaction of loans payable on our Andover, Massachusetts and Burlington, Vermont properties which matured in March 2011, $23,875,000 for the satisfaction of our loan payable which was scheduled to mature in February 2014, $19,002,000 for the satisfaction of our loan payable which was scheduled to mature in June 2011 and $15,391,000 for the satisfaction of our loan payable which was scheduled to mature in June 2016;
- $52,774,000 for payments on our revolving line of credit;
- $24,621,000 for the repurchase of our Series B-1 Preferred Shares and our Series C Preferred Shares; and
- $19,496,000 for dividend payments on our Common Shares.

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 $14,461,000 at December 31, 2011.

Common and Preferred 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, dividend 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 dividend requirements for REITs under the Internal Revenue Code, we may make one or more special dividends 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 2011 we 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 the first three quarters of 2011. The fourth quarter dividend on our Series B-1 Preferred Shares and Series C Preferred Shares was pro-rated as a result of the full repurchase of these shares on November 18, 2011. On December 30, 2011 we paid a pro-rated dividend of $0.212 per share on our Series D Preferred Shares which were issued on November 28, 2011.

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, 2011 (in thousands):

	Total	Less than 1 Year	2-3 Years	4-5 Years	After 5 Years
Mortgage loans payable (principal and interest) (1)	$ 279,358	$ 26,722	$ 69,882	$ 130,134	$ 52,680
Revolving line of credit (principal and interest) (1)	42,856	1,318	41,538	—	—
Ground lease obligations	118,044	1,228	2,686	3,055	111,075
Advisors' fee (2)	8,273	8,273	—	—	—
	$ 448,531	$ 37,541	$ 114,106	$ 133,189	$ 163,755

(1) Does not reflect financing activity subsequent to December 31, 2011.

(2) Advisor's fee based upon the terms of the Advisory Agreement, effective January 1, 2012, with no effect given to any equity that may be issued after December 31, 2011. No amounts have been included for subsequent renewal periods of the Advisory Agreement.

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 charges 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 other-than-temporary impairment charges on our equity investments recognized in 2011, property impairments recognized in 2011, the addition of four operating properties (one direct acquisition and three loan foreclosures) in 2010, the acquisition of several loan assets in 2011 and 2010, the divestiture of several REIT securities in 2010 and 2011, 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 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 include 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):

	2011	2010
Operating properties	$ 442,209	$ 385,872
Loan assets	217,174	134,269
REIT securities	28,856	33,032
Corporate		
Cash and cash equivalents	40,952	45,257
Restricted cash	3,914	8,593
Accounts receivable and prepaids	504	538
Deferred financing costs	318	292
Discontinued Operations	6	2,275
Total Assets	$ 733,933	$ 610,128

The increase in operating property assets was due primarily to the consolidation of the 450 West 14 th Street property and our investment in the Vintage Housing portfolio. These additions were partially offset by $21,058,000 of other-than-temporary impairment charges on our Sealy and Marc Realty equity method investments, $7,600,000 of impairment charges on our wholly owned properties and the reclassification of our St. Louis, Missouri property to discontinued operations.

The increase in loan assets was due primarily to the acquisition of new loan assets for an aggregate investment of $183,263,000, which was partially offset by repayments totaling $102,179,000.

The decrease in REIT securities assets was primarily the result of our divestiture of these assets during the first three quarters of 2011. We received proceeds of $26,408,000 from the sale of securities in 2011. During the fourth quarter of 2011 we began investing again in REIT common shares, primarily Cedar Realty Trust Inc., and invested a total of $19,321,000 during 2011.

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

	2011	2010	2009
Operating properties (1)	$ (14,785)	$ 2,479	$ (8,506)
Loan assets (1)	35,295	19,218	(99,830)
REIT securities	3,895	8,273	27,002
Corporate expenses	(13,086)	(10,703)	(3,022)
Consolidated income (loss) from continuing operations	$ 11,319	$ 19,267	$ (84,356)

(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 2011 to 2010

Operating Properties

The following table summarizes our results from continuing operations for our operating properties segment for the years ended December 31, 2011 and 2010 (in thousands):

	2011	2010
Rents and reimbursements	$ 44,636	$ 38,059
Operating expenses	(15,321)	(8,665)
Real estate taxes	(4,546)	(2,532)
Equity in income (loss) of Marc Realty investments	(982)	1,776
Equity in income (loss) of Sealy Northwest Atlanta	4,308	(710)
Equity in loss of Sealy Airpark Nashville	(1,034)	(1,107)
Equity in loss of Sealy Newmarket	(2,936)	(1,193)
Equity in income of Vintage Housing	113	—
Operating income	24,238	25,628
Depreciation and amortization expense	(13,539)	(9,956)
Interest expense	(13,077)	(13,193)
Impairment loss on investments in real estate	(7,600)	—
Impairment loss on Marc Realty equity investment	(15,764)	—
Gain on consolidation of property	818	—
Settlement income	5,868	—
Impairment loss on Sealy equity investments	(5,294)	—
Gain on extinguishment of debt	9,358	—
Gain on sale of equity investments	207	—
Operating properties net income (loss)	$ (14,785)	$ 2,479

Operating income from our operating properties, which we define for our consolidated operating properties as all items of income and expense directly derived from or incurred by this segment before depreciation, amortization and interest expense and other non-recurring non-operating items and our share of income or loss from equity investments, decreased by $1,390,000 compared to the prior year period.

The following table breaks out our operating results from same store properties (properties held throughout both the current and prior year reporting periods) and new store properties (in thousands):

Consolidated Operating Properties

	For the Year Ended December 31,	
	2011	2010
Rents and reimbursements		
Same store properties	$ 36,515	$ 37,228
New store properties	8,121	831
	44,636	38,059
Operating expenses		
Same store properties	12,079	8,119
New store properties	3,242	546
	15,321	8,665
Real estate taxes		
Same store properties	3,292	2,024
New store properties	1,254	508
	4,546	2,532
Consolidated operating properties operating income		
Same store properties	21,144	27,085
New store properties	3,625	(223)
	$ 24,769	$ 26,862

The decrease in operating income for our same store properties was primarily the result of operating expenses and real estate taxes at our Churchill, Pennsylvania property and a decline in rents and reimbursements at our Lisle, Illinois properties. The decline in same store results was partially offset by positive results from our new store properties.

- Rental revenues increased by $6,577,000 due to new store revenues of $8,121,000, while same store revenues declined by $713,000. The decrease in same store revenue was the result of declines at our Churchill, Pennsylvania property and our Lisle, Illinois property which were partially offset by increased revenue at our Andover, Massachusetts property and our One East Erie Chicago, Illinois property;

- Operating expenses increased by $6,656,000 due to increased expenses at our same store properties of $3,960,000 and at our new store properties of $2,696,000. The increase in the same store operating expenses relates primarily to operating expenses of $4,607,000 (including $1,423,000 of costs associated with pursuing the settlement) at our Churchill, Pennsylvania property which in prior years was paid by the tenant under a net lease; and

- Real estate tax expense increased by $2,014,000 due to increased expenses at our new store properties of $746,000 and increases at our same store properties of $1,268,000. The increase in the same store real estate tax expense was primarily due to real estate taxes of $836,000 at our Churchill, Pennsylvania property and increased real estate taxes at the Lisle, Illinois, River City Chicago, Illinois, and One East Erie Chicago, Illinois properties as a result of tax abatements recorded in 2010.

Depreciation and amortization expense increased by $3,583,000 in 2011 primarily as a result of our four property acquisitions in 2010. Interest expenses related to our operating properties remained relatively consistent but were affected by an increase of $901,000 in interest expense on our Connecticut multi-family property acquired in the fourth quarter of 2010 and $627,000 of interest expense on our Plantation, Florida property which was financed in March 2011. These increases were partially offset by reductions at our Lisle, Illinois; Andover, Massachusetts; and Burlington, Vermont properties as a result of our satisfying the loans.

During 2011 we recognized impairment charges of $4,600,000 on our Churchill, Pennsylvania property and $3,000,000 on one of our Lisle, Illinois properties. In addition, we recognized income of $5,868,000 in connection with the settlement of the litigation at our Churchill, Pennsylvania property. We also recognized $8,514,000 of gain on extinguishment of debt in connection with the early satisfaction of the debt on our Lisle, Illinois properties and $844,000 of gain in connection with the satisfaction of the debt at our Connecticut multi-family property. As a result of a change in control at our 450 W 14th Street property effective November 1, 2011 we now consolidate this property and we recognized a gain on consolidation of $818,000.

Non-Consolidated Operating Properties: Equity Investments

Net operating loss from equity investments was $531,000 for the year ended December 31, 2011 compared to a net loss of $1,234,000 for the year ended December 31, 2010.

- Operating income from our Sealy Northwest Atlanta investment increased by $5,018,000 due primarily to the discounted payoff of the first mortgage loan in June 2011. The discounted payoff resulted in an allocation of cancellation of debt income to us of approximately $5,502,000.

- Operating loss from our Sealy Newmarket investment increased by $1,743,000 due primarily to $1,275,000 of additional interest expense allocated to us in 2011 as a result of the first mortgage loan being in default while it is in special servicing. Rental revenues were also lower at this property during the current periods as a result of the loss of a significant tenant in April 2011.

- Operating income from our Marc Realty investments decreased by $2,758,000 primarily as a result of the sale of three investments on June 1, 2011. We recognized a gain of $207,000 on these sales.

- Operating income from our Vintage portfolio which closed June 24, 2011 was $113,000 for 2011. We received cash distributions of $1,561,000 from this investment in 2011.

We recognized other-than-temporary impairment charges of $15,764,000 on our Marc Realty equity investments in the fourth quarter of 2011 as a result of continued decline in operations particularly in the suburban Chicago, Illinois assets, together with increased capital needs both of which have resulted in an effort by us to divest of certain of these investments. We recognized $5,294,000 of other-than-temporary impairment charges on our Sealy investments due primarily to overleverage concerns as well as continued market declines on these properties.

Loan Assets

The following table summarizes our results from our loan assets segment for the years ended December 31, 2011 and 2010 (in thousands):

	2011	2010
Interest	$ 11,073	$ 5,691
Discount accretion	13,401	8,782
Equity in earnings of preferred equity investment in Marc Realty	338	338
Earnings of Concord Debt Holdings	3,216	—
Earnings of CDH CDO	480	—
Earnings of Lex-Win Concord	258	—
Equity in earnings of ROIC-Riverside	936	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	2,738	5,011
Equity in earnings of ROIC Lakeside Eagle	664	—
Equity in earnings of 46th Street Gotham	621	—
Equity in earnings of Sofitel	2,177	—
Equity in earnings of RE CDO Management	46	—
Equity in earnings of SoCal Office Loan Portfolio	272	—
Operating income	36,220	19,518
Interest expense	(850)	—
General and administrative expense	(75)	(300)
Loan assets net income	$ 35,295	$ 19,218

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 $16,702,000 from $19,518,000 in 2010 to $36,220,000 in 2011. The increase was due primarily to:

- a $5,382,000 increase in interest income due primarily to the acquisition of new loans throughout 2010 and 2011;
- a $4,619,000 increase in discount accretion due primarily to the recognition of $1,261,000 on our Magazine loan acquired in 2011, and increases on our 160 Spear loan and Metropolitan Tower loan of $2,489,000 and $1,036,000;
- a $4,213,000 increase in equity in earnings recognized in 2011 on our loan assets held in joint ventures acquired subsequent to June 30, 2010; and
- $3,954,000 in earnings from our Concord investment platform as a result of cash distributions received in 2011.

These increases were partially offset by a $2,273,000 decrease in unrealized gain on loan securities in 2011 as compared to the same period in 2010.

Interest expense represents interest on the $15,150,000 senior participation held by a third party on our San Marbeya loan receivable and on the $14,000,000 senior participation held by a third party on our Hotel Wales loan. Both of the senior participations are treated as secured financings for financial statement purposes.

REIT Securities

The following table summarizes our results from our REIT securities segment for the years ended December 31, 2011 and 2010 (in thousands):

	2011	2010
Dividends	$ 984	$ 2,655
Gain on sale of securities carried at fair value	123	558
Unrealized gain on securities carried at fair value	2,788	5,060
Operating income	3,895	8,273

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 $4,378,000 over the prior year period. The decrease was due primarily to:

- a $2,272,000 decrease in unrealized gain on securities carried at fair value;
- a $1,671,000 decrease in dividend income primarily as the result of the sale of various securities; and
- a $435,000 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, 2011 and 2010 (in thousands):

	2011	2010
Interest and other income	$ 1,179	$ 139
General and administrative	(11,692)	(8,526)
Interest expense	(2,094)	(2,182)
Loss on redemption of Series B-1 Preferred Shares	(100)	—
State and local taxes	(379)	(134)
Operating loss	$ (13,086)	$ (10,703)

The increase in operating loss from corporate operations for the comparable periods was due primarily to a $3,166,000 increase in general and administrative expense due primarily to an increase in the base management fee paid to our advisor of $2,594,000, an increase of $372,000 in transaction costs and an increase of $268,000 in professional fees which was partially offset by a $1,040,000 increase in corporate interest and other income which is primarily a forfeited deposit.

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. Certain balances have been reclassified as a result of discontinued operations (in thousands):

	2010	2009
Rents and reimbursements	$ 38,059	$ 39,803
Operating expenses	(8,665)	(7,041)
Real estate taxes	(2,532)	(2,542)
Equity in income of Marc Realty investments	1,776	281
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	25,628	28,297
Depreciation and amortization expense	(9,956)	(10,529)
Interest expense	(13,193)	(13,774)
Impairment loss on investments in real estate	—	(10,000)
Impairment loss on Marc Realty equity investment	—	(2,500)
Operating properties net income (loss)	$ 2,479	$ (8,506)

Operating income from our operating properties, which we define for our consolidated operating properties as all items of income and expense directly derived from or incurred by this segment before depreciation, amortization and interest expense and other non-recurring non-operating items and our share of income or loss from our equity investments, decreased by $2,669,000 compared to the prior year period. The decrease was due primarily to:

- a $1,624,000 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 $546,000 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.

Partially offset by:

- 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; and

- 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.

Depreciation and amortization expense decreased by $573,000 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 $581,000 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, 2010 and 2009 (in thousands):

	2010	2009
Interest	$ 5,691	$ 2,420
Discount accretion	8,782	1,022
Equity in earnings of preferred equity investment of Marc Realty	338	78
Equity in loss of Lex-Win Concord	—	(66,904)
Unrealized gain on loan securities carried at fair value	5,011	—
Gain on loan securities carried at fair value	469	—
Equity in loss of PSW NYC	(1,246)	—
Equity in earnings of ROIC Riverside	473	—
Operating loss	19,518	(63,384)
General and administrative expense	(300)	(235)
Impairment loss on preferred equity investments	—	(2,186)
Impairment loss on Lex-Win Concord	—	(31,670)
Impairment loss on available for sale loan	—	(203)
Provision for loss on loan receivable	—	(2,152)
Loan assets 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 $82,902,000 from a loss of $63,384,000 in 2009 to income of $19,518,000 in 2010 primarily due to the $66,904,000 equity in loss of Lex-Win Concord recognized in 2009. Excluding the equity loss in Lex-Win Concord, operating income from loan assets increased by $15,998,000 for the year ended December 31, 2010 as compared to the year ended December 31, 2009. 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; and

- 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.

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)
REIT securities net income	$ 8,273	$ 27,002

Operating income from REIT securities 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 recognized

- a $4,858,000 decrease in realized gain the on sale of securities carried at fair value; and

- a $1,239,000 decrease in interest and dividend income primarily as the result of the sale of various securities.

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	(8,526)	(7,068)
Interest expense	(2,182)	(2,815)
Gain on redemption of Series B-1 Preferred Shares	—	5,681
Gain on conversion of Series B-1 Preferred Shares	—	1,165
State and local taxes	(134)	(157)
Operating loss	$ (10,703)	$ (3,022)

The decrease in the 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 $1,458,000 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.

Discontinued Operations

Our properties in Athens, Georgia; Lafayette, Louisiana; St. Louis, Missouri; Knoxville, Tennessee; and Sherman, Texas are classified as 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 were 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 and Lafayette, Louisiana properties to revert back to the land owners as of November 1, 2010. 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 since 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. In August 2011, we sold our Knoxville, Tennessee property for net proceeds of $2,151,000.

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 January 2011 the St. Louis, Missouri property was reclassified into discontinued operations. In February 2011 we entered into an agreement to sell this property. In December 2011, we sold our St. Louis, Missouri property for net proceeds of $1,485,000.

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.

Funds From Operations

We have adopted the revised definition of Funds from Operations ("FFO"), adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). Management considers FFO to be an appropriate measure of performance of a REIT. We calculate FFO by adjusting net income (loss) (computed in accordance with GAAP, including non-recurring items), for gains (or losses) from sales of properties, real estate related depreciation and amortization, and adjustment for unconsolidated partnerships and ventures. Management believes that in order to facilitate a clear understanding of our historical operating results, FFO should be considered in conjunction with net income as presented in the consolidated financial statements included elsewhere herein. Management considers FFO to be a useful measure for reviewing our comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets and excluding real estate asset depreciation and amortization (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies.

Our calculation of FFO may not be directly comparable to FFO reported by other REITs or similar real estate companies that have not adopted the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently. FFO is not a GAAP financial measure and should not be considered as an alternative to net income (loss), the most directly comparable financial measure of our performance calculated and presented in accordance with GAAP, as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to pay dividends. We believe that to further understand our performance, FFO should be compared with our reported net income and considered in addition to cash flows in accordance with GAAP, as presented in our consolidated financial statements.

Based on the October 31, 2011 and January 6, 2012 updated guidance on reporting FFO, we have excluded impairment losses on depreciable real estate as well as other-than-temporary impairment on equity method joint ventures in the calculations of FFO and have restated prior period calculations to be consistent with this presentation. The other-than-temporary impairments have been excluded as they relate to decreases in the fair value of depreciable real estate held by the investee.

The following presents a reconciliation of net income to funds from operations for the years ended December 31, 2011 and 2010 (in thousands, except per share amounts):

	2011	2010
Basic		
Net income attributable to Winthrop Realty Trust	$ 10,933	$ 16,477
Real estate depreciation	8,646	6,399
Amortization of capitalized leasing costs	4,895	3,712
Gain on sale of real estate	(392)	—
Gain on sale of equity investments	(207)	—
Gain on property consolidation	(818)	—
Real estate depreciation and amortization of unconsolidated interests	11,466	8,959
Impairment loss on investments in real estate	7,600	2,720
Impairment loss on equity investments	21,058	—
Less: Non-controlling interest share of depreciation and amortization	(3,483)	(3,172)
Funds from operations	59,698	35,095
Preferred dividend of Series C Preferred Shares	(585)	(288)
Preferred dividend of Series D Preferred Shares	(339)	—
Allocation of earnings to Series B-1 Preferred Shares	(325)	(63)
Allocation of earnings to Series C Preferred Shares	(213)	(241)
FFO applicable to Common Shares—Basic	**$ 58,236**	**$ 34,503**
Weighted-average Common Shares	**31,428**	**22,566**
FFO Per Common Share—Basic	**$ 1.85**	**$ 1.53**
Diluted		
Funds from operations	$ 59,698	$ 35,095
Preferred dividend of Series C Preferred Shares	(585)	—
Preferred dividend of Series D Preferred Shares	(339)	—
Allocation of earnings to Series B-1 Preferred Shares	(325)	(63)
Allocation of earnings to Series C Preferred Shares	(213)	—
FFO applicable to Common Shares	**$ 58,236**	**$ 35,032**
Weighted-average Common Shares	31,428	22,566
Stock options	—	2
Convertible Series C Preferred Shares	—	388
Diluted weighted-average Common Shares	**31,428**	**22,956**
FFO Per Common Share—Diluted	**$ 1.85**	**$ 1.53**

Off-Balance Sheet Investments

We have four off-balance sheet investments in operating properties totaling $70,180,000 and five off-balance sheet investments in loan assets totaling $91,962,000 at December 31, 2011. Our exposure to loss is limited to our investment balance. See Item 8 – Financial Statements, Note 8 for additional information on these investments.

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.

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.

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.

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

Consolidated Variable Interest Entities

The Trust has identified two consolidated variable interest entities, Deer Valley, Arizona and the Andover net lease property. Consolidated variable interest entities are those where the Trust is the primary beneficiary of a variable interest entity. The primary beneficiary is the party that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: 1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance, and 2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE. The third parties' interests in these consolidated entities are reflected as non-controlling interest in the accompanying consolidated financial statements.

Variable Interest Entities Not Consolidated

Equity Method and Preferred Equity Investments —The Trust has reviewed its various equity method and preferred equity investments and identified 15 variable interests for which the underlying entities do not have sufficient equity at risk to permit them to finance their activities without additional subordinated financial support. These unconsolidated joint ventures are those where we are not the primary beneficiary of a VIE.

Vintage Housing Holdings LLC Equity Investment— The Trust has concluded that its equity method investment in its Vintage Housing joint venture is a variable interest in a VIE. This assessment is primarily based on the fact that the voting rights of the members are not proportional to their obligations to absorb expected losses and rights to receive residual returns of the legal entities. While the Trust maintains certain protective rights under the terms of the agreements governing Vintage Housing, the power to direct the activities that most significantly impact the economics of the investment is vested in the Trust's joint venture partner and managing member.

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 at the borrowing entity level 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 holds legal title to the real estate collateral and 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.

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.

The table below presents information about the Trust's derivative financial instruments at December 31, 2011 ($ in thousands):

Type	Maturity	Strike Rate	Notional Amount of Hedge	Cost of Hedge	Estimated Fair Value of Cap in Other Comprehensive income
Cap	Oct-14	1.00%	$ 21,000	$ 174	$ 85

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 $12,604,000 and $22,042,000 at December 31, 2011 and 2010 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, 2011 (in thousands):

	Change in LIBOR(2)			
	-0.30%	1%	2%	3%
Change in consolidated interest expense	$ (180)	$ 402	$ 654	$ 1,054
Pro-rata share of change in interest expense of debt on non-consolidated entities (1)	(33)	90	137	270
(Increase) decrease in net income	$ (213)	$ 492	$ 791	$ 1,324

(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, 2011 was 0.2953%.

The Trust's equity investment, Vintage holds floating rate debt of approximately $139,366,000 and bears interest at a rate indexed to the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). Based on our effective 75% ownership in Vintage, the annual effect of a change in the SIFMA rate of 1%, 2%, and 3% would increase our pro rata share of interest expense by approximately $1,045,000, $2,090,000, and $3,136,000, respectively.

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, 2011 our variable rate loans receivable and loan securities with a face value aggregating $50,494,000 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

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, 2011 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules 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, 2011, 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, the financial statement schedules for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 15, 2012

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

	December 31, 2011	December 31, 2010
ASSETS		
Investments in real estate, at cost		
Land	$ 36,495	$ 37,142
Buildings and improvements	327,337	271,357
	363,832	308,499
Less: accumulated depreciation	(44,556)	(36,232)
Investments in real estate, net	319,276	272,267
Cash and cash equivalents	40,952	45,257
Restricted cash held in escrows	3,914	8,593
Loans receivable, net	114,333	110,395
Accounts receivable, net of allowances of $639 and $262, respectively	16,140	12,402
Securities carried at fair value	28,856	33,032
Loan securities carried at fair value	5,309	11,981
Preferred equity investment	5,520	4,010
Equity investments	162,142	81,937
Lease intangibles, net	36,305	26,821
Deferred financing costs, net	1,180	1,158
Assets held for sale	6	2,275
TOTAL ASSETS	$ 733,933	$ 610,128
LIABILITIES		
Mortgage loans payable	$ 230,940	$ 230,443
Series B-1 Cumulative Convertible Redeemable Preferred Shares, $25 per share liquidation preference; 852,000 shares authorized and outstanding at December 31, 2010	—	21,300
Non-recourse secured financings	29,150	—
Revolving line of credit	40,000	25,450
Accounts payable and accrued liabilities	16,174	12,557
Dividends payable	5,369	4,431
Deferred income	502	150
Below market lease intangibles, net	2,962	2,696
Liabilities of held for sale assets	—	33
TOTAL LIABILITIES	325,097	297,060
COMMITMENTS AND CONTINGENCIES		
NON-CONTROLLING REDEEMABLE PREFERRED INTEREST		
Series C Cumulative Convertible Redeemable Preferred Shares, $25 per share liquidation preference,144,000 shares authorized and outstanding at December 31, 2010	—	3,221
Total non-controlling redeemable preferred interest	—	3,221
EQUITY		
Winthrop Realty Trust Shareholders' Equity **:**		
Series D Cumulative Redeemable Preferred Shares, $25 per share liquidation preference, 1,840,000 shares authorized and 1,600,000 shares outstanding at December 31, 2011	40,000	—
Common Shares, $1 par, unlimited shares authorized; 33,041,034 and 27,030,186 issued and outstanding at December 31, 2011 and December 31, 2010, respectively	33,041	27,030
Additional paid-in capital	626,099	569,586
Accumulated distributions in excess of net income	(311,246)	(300,782)
Accumulated other comprehensive loss	(92)	(63)
Total Winthrop Realty Trust Shareholders' Equity	387,802	295,771
Non-controlling interests	21,034	14,076
Total Equity	408,836	309,847
TOTAL LIABILITIES AND EQUITY	$ 733,933	$ 610,128

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, 2011	2010	2009
Revenue			
Rents and reimbursements	$ 44,636	$ 38,059	$ 39,803
Interest, dividends and discount accretion	25,458	17,128	7,336
	70,094	55,187	47,139
Expenses			
Property operating	15,321	8,665	7,041
Real estate taxes	4,546	2,532	2,542
Depreciation and amortization	13,539	9,956	10,529
Interest	16,021	15,375	16,664
Impairment loss on investment in real estate	7,600	—	10,000
Provision for loss on loans receivable	—	—	2,152
General and administrative	11,767	8,826	7,303
State and local taxes	379	134	157
	69,173	45,488	56,388
Other income (loss)			
Earnings (loss) from preferred equity investments	338	338	(2,108)
Equity in loss of equity investments (inclusive of impairments of $21,058, $0, $36,356)	(12,919)	(2,007)	(103,092)
Gain on sale of equity investments	207	—	—
Realized gain on sale of securities carried at fair value	123	558	5,416
Unrealized gain on securities carried at fair value	2,788	5,060	17,862
Impairment loss on real estate loan available for sale	—	—	(203)
Gain (loss) on extinguishment of debt, net	9,258	—	6,846
Realized gain on loan securities carried at fair value	—	469	—
Unrealized gain on loan securities carried at fair value	2,738	5,011	—
Settlement income	5,868	—	—
Gain on consolidation of property	818	—	—
Interest and other income	1,179	139	172
	10,398	9,568	(75,107)
Income (loss) from continuing operations	11,319	19,267	(84,356)
Discontinued operations			
Income (loss) from discontinued operations	428	(1,902)	1,026
Consolidated net income (loss)	11,747	17,365	(83,330)
Income attributable to non-controlling interest	(814)	(888)	(1,017)
Net income (loss) attributable to Winthrop Realty Trust	1 0,933	16,477	(84,347)
Income attributable to non-controlling redeemable preferred interest	(585)	(288)	(147)
Income attributable to Series D Preferred Shares	(339)	—	—
Net income (loss) attributable to Common Shares	$ 10,009	$ 16,189	$ (84,494)
Comprehensive income (loss)			
Consolidated net income (loss)	$ 11,747	$ 17,365	$ (83,330)
Change in unrealized gain on available for sale securities	—	2	19
Change in unrealized gain (loss) on interest rate derivative	(29)	22	543
Change in unrealized gain (loss) from equity investments	—	—	26,174
Comprehensive income (loss)	$ 11,718	$ 17,389	$ (56,594)
Per Common Share data—Basic			
Income (loss) from continuing operations	$ 0.31	$ 0.80	$ (5.25)
Income (loss) from discontinued operations	0.01	(0.08)	0.06
Net income (loss) attributable to Winthrop Realty Trust	$ 0.32	$ 0.72	$ (5.19)
Per Common Share data—Diluted			
Income (loss) from continuing operations	$ 0.31	$ 0.80	$ (5.25)
Income (loss) from discontinued operations	0.01	(0.08)	0.06
Net income (loss) attributable to Winthrop Realty Trust	$ 0.32	$ 0.72	$ (5.19)
Basic Weighted-Average Common Shares	31,428	22,566	16,277
Diluted Weighted-Average Common Shares	31,428	22,568	16,277

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(In thousands except per share data)

	Preferred Shares of Benefical Interest		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	Shares	Amount					
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 forsale securities, net of reclassificationadjustments 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 throughrights 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
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 ($1.625 per share)	—	—	—	—	—	(288)	—	—	(288)
Change in unrealized loss on available forsale securities, net of reclassificationadjustments for amounts included in net income	—	—	—	—	—	—	2	—	2
Change in unrealized gain on interest rate derivatives	—	—	—	—	—	—	22	—	22
Conversion of Series C Preferred Sharesto 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	—	$ —	27,030	27,030	$ 569,586	$ (300,782)	$ (63)	$ 14,076	$309,847

(Continued on next page)

See Notes to Consolidated Financial Statements.

WINTHROP REALTY TRUST
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(In thousands except per share data, continued)

	Preferred Shares of Beneficial Interest		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	Shares	Amount					
Balance, December 31, 2010	—	$ —	27,030	$ 27,030	$ 569,586	$ (300,782)	$ (63)	$ 14,076	$309,847
Net income attributable to Winthrop Realty Trust	—	—	—	—	—	10,933	—	—	10,933
Net income attributable to non-controlling interests	—	—	—	—	—	—	—	814	814
Distributions to non-controlling interests	—	—	—	—	—	—	—	(356)	(356)
Contributions from non-controlling interests	—	—	—	—	—	—	—	6,526	6,526
Dividends paid or accrued on Common Shares of beneficial interest ($0.65 per share)	—	—	—	—	—	(20,473)	—	—	(20,473)
Dividends paid or accrued on Series C Preferred Shares ($1.43 per share)	—	—	—	—	—	(585)	—	—	(585)
Dividends paid or accrued on Series D Preferred Shares ($0.212 per share)	—	—	—	—	—	(339)	—	—	(339)
Change in unrealized loss on interest rate derivatives	—	—	—	—	—	—	(29)	(26)	(55)
Net proceeds from Common Shares offering	—		5,750	5,750	55,636	—	—	—	61,386
Net proceeds from Series D Preferred Shares offering	1,600	40,000	—	—	(1,622)	—	—	—	38,378
Stock issued pursuant to dividend reinvestment plan	—	—	261	261	2,499	—	—	—	2,760
Balance, December 31, 2011	1,600	$ 40,000	33,041	$ 33,041	$ 626,099	$ (311,246)	$ (92)	$ 21,034	$408,836

See Notes to Consolidated Financial Statements.

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

	Years Ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Net income (loss)	$ 11,747	$ 17,365	$ (83,330)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization (including amortization of deferred financing costs)	9,412	6,988	7,504
Amortization of lease intangibles	4,472	3,033	4,771
Straight-lining of rental income	(2,076)	212	(1,280)
Loan discount accretion	(13,401)	(8,782)	(1,021)
Discount accretion received in cash	13,290	—	—
(Earnings) loss of preferred equity investments	(338)	(338)	2,758
Distributions of income from preferred equity investments	571	340	2,373
Loss of equity investments	12,919	2,007	103,092
Distributions of income from equity investments	12,696	5,270	2,784
Restricted cash held in escrows	1,431	1,167	(1,824)
Gain on sale of securities carried at fair value	(123)	(558)	(5,416)
Unrealized gain on securities carried at fair value	(2,788)	(5,060)	(17,862)
Gain on sale of assets held for sale	(392)	—	—
Gain on sale of loan securitites carried at fair value	—	(469)	—
Unrealized gain on loan securities carried at fair value	(2,738)	(5,011)	—
Impairment loss on real estate loan available for sale	—	—	203
Impairment loss on investments in real estate	7,600	2,720	10,000
Gain on sale of equity investments	(207)	—	—
(Gain) loss on extinguishment of debt	(9,258)	—	(7,138)
Gain on consolidation of property	(818)	—	—
Provision for loss on loan receivable	—	—	2,152
Tenant leasing costs	(2,791)	(2,996)	(2,191)
Bad debt (recovery) expense	377	(643)	340
Net change in interest receivable	37	(361)	(74)
Net change in accounts receivable	(616)	2,363	—
Net change in accounts payable and accrued liabilities	681	2,365	(873)
Net cash provided by operating activities	39,687	19,612	14,968
Cash flows from investing activities			
Issuance and acquisition of loans receivable	(67,619)	(122,301)	(31,514)
Investments in real estate	(9,751)	(23,484)	(2,522)
Investment in equity investments	(151,219)	(25,632)	(3,358)
Investment in preferred equity investment	(7,564)	—	(487)
Return of capital distribution from equity investments	31,890	9,625	118
Investment in real estate loan available for sale	—	—	(35,000)
Return of capital distribution from securities carried at fair value	—	181	—
Purchase of securities carried at fair value	(19,321)	(13,222)	(33,115)
Proceeds from sale of assets held for sale	3,629	1,750	—
Proceeds from preferred equity investments	—	—	145
Proceeds from sale of equity investments	6,000	—	—
Proceeds from sale of real estate loan available for sale	—	—	34,797
Proceeds from sale of securities carried at fair value	26,408	31,249	39,015
Proceeds from sale of available for sale securities	—	205	—
Proceeds of loan securities at maturity	8,748	2,272	—
Proceeds from sale of loans receivable	—	12,876	—
Restricted cash held in escrows	3,160	(1,508)	2,668
Collection of loans receivable	70,289	15,064	11,467
Cash from foreclosure on properties	—	275	—
Net cash used in investing activities	(105,350)	(112,650)	(17,786)

(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, 2011	2010	2009
Cash flows from financing activities			
Proceeds from mortgage loans payable	$ 32,494	$ —	$ 49
Proceeds from loan payable	—	—	19,818
Payment of loan payable	—	—	(19,818)
Proceeds from revolving line of credit	67,324	25,450	35,000
Payment of revolving line of credit	(52,774)	—	(35,000)
Principal payments of mortgage loans payable	(72,574)	(10,199)	(6,229)
Restricted cash held in escrows	89	1,520	4,004
Payments of note payable	—	—	(9,800)
Deferred financing costs	(788)	(252)	(61)
Contribution from non-controlling interest	1,349	1,431	979
Distribution to non-controlling interest	(356)	(354)	(843)
Issuance of Common Shares under Dividend Reinvestment Plan	2,760	2,401	1,615
Issuance of Common Shares through offering	61,386	66,774	40,168
Issuance of Preferred Shares	38,378	—	—
Dividend paid on Common Shares	(19,496)	(14,573)	(17,809)
Dividend paid on Series C Preferred Shares	(624)	(396)	—
Dividend paid on Series D Preferred Shares	(339)	—	—
Redemption of Series B-1 Preferred Shares	(21,400)	—	(2,000)
Redemption of Series C Preferred Shares	(3,221)	—	—
Proceeds from secured financing	29,150	—	—
Net cash provided by financing activities	61,358	71,802	10,073
Net increase (decrease) in cash and cash equivalents	(4,305)	(21,236)	7,255
Cash and cash equivalents at beginning of year	45,257	66,493	59,238
Cash and cash equivalents at end of year	$ 40,952	$ 45,257	$ 66,493
Supplemental Disclosure of Cash Flow Information			
Interest paid	$ 16,246	$ 14,240	$ 16,324
Taxes paid	$ 396	$ 133	$ 220
Supplemental Disclosure on Non-Cash Investing and Financing Activities			
Dividends accrued on Common Shares	$ 5,396	$ 4,392	$ 3,311
Dividends accrued on Series C Preferred Shares	$ —	$ 39	$ 147
Capital expenditures accrued	$ 2,807	$ 1,046	$ 201
Distribution from equity investment	$ —	$ —	$ 161
Redemption of Series B-1 Preferred Shares	$ —	$ —	$ (17,081)
Deposit on redemption of Series B-1 Preferred Shares	$ —	$ —	$ 17,081
Transfer from preferred equity investments	$ 5,821	$ —	$ 41,823
Transfer from (to) loans receivable	$ (6,534)	$ —	$ 15,805
Transfer to equity method investments	$ (7,509)	$ —	$ (57,628)
Transfer to investments in lease intangibles	$ (11,904)	$ (3,204)	$ —
Transfer to investments in real estate	$ (52,778)	$ (41,425)	$ —
Transfer to below market lease intangibles	$ 1,005	$ 125	$ —
Assumption of mortgage loan on investment in real estate	$ 49,091	$ 23,875	$ —
Transfer from loan securities	$ 662	$ —	$ —

See 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.

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 Athens, Georgia; Kansas City, Kansas; Lafayette, Louisiana; St. Louis, Missouri; Knoxville, Tennessee; and Sherman, Texas.

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 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.

During the quarter ended December 31, 2011, the Trust identified an error related to lease termination fee income for its St Louis, Missouri property, included in discontinued operations, which should have been in its December 31, 2010 financial statements. As a result, net income was understated by $450,000 for the year ended December 31, 2010. This income was recorded by the Trust in the quarter ended December 31, 2011. The Trust determined that this amount was not material to the year or any quarter for the years ended December 31, 2011 or 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 real estate investments 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.

Restricted Cash

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

Loans Receivable

The Trust's policy is to record loans receivable at cost, net of unamortized discounts 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. Loan fees and direct costs associated with loans originated by the Trust are deferred and amortized over the life of the loan as interest income.

The Trust evaluates the collectability of the interest and principal of each of its loans to determine potential 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 equal to the amount by which the Trust's net investment in the loan exceeds its fair value. 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

For 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 and loan securities carried at fair value. The changes in the fair value of these instruments are recorded in unrealized gain (loss) on securities and loan securities carried at fair value in the Consolidated Statements of Operations.

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 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 of 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 entities in which it has the ability to significantly influence but does not have a controlling interest, by using the equity method of accounting. Factors that are considered in determining whether or not the Trust exercises control include (i) the right to remove the general partner or managing member in situations where the Trust is 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 as 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 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 estimating the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market lease values are recorded based on the difference between the current in-place lease rent and a management estimate of current market rents. Below-market lease intangibles are recorded as a liability and amortized into rental revenue over the 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. In-place lease values are based upon the Trust's evaluation of the specific characteristics of each tenant lease. Factors considered include estimates of carrying costs during a hypothetical lease up period considering current market conditions and costs to execute similar leases. The in-place leases are recorded as intangible assets and amortized as a charge to amortization expense.

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 which approximates the effective interest method.

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 and interest rate cap agreements are carried on the balance sheet at fair value. The interest rate swap is carried as an asset if the counterparty would be required to pay the Trust, or as a liability if the Trust would be required to pay the counterparty to settle the swap. Since the Trust’s interest rate contracts are designated as “cash flow hedges,” 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.

Upon entering into hedging transactions, the Trust documents the relationship between the interest rate financial instrument 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 is no longer appropriate. To date, the Trust has not discontinued hedge accounting for its interest rate swap or interest rate cap agreements. The Trust utilizes its interest rate swap and interest rate cap agreements to manage interest rate risk and does not intend to enter into derivative transactions for speculative or trading purposes.

Revenue Recognition

The Trust accounts for its leases with tenants as operating leases with rental revenue recognized on a straight-line basis over the minimum non-cancellable term of the lease. The straight-line rent adjustment increased revenue by $2,076,000 in 2011, decreased revenue by $212,000 in 2010, and increased revenue by $1,280,000 in 2009. The accrued straight-line rent receivable amounts at December 31, 2011 and 2010 were $10,805,000 and $8,729,000, net of allowances, respectively.

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 that the Trust has no further obligations under the lease; otherwise, the lease termination payment is amortized on a straight-line basis over the remaining obligation period.

Income Taxes

The Trust operates in a manner intended to enable it to continue to qualify as a REIT. In order to qualify as a REIT, the Trust is generally required each year to distribute to its shareholders at least 90% of its taxable income (excluding any net capital gains). There is also a separate requirement to distribute net capital gains or pay a corporate level tax. The Trust intends to comply with the foregoing minimum dividend requirements.

In order for the Trust to continue to qualify as a REIT, the value of the 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.

Preferred Shares

On November 28, 2011 the Trust closed on a public offering of 1,600,000 9.25% Series D Cumulative Redeemable Preferred Shares of Beneficial Interest (the “Series D Preferred Shares”) at a price of $25.00 per share, par value of $1 per share. The Trust received net proceeds (after underwriting discounts but before expenses) of $38,740,000. The Series D Preferred Shares rank senior to the Common Shares with respect to dividend rights and liquidation or dissolution rights. The Series D Preferred Shares have no stated maturity date and are not subject to mandatory redemption or any sinking fund. Holders of the Series D Preferred Shares will generally have no voting rights except for limited voting rights if we fail to pay dividends for six or more quarterly periods. The Series D Preferred Shares are classified as a component of permanent equity at December 31, 2011.

Concurrent with the Series D Preferred Shares offering, the Trust entered into an agreement with the holders of the Series B-1 Cumulative Convertible Redeemable Preferred Shares (“Series B-1 Preferred Shares”) and Series C Cumulative Convertible Redeemable Preferred Shares (“Series C Preferred Shares”) to repurchase all the outstanding shares prior to the consummation of the Series D Preferred Shares closing and issuance. The Trust repurchased 100% of the Series B-1 Preferred Shares and the Series C Preferred Shares on November 18, 2011 at a price of $25,000,000 plus accrued dividends. The Trust recognized a loss of $100,000 on the repurchase of the Series B-1 Preferred Shares.

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 Preferred Shares and the Series C Preferred Shares were 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) were 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):

	2011	2010	2009
Basic			
Income (loss) from continuing operations	$ 11,319	$ 19,267	$ (84,356)
Income attributable to non-controlling interest	(814)	(888)	(1,017)
Preferred dividend of Series C Preferred Shares	(585)	(288)	(147)
Preferred dividend of Series D Preferred Shares	(339)	—	—
Income (loss) from continuing operations applicable to Common Shares	9,581	18,091	(85,520)
Income (loss) from discontinued operations	428	(1,902)	1,026
Net income (loss) applicable to Common Shares for earnings per share purposes	$ 10,009	$ 16,189	$ (84,494)
Basic weighted-average Common Shares	31,428	22,566	16,277
Income (loss) from continuing operations	$ 0.31	$ 0.80	$ (5.25)
Income (loss) from discontinued operations	0.01	(0.08)	0.06
Net income (loss) per Common Share	$ 0.32	$ 0.72	$ (5.19)
Diluted			
Income (loss) from continuing operations	$ 11,319	$ 19,267	$ (84,356)
Income attributable to non-controlling interest	(814)	(888)	(1,017)
Preferred dividend of Series C Preferred Shares	(585)	(288)	(147)
Preferred dividend of Series D Preferred Shares	(339)	—	—
Income (loss) from continuing operations applicable to Common Shares	9,581	18,091	(85,520)
Income (loss) from discontinued operations	428	(1,902)	1,026
Net income (loss) applicable to Common Shares for earnings per share purposes	$ 10,009	$ 16,189	$ (84,494)
Basic weighted-average Common Shares	31,428	22,566	16,277
Series B-1 Preferred Shares (1)	—	—	—
Series C Preferred Shares (2)	—	—	—
Stock options (3)	—	2	—
Diluted weighted-average Common Shares	31,428	22,568	16,277
Income (loss) from continuing operations	$ 0.31	$ 0.80	$ (5.25)
Income (loss) from discontinued operations	0.01	(0.08)	0.06
Net income (loss) per Common Share	$ 0.32	$ 0.72	$ (5.19)

(1) The Series B-1 Preferred Shares are anti-dilutive for the years ended December 31, 2011, 2010 and 2009 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, 2011, 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, 2011 and 2009 and are not included in the weighted-average shares outstanding for the calculation of diluted earnings per Common Share.

Recently Issued Accounting Standards

On December 23, 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-12: *Comprehensive Income (Topic 220)—Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* , to defer the effective date for the part of ASU No. 2011-05 that, as disclosed in the Trust's financial statements for the period ended June 30, 2011, would require adjustments of items out of accumulated other income to be presented on the components of both net income and other comprehensive income in financial statements. The changes in ASU No. 2011-05 would have been effective for annual and interim periods beginning on or after December 15, 2011, but those changes are now deferred until FASB can adequately evaluate the costs and benefits of this presentation requirement. As a result, the treatment of reclassification of items out of other comprehensive income will remain as it was prior to the changes made in ASU No. 2011-05.

On December 16, 2011, FASB issued ASU No. 2011-11: *Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities* which requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the financial statements particularly for transactions related to derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The new disclosure requirements will be effective for annual reporting periods beginning on or after January 1, 2013. The new disclosures will be required for all prior comparative periods presented. The Trust has evaluated this new guidance and does not anticipate its adoption will have a material impact on its consolidated financial statements.

On December 14, 2011, FASB issued ASU No. 2011-10: *Property, Plant, and Equipment (Topic 360)—Derecognition of in Substance Real Estate—a Scope Clarification* , clarifying that a parent company should not deconsolidate an in substance real estate subsidiary in which the parent loses a controlling interest as a result of default on the subsidiary's non-recourse debt until title to the in substance real estate is transferred to legally satisfy the debt. This ASU resolves a diversity in practice of applying existing consolidation guidance. The amendments in ASU No. 2011-10 should be applied prospectively to deconsolidation events occurring after the effective date, though early adoption is permitted. Prior periods should not be adjusted. For public entities, the amendments are effective for periods beginning on or after June 15, 2012. The Trust has evaluated this new guidance and does not anticipate its adoption will 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.

Recurring Measurements

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. The significant assumptions used in this analysis include market interest rates and interest rate spreads. This valuation methodology has been characterized as Level 3 in the fair value hierarchy.

Derivative Financial Instruments

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

The 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.

The table below presents the Trust's assets and liabilities measured at fair value on a recurring basis as of December 31, 2011, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Securities carried at fair value	$ 28,856	$ —	$ —	$ 28,856
Loan securities carried at fair value	—	—	5,309	5,309
Interest Rate Cap	—	85	—	85
	$ 28,856	$ 85	$ 5,309	$ 34,250

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):

Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Securities carried at fair value	$ 33,032	$ —	$ —	$ 33,032
Loan securities carried at fair value	—	—	11,981	11,981
	$ 33,032	$ —	$ 11,981	$ 45,013
Liabilities				
Interest rate swap	$ —	$ 63	$ —	$ 63

During the years ended December 31, 2011 and 2010 there were no transfers between Level 1 and Level 2 fair value assets and liabilities.

The table below includes a roll forward (in thousands) of the balance sheet amounts from January 1, 2009 to December 31, 2011, 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.

	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, January 1, 2011	—	11,981
Purchases	—	—
Sale repayment	—	(662)
Payoff at par	—	(8,748)
Realized gain		—
Unrealized gain, net	—	2,738
Transfers in/and or out of Level 3	—	—
Fair value, December 31, 2011	$ —	$ 5,309

Non-Recurring Measurements

Equity and Preferred Equity Investments

Equity and preferred equity investments are assessed for other-than-temporary impairment when the carrying value of the Trust's investment exceeds its fair value. The fair value of equity investments is determined using an 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 rental revenues, operating expenses, inflation rates, market absorption rates, tenanting costs, the discount rate and capitalization rates used in the income capitalization valuation. The Trust has determined that the significant inputs used to value its Marc Realty, Sealy, and Lex-Win Concord, LLC equity investments fall within Level 3. The Trust recognized other-than-temporary impairment losses of $21,058,000, $0 and $34,170,000 on these investments during the years ended December 31, 2011, 2010 and 2009, respectively.

The Trust has determined that the significant inputs used to value certain of its preferred equity investments fall within Level 3. The Trust recorded impairment losses of $2,186,000 on these preferred equity investments during the year ended December 31, 2009. 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.

Investments in Real Estate and Assets Held For Sale

During 2011, 2010, and 2009 the Trust recognized impairment charges of $7,600,000, $2,720,000 and $10,000,000, respectively, relative to investments in real estate and assets held for sale. The Trust assesses the assets in its portfolio for recoverability based upon a determination of the existence of impairment indicators including significant decreases in market pricing and market rents, a change in the extent or manner in which real estate assets are being used or a decline in their physical condition, current period losses combined with a history of losses or a projection of continuing losses, and a current expectation that real estate assets will be sold or otherwise disposed of before the end of their previously estimated useful lives. When such impairment indicators exist, management estimates the undiscounted cash flows from the expected use and disposition of the asset. Significant inputs for this recoverability analysis include the anticipated holding period for the asset as well as assumptions over rental revenues, operating expenses, inflation rates, market absorption rates, tenanting costs and the asset's estimated residual value. For those assets not deemed to be fully recoverable, the Trust records an impairment charge equal to the difference between the carrying value and estimated fair value of the asset. Management determines the fair value of those assets using an income capitalization approach based on assumptions it believes a market participant would utilize. Significant assumptions include discount and capitalization rates used in the income valuation approach.

In July 2011 the Trust satisfied its $23,773,000 first mortgage loan on its wholly owned Lisle, Illinois properties for a discounted payoff of $14,500,000. Subsequent to the discounted payoff and as a result of continued declines in occupancy at these properties, the Trust re-evaluated its business plan and holding periods for these properties. The Trust determined that as a result of the anticipated shorter holding period and higher lease up costs, the carrying value of the 701 Arboretum property was no longer fully recoverable. In addition, in September 2011 the Trust entered into a settlement agreement with the former tenant at its Churchill, Pennsylvania property. The Trust re-evaluated its business plan and holding period for this property and determined that the carrying value of the Churchill property was no longer fully recoverable.

The Trust has determined that the undiscounted cash flows for one other of its properties marginally exceed the carrying value of the property. A further deterioration in such undiscounted cash flows could cause impairment of the property which could be material to the Trust's future results of operations.

The table below presents as of December 31, 2011 the Trust's assets and liabilities measured at fair value as events dictate, according to the level in the fair value hierarchy within which those measurements fall (in thousands):

Non-Recurring Basis	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity investments	$ —	$ —	$ 28,135	$ 28,135
Investments in real estate	—	—	10,794	10,794
	$ —	$ —	$ 38,929	$ 38,929

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):

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

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 has elected the fair value option for all loan securities and REIT securities.

The Trust recognized a net unrealized gain of $5,526,000, $10,071,000, and $17,862,000 for the years ended December 31, 2011, 2010, and 2009 respectively, as a result of the change in fair value of the securities and loan securities carried at fair value, which is recorded as an unrealized gain in the Trust's Statements of Operations. Income related to securities carried at fair value is recorded as interest and dividend income.

The following table presents as of December 31, 2011 and December 31, 2010 the Trust's financial assets for which the fair value option was elected (in thousands):

Financial Instruments at Fair Value	December 31, 2011	December 31, 2010
Assets		
Securities carried at fair value:		
REIT Preferred shares	$ 4,277	$ 28,547
REIT Common shares	24,579	4,485
Loan securities carried at fair value	5,309	11,981
	$ 34,165	$ 45,013

The table below presents as of December 31, 2011 the difference between fair values and the aggregate contractual amounts due for which the fair value option has been elected (in thousands):

	Fair Value at December 31, 2011	Amount Due Upon Maturity	Difference
Assets			
Loan securities carried at fair value	$ 5,309	$ 7,494	$ 2,185
	$ 5,309	$ 7,494	$ 2,185

4. Acquisition, Disposition, Leasing and Financing Activities

Operating Properties

Operating Properties—Acquisition Activities

450 West 14th Street / 446 High Line LLC Investment —On May 13, 2011 the Trust committed to invest up to $15,000,000 for a preferred equity interest in the entity that holds the leasehold interest in a newly constructed 70.4% pre-leased 105,000 square foot retail and office property located on the High Line at 450 West 14th Street, New York, New York. At December 31, 2011, the Trust had invested $9,539,000. The investment is subject to a first mortgage loan with an outstanding balance of $49,585,000 at December 31, 2011 subject to future advances up to $54,000,000. The Trust's preferred equity entitles it to a 10% current cash return on its invested balance. In October 2011, the joint venture that owns the property obtained its temporary certificate of occupancy from the New York City Buildings Department. The Trust exercised its right to become the managing member of the entity effective November 1, 2011. As a result of the Trust becoming the managing member and the ensuing change in control, the Trust now consolidates the operations of the property and has accounted for such change in control as a business combination. The Trust recognized a gain on consolidation of $818,000.

The fair value opening equity and fair value of non-controlling interest was calculated utilizing the hypothetical liquidation methodology. The fair value of the assets and liabilities was calculated by an independent third party valuation firm and reviewed by management. The methodology used by the Trust for purposes of allocating the fair value of the newly consolidated property to tangible and intangible assets and liabilities is discussed in Note 2. The assets and liabilities were allocated as follows (in thousands):

	Carrying Value
Buildings and improvements	$ 52,778
Intangible assets	10,427
Accounts receivable and prepaids	1,356
Lease commissions	1,477
Mortgage loans payable	(49,091)
Accounts payable and accrued liabilities	(2,104)
Below market lease intangibles	(1,005)
Non-controlling interest	(5,177)
Fair value opening equity	8,661
Contributed capital	7,843
Gain on consolidation of property	$ 818

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

	Carrying Value	Weighted Average Amortization Period (years)
Intangible assets:		
Above market tenant leases acquired	$ 449	11.8
Tax abatement	3,936	12.0
In-place lease value	3,968	11.8
Tenant relationship value	2,024	21.8
Legal and Marketing Fees	50	11.8
Total	$ 10,427	13.8
Intangible liabilities:		
Below market ground lease assumed	$ 1,005	42.0

The operating results of 450 W 14 th Street are included in the Trust's results of operations from the initial consolidation date of November 1, 2011 as presented below (in thousands):

Rents and reimbursements	$ 921
Total expenses (including depreciation, amortization and interest)	(1,052)
Net loss	(131)
Loss attributable to non-controlling interest	303
Winthrop Realty Trust net income	$ 172

Operating Properties—Litigation Settlement

On September 30, 2011 the Trust entered into a settlement agreement which provided for the dismissal of the lawsuit against CBS Corporation. The settlement provided for a payment to the Trust of $6,500,000, the conveyance to the Trust of approximately 148 acres of land and the waiver of all ground lease payments by the Trust for 2011. During the fourth quarter, the Trust recognized income of $5,868,000 in connection with the settlement terms.

In connection with the settlement, the Trust also entered into a new net lease with Westinghouse Electric Company LLC ("Westinghouse") for approximately 57,000 square feet of space at the Churchill property. The lease has a term of 12 years and requires annual rent of $750,000 per year, increasing annually by 3%. Westinghouse is responsible for all costs associated with the leased space and can terminate the lease at any time after the fifth anniversary by making a termination payment of $4,400,000 which decreases each year thereafter. The lease requires that the Trust make certain improvements and utility upgrades with an anticipated cost of approximately $1,000,000. The lease will commence upon completion of these improvements.

Under the terms of the settlement agreement, the Trust agreed to market for sale both the portion of the property leased to Westinghouse and the remaining portion of the property. In December 2011 the Trust engaged a national broker to begin marketing the non-Westinghouse parcel with an auction scheduled for March 2012. The Westinghouse parcel is expected to be marketed during the fourth quarter of 2012. The Trust has agreed to pay CBS 50% of the sales proceeds received from the sale, or if not sold, 50% of the value as determined by the bids for the property received in each case, in excess of $6,500,000.

The Trust conducted an impairment analysis of the Churchill property at December 31, 2011. As part of this analysis, the Trust determined that this property should continue to be classified in continuing operations at December 31, 2011 as not all the requirements for discontinued operations had been satisfied.

The Trust assessed the property for recoverability based upon its estimate of undiscounted cash flows expected to result from its use and ultimate disposition. The Trust deemed the carrying value of its investment not to be recoverable and estimated the fair value of the property based upon assumptions it believes a market participant would utilize. Accordingly, the Trust recorded an impairment charge in the fourth quarter of $4,600,000.

Operating Properties—Disposition Activities

Properties in Discontinued Operations —In August 2011, the Trust sold its Knoxville, Tennessee property for net proceeds of $2,151,000 and in December 2011 the Trust sold its St. Louis, Missouri property for net proceeds of $1,290,000. The Trust recognized a net gain of $392,000 on these sales which is included in the results of discontinued operations.

Loans

Loan Asset Acquisition Activities

Magazine Mezzanine Loan —On June 1, 2011 the Trust acquired from Concord Debt Holdings LLC (“Concord”) for a purchase price of $17,525,000 a $20,000,000 senior mezzanine loan collateralized by a pledge of the equity interest in six cross-collateralized apartment communities, totaling 2,106 units located in Orlando, Sarasota, Bradenton and Palm Beach Gardens, Florida. The loan is subordinate to $120,000,000 of senior debt, is currently paying interest at the one month LIBOR plus 123 basis points and is scheduled to mature on July 9, 2012. The Trust accounts for this investment as a loan receivable.

Loan Asset Originations

Hotel Wales —On October 6, 2011 the Trust originated a $20,000,000 mortgage loan collateralized by the Hotel Wales located in Manhattan, New York which loan bears interest at LIBOR plus 4%, with a 3% LIBOR floor (i.e. a minimum 7% rate on the loan), and matures in October 2013, with a one-year extension right. Subsequently, the Trust issued a $14,000,000 senior participation to Concord Real Estate CDO-1 Ltd. (“CDO-1”) at par, which bears interest at LIBOR plus 1.25% with a 3% LIBOR floor, with the Trust retaining a $6,000,000 junior participation which provides for interest payments equal to the interest payable on the loan less the amount payable on the senior participation for an initial rate of 13.4%. The Trust accounts for this investment as a $20,000,000 loan receivable with a $14,000,000 non-recourse secured financing with a pledge of collateral, establishing a liability for the portion participated to CDO-1.

Renaissance Walk —On December 12, 2011 the Trust originated a $3,000,000 mezzanine loan collateralized by the Renaissance Walk property comprised of 140 residential rental units, over 30,000 square feet of retail space plus structured parking and amenities on 1.6 acres, located in downtown Atlanta, Georgia. The loan is subordinate to $4,000,000 of senior debt, bears interest at LIBOR plus 12% with a 2% LIBOR floor, and is scheduled to mature on January 1, 2014. The Trust accounts for this investment as a loan receivable.

127 West 25th Street— On October 25, 2011 the Trust committed to make a $9,000,000 subordinate mortgage loan collateralized by the commercial property located at 127 West 25th Street, Manhattan, New York. The loan is subject to the satisfaction by the borrower of certain conditions on or prior to the loan funding date. If funded, the loan will mature on October 1, 2014, bear interest at a rate equal to the greater of 14% per annum or LIBOR plus 10%, and require minimum monthly payments equal to interest as well as possible principal payments. In connection with the entering into of the loan agreement, the Trust received an origination fee of $90,000. The Trust’s commitment may be extended by the borrower on a monthly basis through March 24, 2012 by paying a monthly commitment fee of $105,000. The loan, when and if made, will be subordinate to a first mortgage loan with an outstanding principal balance expected to be not more than $35,200,000. The property is net leased to the Bowery Residents’ Committee, Inc., a New York not-for-profit corporation, which obtains funding from the City of New York.

29 East Madison —See details for 29 East Madison loan asset under “Investments in Joint Ventures— *Marc Realty* ” below.

Loan Asset Modifications

San Marbeya Loan Receivable Participation Interest- On January 14, 2011 the Trust restructured the San Marbeya first mortgage loan to create 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 issued the senior loan participation to CDO-1 at par. The Trust accounts for the loan participation as a non-recourse secured financing with a pledge of collateral, establishing a liability for the portion participated to CDO-1.

Loan Assets Repaid

Metropolitan Tower— On March 31, 2011 the Trust received repayment of the Metropolitan Tower B-Note and Rake Bond at par in the amount of $23,750,000. The Trust acquired the investments on December 16, 2009 for $11,750,000.

Siete Square Loan— On June 9, 2011 the borrower on the Trust's Sub-Participation B Interest exercised its discounted payoff option and repaid the loan for $2,500,000. The loan asset was originally acquired in June 2009 for $2,460,000.

CDH-CDO LLC On August 8, 2011 the Trust received final payment on the $3,498,000 compliance loan the Trust had previously made to CDH CDO LLC ("CDH CDO"), an entity in which the Trust holds a 33.3% interest. The outstanding loan plus accrued interest totaling approximately $3,669,000 was fully repaid.

Beverly Hills Hilton— On September 15, 2011 the Trust's B-Note receivable was paid off at par. The Trust received repayment of $10,000,000 on the loan which was originally acquired on December 9, 2009 for $5,250,000.

Moffet Towers— On October 25, 2011 the Trust received payment of $23,034,000 plus accrued interest in full satisfaction of the Trust's senior participation in a B-Note secured by a first mortgage lien on the Moffet Tower office complex in the amount of $21,558,000 and additional advances of $1,476,000 made under the terms of the note. The B-Note was originally acquired on October 29, 2010.

Westwood Business Park— On December 19, 2011 the Trust received full repayment of $3,646,000 net interest on a first mortgage loan secured by four class B office buildings in Phoenix, Arizona. The first mortgage loan was originally purchased on October 29, 2010.

Loan Securities

CDH-CDO LLC —On February 15, 2011, the Trust sold to Concord Debt Funding Trust ("CDFT") a wholly owned subsidiary of CDH CDO and the sole equity owner of CDO-1, tranche E bonds with a face amount of $9,000,000 issued by CDO-1. In exchange for the bonds, the Trust received a note in the amount of its original purchase price plus accrued interest. The note plus accrued interest totaling approximately $763,000 was repaid in full on April 15, 2011.

Investments in Joint Ventures

Gotham Hotel—Joint Venture Loan Acquisition —On February 23, 2011 the Trust acquired 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 through a 50/50 joint venture. The loan earned interest at a rate of 9.33%, and matured on May 4, 2011. On May 24, 2011 the Trust received repayment of $8,638,000 on its $8,037,000 pro-rata share of the equity investment.

Vintage Housing Holdings LLC Investment —On March 8, 2011 the first stage of the Vintage Housing Holdings LLC, ("Vintage"), transaction closed pursuant to which the Trust acquired developer fees and advances receivable for a purchase price of $7,000,000. On June 24, 2011 the Trust closed on the second phase of the Vintage transaction to acquire for $18,200,000, plus a contribution of its previously purchased receivables, an effective 75% interest in the Vintage venture entitling the Trust to a 12% preferred return from current cash flow. Vintage owns general partnership interests and certain developer fees and advances receivable from partnerships owning 25 multifamily and senior housing properties comprising approximately 4,200 units located primarily in the Pacific Northwest and California. The Trust accounts for its investment in Vintage using the equity method of accounting.

During the quarter ended September 30, 2011, the Trust invested an additional $7,000,000 in its Vintage venture. Of this contribution, $4,300,000 was invested for the venture's acquisition of non-controlling general partner interests in seven of the existing investments. The remaining $2,700,000 contributed was used by the venture for investment in receivables and three new properties.

WRT-ROIC Lakeside Eagle—Joint Venture Loan Acquisition— On March 22, 2011 the Trust purchased through a 50/50 joint venture, two non-performing first mortgage loans at par for an aggregate price of $35,558,000. The loans were collateralized by two retail centers located in Riverside County, California. Both notes matured on April 1, 2010 and were in maturity default. The notes bore interest at their default rate of 8.92% (4.92% stated note rate plus 4% default rate). Upon acquisition, the joint venture began foreclosure proceedings. In May 2011 the Trust received repayments on the two non-performing first mortgage loans totaling $18,650,000 on its $18,093,000 pro-rata share of the equity investment.

Marc Realty —On June 1, 2011 the Trust sold to its partner, Marc Realty, for $18,544,000 its equity interest in three properties in its Marc Realty Portfolio (8 South Michigan, 11 East Adams and 29 East Madison). The purchase price was paid $6,000,000 in cash and $12,544,000 in aggregate secured promissory notes which each bear interest at 8% per annum, require payments of interest only and mature on May 31, 2016. The Trust has received payments in full satisfaction of its $4,910,000 8 South Michigan loan and $2,265,000 11 East Adams loan and recognized $207,000 in gain related to the full repayment of the two loans. In addition, Marc Realty made $1,369,000 in payments on its 29 East Madison loan. At December 31, 2011, the 29 East Madison loan outstanding balance was $4,000,000 and the Trust had deferred income in the amount of $166,000 related to this sale.

Sofitel / LW Sofi LLC Investment —On June 2, 2011 the Trust entered into a 50/50 joint venture named LW SOFI LLC ("LW SOFI") with Lexington Realty Trust ("Lexington"). The Trust and Lexington each contributed approximately $5,760,000 to LW SOFI. On June 3, 2011 LW SOFI acquired from Concord for approximately $11,520,000, 100% of the economic rights and obligations in a $71,530,000 mezzanine loan collateralized by an interest in the Sofitel hotel in New York City. The loan required payments of interest only at a rate of LIBOR plus 185 basis points and was scheduled to mature on February 1, 2012. The loan was encumbered by a $56,090,000 repurchase obligation that bore interest at a variable interest rate of 1-month LIBOR plus 100 basis points and was scheduled to mature on December 31, 2012.

On October 31, 2011 LW SOFI received $71,530,000 plus accrued interest in full satisfaction of the LW SOFI mezzanine loan, the proceeds of which were utilized to satisfy the repurchase obligation encumbering the loan receivable resulting in net proceeds of $15,876,000. The Trust received a $7,937,000 distribution from LW-SOFI on November 2, 2011.

Sealy Northwest Atlanta Loan —On June 23, 2011 the Trust made a $20,641,000 bridge loan to its Sealy Northwest Atlanta joint venture. The Trust's bridge loan enabled the joint venture to satisfy its $28,750,000 first mortgage loan at a discounted payoff amount of $20,500,000. On September 29, 2011, the joint venture obtained replacement financing in the amount of $14,000,000 bearing interest at LIBOR + 5.35% and maturing on September 29, 2015. In connection with the financing, the joint venture purchased an interest rate cap which caps LIBOR at 1% through October 1, 2013. Net proceeds from the new loan plus additional capital contributions of $4,650,000 from the Trust and of $3,100,000 from Sealy were utilized to pay off the bridge loan due the Trust.

Southern California Office Portfolio Note —The Trust contributed approximately $71,000,000 to a venture, WRT-Socal Lender, which owned an approximate 73% interest in SoCal Office Portfolio Loan LLC ("Socal Loan"). On November 4, 2011, Socal Loan acquired for a purchase price of $96,900,000 a $117,900,000 C-Note in the $796,700,000 first mortgage loan encumbering a 4,500,000 square foot, 31 property portfolio of office properties situated throughout southern California. The C-Note, which is the controlling holder of the mortgage loan, bears interest at a rate of LIBOR plus 310 basis points, requires payments of interest only and matures on August 9, 2012. The Trust accounted for its investment in Socal Loan as an equity investment. See "Note 22-Subsequent Events".

Sullivan Center —On December 23, 2011 the Trust formed a 50/50 joint venture with a subsidiary of Elad Canada Inc. ("Elad"). The joint venture entered into an agreement to acquire an approximately $145,000,000 defaulted first mortgage loan which includes defaulted interest, for a purchase price of approximately $128,500,000. See "Note 22-Subsequent Events".

Financing

Newbury Apartments Loan Modification —On February 24, 2011 the Trust reached an agreement with the first mortgage lender on its Newbury Apartments property 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. Recognition of the waived interest was deferred and was treated as a yield adjustment over the new life of the loan. This loan was subsequently refinanced in October 2011. (See " *Loan Restructure* " below.) Upon satisfaction of the loan, the remaining balance of the waived interest was recognized and the trust recorded a gain of approximately $844,000.

Plantation, Florida Financing —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 proceeds of approximately $10,676,000 were used to partially satisfy a mortgage loan payable on other properties.

Loan Satisfaction— On July 13, 2011 the Trust satisfied the $23,773,000 first mortgage loan on its wholly owned Lisle, Illinois properties for a discounted payoff of $14,500,000 plus reserves held by the lender of approximately $736,000. The Trust recognized a gain on the extinguishment of debt in the amount of $8,514,000. As part of the restructuring the Trust re-evaluated its business plan and holding periods for these properties which resulted in the recognition of impairment charges totaling $3,000,000.

Financing —On October 18, 2011 the Trust obtained a $21,000,000 mortgage loan secured by Newbury Apartments, 550/650 Corporetum and 701 Arboretum properties. The loan bears interest at LIBOR plus 2.5%, matures October 2014, subject to two, one-year extension terms, and requires payments of interest only through the initial term and payments of principal and interest based on a 25 year amortization schedule during the extended terms. In connection with the financing, the Trust purchased an interest rate cap which caps LIBOR at 1.0% through October 18, 2014. The proceeds from the loan, together with approximately $3,160,000 of reserves, were used to satisfy the existing approximately $23,875,000 loan encumbering Newbury Apartments discussed above.

5. Loans Receivable

The Trust's loans receivable at December 31, 2011 and 2010 are as follows (in thousands):

Description	Loan Position	Stated Interest Rate	Carrying Amount December 31, 2011	Carrying Amount December 31, 2010	Contractual Maturity Date
Beverly Hilton	B-Note	LIBOR + 1.74%	$ —	$ 7,899	—
Westwood	Whole Loan	11.00%	—	3,500	—
Metropolitan Tower	B-Note	LIBOR + 1.51%	—	10,312	—
Moffett Towers	B-Note	LIBOR + 6.48%	—	21,752	—
Siete Square	B-Note	10.37%	—	2,488	—
CDH CDO LLC	Unsecured	12.00%	—	3,498	—
160 Spear	B-Note	9.75%(2)	11,555	6,674	06/09/12
160 Spear	Mezzanine	15.00%	4,846	3,029	06/09/12
Magazine	Mezzanine	LIBOR + 1.23%	18,805	—	07/09/12
Hotel Wales	Whole Loan	LIBOR + 4.0%(3)	20,101	—	10/05/13
Renaissance Walk	Mezzanine	LIBOR + 12.0%	3,000	—	01/01/14
Legacy Orchard (1)	Corporate Loan	15.00%	9,750	9,750	10/31/14
San Marbeya	Whole Loan	5.88%	26,501	26,966	01/01/15
Rockwell	Mezzanine	12.00%	275	255	05/01/16
Marc 29 East Madison (1)	Mezzanine	8.0%	4,028	—	05/31/16
500-512 7th Ave	B-Note	7.19%	9,979	9,954	07/11/16
180 N. Michigan (1)	Mezzanine	8.50%(4)	2,930	1,862	12/31/16
Wellington Tower	Mezzanine	6.79%	2,563	2,456	07/11/17
			$ 114,333	$ 110,395	

(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) Interest on the B-Note equals the difference between (i) interest on the entire outstanding loan principal balance ($73,796 at December 31, 2011) 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, 2011) 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%.

(3) LIBOR rate floor of 3.0%

(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 $500,000 and $558,000 at December 31, 2011 and December 31, 2010, respectively, and cumulative accretion of $9,914,000 and $9,803,000 at December 31, 2011 and December 31, 2010, respectively. The fair value of the Trust's loans receivable, exclusive of interest receivable was approximately $123,630,000 and $114,477,000 at December 31, 2011 and December 31, 2010, respectively.

At December 31, 2011, the Trust's loan receivables have accretable discount yet to be recognized as income totaling $8,399,000.

The weighted average coupon on our loans receivable was 5.99% and the weighted average yield to maturity was 12.64%.

With the exception of the San Marbeya and Hotel Wales loans receivable, none of the loans receivable are directly financed. On January 14, 2011, the Trust restructured the San Marbeya first mortgage loan to create 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%. The Trust issued the senior loan participation to CDO-1 at par and retained the junior participation. On October 7, 2011 the Trust restructured the Hotel Wales first mortgage loan to create a $14,000,000 senior participation which bears interest at LIBOR + 1.25% with a 3% LIBOR floor, and a $6,000,000 junior participation. The Trust issued the senior participation to CDO-1 at par and retained the junior participation. The Trust accounts for the senior loan participations as non-recourse secured financings.

Loan Receivable Activity

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
Balance at beginning of year	$ 110,395	$ 26,101
Purchase and advances	67,619	122,301
Proceeds from sale	—	(12,876)
Interest (received) accrued, net	(37)	361
Repayments	(70,289)	(15,064)
Loan accretion	13,401	8,782
Discount accretion received in cash	(13,290)	—
Transfer from loan securities	662	—
Transfer foreclosed loans to investment in real estate	—	(19,210)
Transfer Marc Realty seller financing from equity investments	12,544	—
Transfer Sealy loan to equity investments	(4,650)	—
Transfer 450 W 14th St bridge loan to preferred equity investments	(2,022)	—
Balance at end of year	$ 114,333	$ 110,395

The following table summarizes the Trust's interest and dividend income for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Interest and dividends detail:			
Interest on loan assets	$ 11,073	$ 5,691	$ 2,421
Accretion of loan discount	13,401	8,782	1,021
Interest and dividends on REIT securities	984	2,655	3,894
Total interest and dividends	$ 25,458	$ 17,128	$ 7,336

Two loans, each of which represents more than 10% of interest income, contributed approximately 48% of interest income of the Trust for the year ended December 31, 2011. Two 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.

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 determination as to whether an individual loan is impaired or whether a specific loan loss allowance 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 the loan loss allowance by calculating the estimated fair value less costs to sell of the underlying collateral securing the loan based on the fair value of the underlying collateral, and comparing the fair value to the loan's net carrying value. If the fair value 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, 2011 (in thousands, except for number of loans).

Internal Credit Quality	# of Loans	Carrying Value of Loans Receivable	# of Loans	Whole Loans	# of Loans	B-Notes	# of Loans	Mezzanine Loans
Greater than zero	12	$ 114,333	3	$ 56,352	2	$ 21,534	7	$ 36,447
Equal to zero	—	—	—	—	—	—	—	—
Less than zero	—	—	—	—	—	—	—	—
Subtotal	12	$ 114,333	3	$ 56,352	2	$ 21,534	7	$ 36,447

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, 2011 and 2010 there were no non-performing loans and no past due payments. There was no provision for loan loss recorded during the years ended December 31, 2011 and 2010. During the year ended December 31, 2009, the Trust recorded a provision for loan loss of $2,152,000 related to loans in the Marc Realty portfolio.

6. Securities Carried at Fair Value

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

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
REIT Preferred shares	$ 2,067	$ 4,277	$ 15,757	$ 28,547
REIT Common shares	21,492	24,579	3,590	4,485
	23,559	28,856	19,347	33,032
Loan securities	1,661	5,309	7,574	11,981
	$ 25,220	$ 34,165	$ 26,921	$ 45,013

During the years ended December 31, 2011, 2010 and 2009, 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 $35,156,000, $33,726,000 and $39,015,000, respectively. The gross realized gains on these sales and payoffs totaled approximately $123,000, $1,027,000 and $5,416,000 in 2011, 2010 and 2009, respectively. For purpose of determining gross realized gains, the cost of securities is based on specific identification.

For the years ended December 31, 2011, 2010 and 2009, the Trust recognized net unrealized gains on available for sale securities, securities carried at fair value and loan securities carried at fair value of $5,526,000, $10,071,000, and $17,862,000 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

During 2011 the Trust made a $1,500,000 loan to its Vintage Housing venture to be used to acquire the general partnership interest in a new housing project currently under construction. The Trust receives a priority on the cash flow from the new project. The loan bears interest at 12% with no payments due until there is operating cash flow from the property. Income will be recognized on a cash basis and no income was recognized in 2011.

The Trust recognized earnings from its Marc Realty preferred equity investments of $338,000 for each of the years ended December 31, 2011 and 2010, respectively. For the year ended December 31, 2009, the Trust recognized a loss from preferred equity investments of $2,108,000 which included an impairment loss of $4,850,000. 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, 2011 and December 31, 2010 (in thousands):

Venture Partner	Equity Investment	Nominal % Ownership at December 31, 2011	December 31, 2011	December 31, 2010
Marc Realty	8 South Michigan LLC	N/A	$ —	$ 7,087
Marc Realty	11 East Adams Street LLC	N/A	—	3,223
Marc Realty	29 East Madison Street LLC	N/A	—	7,720
Marc Realty (1)	Michigan 30 LLC	50.0%	10,049	12,080
Marc Realty (1)	Brooks Building LLC	50.0%	7,679	7,452
Marc Realty (1)	High Point Plaza LLC	50.0%	2,441	6,275
Marc Realty (1)	Salt Creek LLC	50.0%	—	2,344
Marc Realty (1)	1701 Woodfield LLC	50.0%	2,047	4,221
Marc Realty (1)	River Road LLC	50.0%	1,000	4,123
Marc Realty (1)	3701 Algonquin Road LLC	50.0%	250	2,931
Marc Realty (1)	Enterprise Center LLC	50.0%	2,679	3,018
Marc Realty (1)	900 Ridgebrook LLC	50.0%	1,000	1,676
Sealy (1)	Northwest Atlanta Partners LP	60.0%	8,537	2,479
Sealy (1)	Newmarket GP LLC	68.0%	2,811	6,647
Sealy (1)	Airpark Nashville GP	50.0%	—	2,778
Inland/Lexington	Concord Debt Holdings LLC	33.3%	—	—
Inland/Lexington	CDH CDO LLC	33.3%	—	—
ROIC (1)	WRT-ROIC Riverside LLC	50.0%	7,883	7,883
ROIC	WRT-ROIC Lakeside Eagle LLC	50.0%	7	—
Atrium Holding	RE CDO Management LLC	50.0%	1,296	—
Lexington	LW-SOFI LLC	50.0%	—	—
VHH LLC (1)	Vintage Housing LLC	75.0%	29,887	—
Broadway Partners	FII Co-Invest LLC	27.9%	1,800	—
New Valley (1)	Socal Office Portfolio Loan LLC	73.0%	72,626	
Elad Canada Ltd	Sullivan Center	50.0%	10,150	—
			$ 162,142	$ 81,937

(1) The Trust has determined that these equity investments are investments in VIEs. The Trust has determined that it is not the primary beneficiary of these VIEs since the Trust does not have the power to direct the activities that most significantly impact the VIEs economic performance.

The following table reflects the activity of the Trust's equity investments for the year ended December 31, 2011 (in thousands):

Investment	Balance at December 31, 2010	Contributions	Equity Income (loss)	Distributions	Sales	Balance at December 31, 2011
Marc Realty	$ 62,150	$ 2,440	$ (16,746)	$ (2,540)	$ (18,159)	$ 27,145
Sealy	11,904	4,650	(4,956)	(250)	—	11,348
Concord Debt Holdings	—	—	3,474	(3,474)	—	—
CDH CDO	—	—	480	(480)	—	—
WRT-ROIC Riverside	7,883	—	936	(936)	—	7,883
WRT-ROIC Lakeside Eagle	—	18,093	664	(18,750)	—	7
WRT-46th Street Gotham	—	8,037	621	(8,658)	—	—
SoCal Office Portfolio Loan	—	72,354	272	—	—	72,626
RE CDO Management	—	1,250	46	—	—	1,296
LW-SOFI	—	5,760	2,177	(7,937)	—	—
Vintage Housing	—	31,335	113	(1,561)	—	29,887
FII Co-invest	—	1,800	—	—	—	1,800
Sullivan Center	—	10,150	—	—	—	10,150
Total	$ 81,937	$ 155,869	$ (12,919)	$ (44,586)	$ (18,159)	$ 162,142

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

Investment	Balance at December 31, 2009	Contributions	Equity Income (loss)	Distributions	Return of Capital	Balance at December 31, 2010
Marc Realty	$ 57,560	$ 6,961	$ 1,776	$ (4,147)	$ —	$ 62,150
Sealy	15,647	—	(3,010)	(733)	—	11,904
Concord Debt Holdings	—	—	—	—	—	—
CDH CDO	—	—	—	—	—	—
WRT-ROIC Riverside	—	7,800	473	(390)	—	7,883
PSW NYC	—	10,871	(1,246)	—	(9,625)	—
Total	$ 73,207	$ 25,632	$ (2,007)	$ (5,270)	$ (9,625)	$ 81,937

Marc Realty

On June 1, 2011 the Trust sold its equity interest in three properties to Marc Realty (8 South Michigan, 11 East Adams and 29 East Madison) for $18,544,000. The purchase price was paid $6,000,000 in cash and $12,544,000 in aggregate secured promissory notes. The Trust has received payments in full satisfaction of its $4,910,000 8 South Michigan loan and $2,265,000 11 East Adams loan. In addition, Marc Realty made $1,369,000 in payments on its 29 East Madison loan. At December 31, 2011, the 29 East Madison loan had an outstanding balance of $4,000,000.

During the fourth quarter of 2011, the Trust determined, based upon projected 2012 operating results and required capital improvements in the properties, a further evaluation of the potential impairment of its investment would be appropriate. The Trust recently entered into an agreement with Marc Realty concerning divestiture of certain of the assets. As a result, the Trust has determined that an impairment charge totaling $15,764,000 were to be recorded in the fourth quarter of 2011.

Of the properties in which the Trust held an equity interest at December 31, 2011, two downtown Chicago properties contain approximately 389,000 rentable square feet of the aggregate Marc Realty portfolio and accounted for $17,728,000 of the Trust's December 31, 2011 carrying value. These two properties had occupancy of 79.1% at December 31, 2011, compared to 77.1% occupancy at December 31, 2010.

The balance of the portfolio, located in the Chicago suburbs, represents $9,417,000 of the Trust's December 31, 2011 carrying value, contains approximately 1,018,000 square feet and was 78.2% occupied at December 31, 2011 compared to 80.9% occupied at December 31, 2010.

At December 31, 2011 the Marc Realty properties are encumbered with $59,159,000 of mortgage debt, with $9,789,000 of mortgage debt maturing in 2012, $21,156,000 maturing in 2013 and the remainder in 2014 or later.

The Trust recorded net loss of $16,746,000, inclusive of impairment charges, for the year ended December 31, 2011 and income of $1,776,000 for the year ended December 31, 2010. Additionally, the Trust received cash distributions of $2,540,000 and $4,147,000 from the investments during the years ended December 31, 2011 and 2010, respectively.

Northwest Atlanta Partners LP

The Trust owns, 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. 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%. In November 2010, the venture elected to stop making debt service payments and the loan was placed into special servicing.

In June 2011 the Trust made a $20,641,000 bridge loan to the venture. The bridge loan enabled the venture to satisfy its first mortgage loan at a discounted payoff amount of $20,500,000. As a result of the discounted payoff, the venture recognized gain on extinguishment of debt of approximately $9,170,000, inclusive of accrued interest and penalities totaling $2,410,000, of which the Trust's share was $5,502,000.

In September 2011 the venture obtained replacement financing in the amount of $14,000,000, bearing interest at LIBOR + 5.35% and maturing on September 29, 2015. In connection with the financing, the venture purchased an interest rate cap which caps LIBOR at 1% through October 1, 2013. Net proceeds from the new loan plus additional capital contributions of $4,650,000 from the Trust and $3,100,000 from Sealy were used to pay off the Trust's bridge loan.

Newmarket GP LLC

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.

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 a restructuring of the debt with the special servicer. In addition, the venture continues to aggressively market available space at the property for lease. There are no assurances that a restructuring or discounted repayment of the debt will be accomplished.

Airpark Nashville GP

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. Both Sealy and the Trust contributed $9,308,000 for their 50% ownership in the venture. The Trust is seeking an extension of the first mortgage loan as well as other concessions from the lender.

Sealy Impairments

During 2011 the Trust determined that, as a result of current market conditions, including current occupancy levels, current rental rates and an increase in terminal capitalization rates, the fair value of its equity investments in Sealy were below the carrying values. Accordingly, the Trust assessed whether this decline in value was other-than-temporary. In making this determination, the Trust considered the length of time which the decline has occurred, the length of time before an expected recovery and the lack of any comparables in the market. The Trust determined the fair value of its investments utilizing an unleveraged cash flow methodology and an estimated terminal capitalization rate. The cash flows were then discounted using an estimated market rate. Based on the foregoing, all of which requires significant judgment, the Trust concluded that the declines in value were other-than-temporary, and during 2011 the Trust recorded other-than-temporary impairment charges of $2,900,000, $900,000 and $1,494,000 on its investments in Sealy Northwest Atlanta, Sealy Newmarket, and Sealy Nashville, respectively.

The Trust has determined that the fair value of certain of its equity investments 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 these ventures that could be material to the Trusts's future results of operations.

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.

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. 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 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 had been written down to zero as of June 30, 2009.

During the year ended December 31, 2011 the Trust received cash distributions from Concord Debt Holdings LLC of $3,474,000. The Trust recognized equity income for the full amount of the distributions. The Concord Debt Holdings LLC balance sheet consisted of total assets of $27,394,000 and $126,463,000 at December 31, 2011 and 2010, respectively, and total liabilities of $150,000 and $99,321,000 at December 31, 2011 and 2010, respectively.

The Trust has suspended losses of $52,656,000 to offset against future equity income from Concord at December 31, 2011.

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, the trustee released 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. The Trust received distributions of $480,000 from CDH CDO for the year ended December 31, 2011.

Vintage Housing Holdings

In relation to its investment in Vintage Housing Holdings, the Trust has elected a one-month lag period. The lag period is allowed under the provisions of ASC 810-10 and is necessary in order for the Trust to consistently meet its regulatory filing deadlines. The Vintage Housing joint venture consolidated balance sheet consists of assets totaling $339,153,000, liabilities including mortgage notes payable of $287,996,000, and non-controlling interest of $13,780,000 as of November 30, 2011.

In March 2011 the Trust acquired developer fees and advances receivable owed by real estate partnerships for a purchase price of $7,000,000 in the first stage of the Vintage Housing Holdings transaction. In June 2011 the Trust closed on the second phase of the Vintage transaction to acquire for $18,200,000, plus a contribution of its previously purchased receivables, an effective 75% interest in the Vintage venture entitling us to a 12% preferred return from current cash flow. Vintage owns general partnership interests and certain developer fees and advances receivable from partnerships owning 25 multifamily and senior housing properties comprising 4,167 units located primarily in the Pacific Northwest and California.

The Trust has made additional investments in the Vintage platform during the third and fourth quarter of 2011, making contributions to the venture totaling $7,510,000. The venture's new investments included a $1,500,000 contribution to a planned 231 unit multi-family project in Tacoma, Washington, a $4,300,000 acquisition of non-controlling partner interests in seven of the existing Vintage investments and $1,710,000 toward a purchase agreement to acquire 75% interests in the general partners of two multifamily properties comprising approximately 490 units located in California and Nevada.

New Joint Venture Investments

The Trust has made significant new investments during the quarter ended December 31, 2011 in SoCal Office Portfolio Loan and Sullivan Center that are discussed in detail in Note 4.

Separate Financial Statements for Unconsolidated Subsidiaries

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

Entity	Year(s) determined significant	Exhibit
Lex-Win Concord LLC	2009	99.1
Concord Debt Holdings LLC	2011	99.2
Sealy Northwest Atlanta Partners LP	2011	99.3
Sealy Newmarket General Partnership	2011	99.4

9. Debt

Mortgage Loans Payable

The Trust had outstanding mortgage loans payable of $230,940,000 and $230,443,000 at December 31, 2011 and 2010, 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, 2011 and 2010 are summarized as follows (in thousands):

Location of Collateral	Maturity	Spread Over LIBOR/Prime	Interest Rate at December 31, 2011	December 31, 2011	December 31, 2010
Andover, MA	—	—	N/A	$ —	$ 6,135
S. Burlington, VT	—	—	N/A	—	2,629
Various	—	—	N/A	—	19,002
Lisle, IL	—	—	N/A	—	23,905
Meriden, CT	—	—	N/A	—	23,875
Chicago, IL (1)	Apr 2012	—	6.25%	8,900	9,100
Amherst, NY	Oct 2013	—	5.65%	15,682	16,116
Meriden, CT & Lisle, IL	Oct 2014	Libor + 2.5% (2)	2.77%	21,000	—
Indianapolis, IN	Apr 2015	—	5.82%	4,169	4,245
Chicago, IL	Mar 2016	—	5.75%	20,522	20,828
Houston, TX	Apr 2016	—	6.26%	56,423	60,351
New York, NY	May 2016	Libor + 2.5% (3)	3.50%	49,585	—
Lisle, IL	Mar 2017	—	5.55%	5,600	5,600
Orlando, FL	Jul 2017	—	6.40%	38,132	38,657
Plantation, FL	Apr 2018	—	6.48%	10,927	—
				$ 230,940	$ 230,443

(1) The Trust is currently negotiating with the lender for a three year extension to April 28, 2015.

(2) The loan has an interest rate cap which caps at LIBOR at 1%.

(3) The loan has a LIBOR floor of 1%.

The following table summarizes future principal repayments as of December 31, 2011 (in thousands):

Year	Amount
2012	$ 14,854
2013	21,307
2014	27,680
2015	11,144
2016	105,545
Thereafter	50,410
	$ 230,940

The fair value of the Trust's mortgage loans payable and revolving line of credit are less than their current carrying value by $12,604,000 and $22,042,000 at December 31, 2011 and 2010 respectively.

Non-Recourse Secured Financings

In January 2011 the Trust restructured the San Marbeya first mortgage loan receivable into a senior and junior participation and transferred the senior participation at par. For financial reporting purposes, the transfer of the financial asset is accounted for as a financing rather than a sale. As of December 31, 2011, the non-recourse secured financing has a carrying value of $15,150,000, bears interest at a rate of 4.85% and matures on January 1, 2015.

In October 2011, the Trust restructured the Hotel Wales first mortgage loan receivable into a senior and junior participation and transferred the senior participation at par. For financial reporting purposes, the transfer of the financial asset is accounted for as a financing rather than a sale. As of December 31, 2011, the non-recourse secured financing has a carrying value of $14,000,000, bears interest at a rate of LIBOR plus 1.25% with a LIBOR floor of 3.0% and matures on October 6, 2013.

10. Revolving Line of Credit

The Trust has a revolving line of credit in the principal amount of $50,000,000 which bears interest at LIBOR plus 3% and has a maturity date of March 3, 2014 with a one year option to extend the maturity date to March 3, 2015. The Trust must comply with financial covenants on an ongoing basis. The covenants are tested as of the end of each quarter based upon results for the most recently ended quarter. The Trust was in compliance of its financial covenants under its revolving line of credit as of December 31, 2011.

The revolving credit line is recourse and as such is effectively collateralized by all of the Trust's assets. The Trust has directly pledged certain unencumbered consolidated operating properties and loans receivable as the borrowing base for the revolving line of credit. 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 $40,000,000 and $25,450,000 at December 31, 2011 and 2010, respectively. The Trust is required to pay a commitment fee on the unused portion of the line, which amounted to approximately $119,000 and $56,000 for years ended December 31, 2011 and 2010, respectively.

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 uses interest rate swaps and interest rate caps and floors 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. Interest rate cap and floor agreements limit future volatility in interest expense.

For all interest rate hedges, the effective portion of changes in fair value of the hedge 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. 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 hedges designated and qualifying as cash flow hedges totaling ($29,000) and $22,000 of other comprehensive (income) loss for the years ended December 31, 2011 and 2010, respectively, as a component of comprehensive income.

The table below presents information about the Trust's derivative financial instruments at December 31, 2011 (dollars in thousands):

Type	Maturity	Strike Rate	Notional Amount of Hedge	Cost of Hedge	Estimated Fair Value of Cap in Other Comprehensive Income	Change in Valuations Included in Other Comprehensive Income For the Year Ended December 31, 2011
Cap	October 2014	1.00%	$ 21,000	$ 174	$ 85	$ (89)

The table below presents information about the Trust's interest rate swap as of and for the year ended December 31, 2010 (dollars in thousands):

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

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

12. Common Shares

The following table sets forth information relating to sales of Common Shares during the years ended December 31, 2009, 2010 and 2011:

Date of Issuance	Number of Shares Issued	Price per Share	Type of Offering
January 15, 2009	61,292	$ 10.85	DRIP (1)
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 (2)
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 (3)	Public Offering
October 15, 2010	48,398	$ 12.53	DRIP
January 15, 2011	58,161	$ 11.70	DRIP
April 6, 2011	5,750,000	$ 11.25 (3)	Public Offering
April 15, 2011	59,207	$ 11.63	DRIP
July 15, 2011	61,224	$ 11.35	DRIP
October 17, 2011	82,256	$ 8.46	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 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.

(3) Before underwriting discount

13. 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, 2011, 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.

14. Discontinued Operations

The Trust's properties in Athens, Georgia; Lafayette, Louisiana; Kansas City, Kansas; St. Louis, Missouri; Knoxville, Tennessee; and Sherman, Texas are classified as 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.

The Lafayette, Louisiana and Sherman, Texas locations were 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 the Trust decided to permit the ownership of the Sherman, Texas and Lafayette, Louisiana properties to revert back to the land owners as of November 1, 2010. 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 was 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, the Trust recorded a $626,000 impairment charge which is included in discontinued operations for the year ended December 31, 2010. In August 2011 the Trust sold its Knoxville, Tennessee property for net proceeds of $2,151,000.

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 January 2011 the Trust classified the St. Louis, Missouri property into discontinued operations. In February 2011 the Trust entered into an agreement to sell this property. In December 2011 the Trust sold its St. Louis, Missouri property for net proceeds of $1,485,000.

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, 2011, 2010 and 2009 are as follows (in thousands):

	2011	2010	2009
Revenues	$ 265	$ 1,082	$ 2,735
Gain on sale of investments in real estate	392	—	—
Operating expenses	(227)	(109)	(706)
Depreciation and amortization	(2)	(155)	(536)
Impairment loss	—	(2,720)	—
Interest expense	—	—	(467)
Income (loss) from discontinued operations	$ 428	$ (1,902)	$ 1,026

15. Federal and State Income Taxes

The Trust has made no provision for regular current or deferred federal income taxes and no deferred state income taxes have been provided for on the basis that the Trust operates in a manner intended to enable it to continue to qualify as a real estate investment trust under Sections 856-860 of the Code. In order to qualify as a REIT, the Trust is generally required each year to distribute to its shareholders at least 90% of its taxable income (excluding any net capital gain). The Trust intends to comply with the foregoing minimum dividend requirements. As of December 31, 2011, the Trust has net operating loss carryforwards of approximately $932,000 which will expire in 2023. The Trust does expect to utilize approximately $23,108,000 of net operating loss carryforwards to offset 2011 taxable income. 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 $45,508,000 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, $379,000, $134,000 and $157,000 in state and local taxes for the years ended December 31, 2011, 2010 and 2009, respectively.

The 2011, 2010 and 2009 cash dividends per Series B-1 Preferred Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 15% Rate	Nontaxable Distribution	Total Dividends Paid
2011	$ 1.30	$ —	$ —	$ 1.30
2010	2.03	—	—	1.22
2009	1.22	—	—	1.63

The 2011 and 2010 cash dividends per Series C Preferred Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 15% Rate	Nontaxable Distribution	Total Dividends Paid
2011	$ 1.30	$ —	$ —	$ 1.30
2010	2.03	—	—	2.03

The 2011 cash dividends per Series D Preferred Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 15% Rate	Nontaxable Distribution	Total Dividends Paid
2011	$ 0.21	$ —	$ —	$ 0.21

The 2011, 2010 and 2009 cash dividends per Common Share for an individual shareholder's income tax purposes were as follows:

	Ordinary Dividends	Capital Gains 15% Rate	Nontaxable Distribution	Total Dividends Paid
2011	$ 0.65	$ —	$ —	$ 0.65
2010	0.65	—	—	0.65
2009	0.65	—	0.10	0.75

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

	For the Years Ended December 31, 2011	2010	2009
Net income(loss) attributable to Winthrop Realty Trust	$ 10,933	$ 16,477	$ (84,347)
Book/Tax differences from depreciation and amortization expense	4,588	189	1,512
Book/Tax differences of accretion of discount	(13,401)	(8,782)	(1,021)
Book/Tax differences of unrealized gains	(2,788)	(10,080)	(18,530)
Book/Tax differences on gains/losses from capital transactions	(5,842)	1,655	1,532
Book/Tax differences on Preferred Shares	1,428	1,563	(4,386)
Book/Tax differences for impairment losses	7,600	2,720	19,105
Book/Tax differences on investments in unconsolidated joint ventures	31,634	15,661	95,831
Other book/tax differences, net	(766)	(134)	607
Book/Tax differences on dividend income	(371)	93	1,642
Book/Tax differences of market discount	13,250	—	—
Taxable income	$ 46,265	$ 19,362	$ 11,945

16. 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.

In addition to the initial purchase price of certain loans and operating properties, the Trust has future funding commitments which total approximately $14,461,000 at December 31, 2011. The Trust also has ground lease commitments of $1,228,000, $1,282,000, $1,405,000, $1,463,000 and $112,667,000 for the years ended December 31, 2012, 2013, 2014, 2015 and thereafter, respectively.

In 2011 the Trust was conveyed title to the land underlying the Churchill, Pennsylvania property. Prior to the conveyance of the land, a Phase II environmental study was performed. The study found that there were certain contaminants at the property all of which were within permitted ranges. In addition, given the nature and use of the property currently and in the past, it is possible that additional contamination could occur which could require remediation. The Trust believes that based on applicable law and existing agreements any such remediation costs would be the responsibility of a prior owner or tenant.

17. 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, 2011, 2010 and 2009 to FUR Advisors and Winthrop Management (in thousands):

	For the Years Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Base Asset Management Fee	$ 7,690	$ 5,225	$ 3,233
WRP Sub-Management LLC Credit	—	(129)	(255)
Property Management Fee	537	248	262
Construction Management Fee	1	24	38
	$ 8,228	$ 5,368	$ 3,278

Base Asset Management Fee

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 quarterly 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. Additionally, FUR Advisors receives a fee equal to 0.25% of any equity contribution by an unaffiliated third party to a venture managed by the Trust. The management fee paid by the Trust for third party equity contributions amounted to $49,000 for the year ended December 31, 2011. There was no fee for third party equity contributions in 2010 and 2009.

Incentive Fee

The incentive fee entitles FUR Advisors to receive (a) an amount equal to 20% of all dividends 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

WRP Sub-Management LLC ("WRP Sub-Management"), an affiliate of FUR Advisors provided 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 and $1,108,000 for the years ended December 31, 2010 and 2009, respectively, in accordance with the terms of the agreement. Of these amounts, $259,000, and $511,000 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 the Trust's partners in Concord do not, the advisory fee payable to FUR Advisors by the Trust was reduced by 50% of the Affiliate Amount to ensure equal treatment of the Trust and its partners with respect to the reimbursements paid by Concord. For the years ended December 31, 2010 and 2009, the Trust received and utilized a credit of $129,000 and $255,000, respectively, against the base management fee.

Other Transactions

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

18. 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
2012	37,618
2013	36,612
2014	33,145
2015	30,534
2016	28,894
Thereafter	88,966
	$ 255,769

One tenant represented more than 10% of the base rental revenues of the Trust for the year ended December 31, 2011 contributing approximately 21.8%. This tenant represented approximately 14.5% of the total rentable square footage of the consolidated operating portfolio.

Three tenants, each of which represented more than 10% of revenues and contributed approximately 44% and 41% of the base rental revenues of the Trust for the years ended December 31, 2010 and 2009, respectively. These tenants represented approximately 43% and 24%, of the total rentable square footage of the consolidated operating property portfolio for the years ended December 31, 2010 and 2009, respectively.

These revenues are reported in the operating properties business segment.

19. 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 is 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. The loan assets segment includes all of the Trust's activities related to real estate loans including loans receivable, loan securities and equity investments in loan related entities. The REIT securities segment 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).

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, 2011 and 2010 (in thousands):

	December 31, 2011	December 31, 2010
Assets		
Operating properties	$ 442,209	$ 385,872
Loan assets	217,174	134,269
REIT securities	28,856	33,032
Corporate		
Cash and cash equivalents	40,952	45,257
Restricted cash	3,914	8,593
Accounts receivable and prepaids	504	538
Deferred financing costs	318	292
Discontinued operations	6	2,275
Total Assets	$ 733,933	$ 610,128
Capital Expenditures		
Operating Properties	$ 11,962	$ 6,121

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).

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, 2011, 2010, and 2009 (in thousands):

	2011	2010	2009
Operating Properties			
Rents and reimbursements	$ 44,636	$ 38,059	$ 39,803
Operating expenses	(15,321)	(8,665)	(7,041)
Real estate taxes	(4,546)	(2,532)	(2,542)
Equity in income (loss) of Marc Realty investments	(982)	1,776	281
Equity in income (loss) of Sealy Northwest Atlanta	4,308	(710)	(457)
Equity in loss of Sealy Airpark Nashville	(1,034)	(1,107)	(1,056)
Equity in loss of Sealy Newmarket	(2,936)	(1,193)	(691)
Equity in income of Vintage	113	—	—
Operating income	24,238	25,628	28,297
Depreciation and amortization expense	(13,539)	(9,956)	(10,529)
Interest expense	(13,077)	(13,193)	(13,774)
Impairment loss on investments in real estate	(7,600)	—	(10,000)
Impairment loss on Marc Realty equity investments	(15,764)	—	(2,500)
Impairment loss on Sealy equity investments	(5,294)	—	—
Gain on extinguishment of debt	9,358	—	—
Gain on sale of equity investments	207	—	—
Settlement income	5,868	—	—
Gain on consolidation of property	818	—	—
Operating properties net income (loss)	(14,785)	2,479	(8,506)
Loan Assets			
Interest	11,073	5,691	2,420
Discount accretion	13,401	8,782	1,022
Equity in earnings of preferred equity investment in Marc Realty	338	338	78
Equity in earnings (loss) of Lex-Win Concord	258	—	(66,904)
Equity in earnings of Concord Debt Holdings	3,216	—	—
Equity in earnings of CDH CDO	480	—	—
Equity in earnings of ROIC Riverside	936	473	—
Equity in earnings of ROIC Lakeside Eagle	664	—	—
Equity in earnings of 46th Street Gotham	621	—	—
Equity in earnings of Sofitel	2,177	—	—
Equity in earnings of RE CDO Management	46	—	—
Equity in earnings of Socal Office Loan Portfolio	272	—	—
Equity in loss of PSW NYC	—	(1,246)	—
Gain on loan securities carried at fair value	—	469	—
Unrealized gain on loan securities carried at fair value	2,738	5,011	—
Operating income (loss)	36,220	19,518	(63,384)
General and administrative expense	(75)	(300)	(235)
Interest expense	(850)	—	—
Impairment loss on preferred equity investments	—	—	(2,186)
Impairment loss on investment in Lex-Win Concord	—	—	(31,670)
Impairment loss on available for sale loan	—	—	(203)
Provision for loss on loans receivable	—	—	(2,152)
Loan assets net income (loss)	35,295	19,218	(99,830)
REIT Securities			
Dividends	984	2,655	3,894
Gain on sale of securities carried at fair value	123	558	5,416
Unrealized gain on securities carried at fair value	2,788	5,060	17,862
Equity in loss of Lex-Win Acquisition, LLC	—	—	(95)
Operating income	3,895	8,273	27,077
Interest expense	—	—	(75)
REIT securities net income	3,895	8,273	27,002
Net Income (Loss)	24,405	29,970	(81,334)
Reconciliations to GAAP Net Income (Loss):			
Corporate Income (Expense)			
Interest and other income	1,179	139	172
General and administrative	(11,692)	(8,526)	(7,068)
Interest expense	(2,094)	(2,182)	(2,815)
Gain (loss) on redemption of Series B-1 Preferred Shares	(100)	—	5,681
Gain on conversion of Series B-1 Preferred Shares	—	—	1,165
State and local taxes	(379)	(134)	(157)
Income (loss) from continuing operations before non-controlling interest	11,319	19,267	(84,356)
Non-controlling interest	(814)	(888)	(1,017)
Income (loss) from continuing operations attributable to Winthrop Realty Trust	10,505	18,379	(85,373)
Income (loss) from discontinued operations attributable to Winthrop Realty Trust	428	(1,902)	1,026
Net Income (Loss) Attributable to Winthrop Realty Trust	$ 10,933	$ 16,477	$ (84,347)

20. Variable Interest Entities

Consolidated Variable Interest Entities

The Trust has identified two consolidated variable interest entities, Deer Valley, Arizona and the Andover net lease property. Consolidated variable interest entities are those where the Trust is the primary beneficiary of a variable interest entity. The primary beneficiary is the party that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: 1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance, and 2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE. The third parties' interests in these consolidated entities are reflected as non-controlling interest in the accompanying consolidated

Variable Interest Entities Not Consolidated

Equity Method and Preferred Equity Investments —The Trust has reviewed its various equity method and preferred equity investments and identified 15 variable interests for which the underlying entities do not have sufficient equity at risk to permit them to finance their activities without additional subordinated financial support. These unconsolidated joint ventures are those where we are not the primary beneficiary of a VIE.

Vintage Housing Holdings LLC Equity Investment— The Trust has concluded that its equity method investment in its Vintage Housing joint venture is a variable interest in a VIE. This assessment is primarily based on the fact that the voting rights of the members are not proportional to their obligations to absorb expected losses and rights to receive residual returns of the legal entities. While the Trust maintains certain protective rights under the terms of the agreements governing Vintage Housing, the power to direct the activities that most significantly impact the economics of the investment is vested in the Trust's joint venture partner and managing member.

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 at the borrowing entity level 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 holds legal title to the real estate collateral and 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.

21. 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, 2011 and 2010. 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
2011				
Revenues	$ 20,658	$ 16,328	$ 16,344	$ 16,764
Net income (loss)	$ 7,198	$ 3,728	$ 9,846	$ (9,839)
Net income (loss) applicable to Common Shares	$ 7,139	$ 3,670	$ 9,787	$ (10,587)
Per share				
Net income (loss) applicable to Common Shares, basic	$ 0.26	$ 0.11	$ 0.30	$ (0.32)
Net income (loss) applicable to Common Shares, diluted	$ 0.26	$ 0.11	$ 0.30	$ (0.32)
2010				
Revenues	$ 12,529	$ 13,025	$ 14,192	$ 15,441
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

22. Subsequent Events

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.

Southern California Office Portfolio Note— On January 6, 2012, Socal Loan obtained a $40,000,000 repurchase facility. All of the net proceeds from the repurchase facility were distributed entirely to the Trust in partial redemption of the Trust's interest in the Socal Loan resulting in a decrease in the Trust's ownership interest in the Socal Loan to approximately 56%. Pursuant to the repurchase facility: (i) monthly payments on the funds advanced at a rate of LIBOR (with a 1% LIBOR floor) plus 9% are required to be made by the joint venture; (ii) interest at the rate of 2% is added to the repurchase price; (iii) the Socal Loan is required to repurchase the C-Note on January 6, 2014, however the Socal Loan has the right, subject to certain conditions including the payment of a 0.5% extension fee, to extend the repurchase date for two six-month extensions; (iv) the Socal Loan is permitted to voluntarily repurchase the C-Note at any time, provided, however, if such repurchase is made prior to April 30, 2013, the Socal Loan is required to pay a make-whole amount equal to the interest payable on the amount advanced through April 30, 2013 less any interest previously paid; and (v) upon repurchase, the Socal Loan is required to pay an exit fee of 1.5% if such repurchase is during the initial term or 1.0% if during an extended term. The repurchase date is subject to acceleration in the event of customary payment and covenant defaults by the Socal Loan but not a default on the C-Note so long as the Socal Loan continues to make the required payments under the repurchase facility.

The obligations under the repurchase facility are fully recourse to the Socal Loan. In addition, the Trust provided the purchaser under the repurchase facility a guaranty for customary "bad-boy" acts, including bankruptcy, fraud or intentional misrepresentation, bad faith contesting of a claim by the purchaser under the repurchase facility, liens on the C-Note, and misappropriation of funds. In addition, the Trust agreed to guaranty all interest payments under the repurchase facility during its term. The Trust's joint venture partner, New Valley LLC, has agreed to reimburse and indemnify us for its proportionate share of any payments required to be made by us on account of the guarantees provided by us.

Sullivan Center— On February 3, 2012 the Trust acquired through its venture with Elad the first mortgage loan secured by Sullivan Center, Chicago, Illinois for a purchase price of approximately $128,000,000. In connection with the consummation of the transaction, the Trust formed two substantially identical 50/50 joint ventures with Elad; one to hold a mezzanine loan ("ML joint venture"), and the other to hold a future profits participation interest in the mezzanine loan borrower, ("PP joint venture"). Upon acquisition, the original loan was restructured into: (i) a $100,000,000 non-recourse mortgage loan provided by a third party lender; (ii) a $47,500,000 mezzanine loan (inclusive of additional advances for reserves, property expenses and transaction costs) held by the ML joint venture; and (iii) a profits participation in the property held by the PP joint venture.

The $100,000,000 non-recourse mortgage loan has a three year term, is prepayable without premium after 20 months, bears interest at 11% per annum, of which up to 3% accrues, and requires payments of interest only. The lender has also agreed to provide up to an additional $8,650,000 in additional advances for tenant improvements, leasing commissions and capital expenditures. This loan is a bridge facility to be used for the completion of the property's lease-up.

The $47,500,000 mezzanine loan has a six year term, bears interest at 15% per annum, 5% of which accrues on a compounded basis, and requires payments of interest only. If the mezzanine loan is not satisfied at maturity or an event of default occurs, the borrower is required to pay an additional $18,000,000 together with a 15% compounded return on such amount, which represents the discount on the purchase price paid by the ML joint venture and the PP joint venture together with accrued default interest and expenses. In addition, the ML joint venture has agreed to provide approximately $4,400,000 to fund the costs associated with the completion of the build out of its two retail anchors, Target and DSW, as well as for 80% of additional tenant improvements, leasing commissions and capital expenditures not funded under the mortgage loan. Both the interest rate and compounded return are subject to adjustment as described below.

The PP joint venture acquired a 65% future profits participation. The profits participation is in excess of all amounts due under the mezzanine loan. If a $3,000,000 principal payment is made on the mezzanine loan on or prior to December 31, 2012, the interest rate and compounded return are increased to 15.5% and the profits participation is decreased to 60%.

Stamford Portfolio Loan— On February 17, 2012, the Trust invested $8,036,000 in a venture with Mack-Cali Realty Corporation that acquired for $40,000,000 a senior mezzanine loan with a fair value of $50,000,000. The mezzanine loan is collateralized by the equity interests in a premier seven building portfolio contanining 1,670,000 square feet of Class A office space and 106 residential rental units totaling 70,500 square feet, all located in the Stamford, Connecticut Central Business District.

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, 2011. 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 affect on our financial statements.

As of December 31, 2011 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, 2011.

The effectiveness of the Trust's internal control over financial reporting as of December 31, 2011 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 2012, 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:

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

Management's Report on Internal Controls over Financial Reporting on page 103 of ITEM 9A.

Consolidated Balance Sheets—December 31, 2011 and 2010 on page 57 of ITEM 8.

Consolidated Statements of Operations and Comprehensive Income—For the Years Ended December 31, 2011, 2010 and 2009 on page 58 of ITEM 8.

Consolidated Statements of Shareholders' Equity—For the Years Ended December 31, 2011, 2010 and 2009 on page 59 of ITEM 8.

Consolidated Statements of Cash Flows—For the Years Ended December 31, 2011, 2010 and 2009 on pages 61 and 62 of ITEM 8.

Notes to Consolidated Financial Statements on pages 63 through 102 of ITEM 8.

(2) Financial Statement Schedules:

Schedule III—Real Estate and Accumulated Depreciation.

Schedule IV—Mortgage Loans on Real Estate

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

(b) Exhibits.

The exhibits listed on the Exhibit Index on page 110 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 15, 2012

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

Dated: March 15, 2012

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
/s/ Michael L. Ashner	Trustee	March 15, 2012
/s/ Carolyn Tiffany	Trustee	March 15, 2012
Arthur Blasberg, Jr. Howard Goldberg Thomas McWilliams Lee Seidler Steven Zalkind	Trustee	March 15, 2012

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

WINTHROP REALTY TRUST
SCHEDULE III
REAL ESTATE AND ACCUMULATED DEPRECIATION
At December 31, 2011
(amounts in thousands)

				Initial Cost to Registrant		Cost capitalized/(impaired) subsequent to acquisition	As of December 31, 2011					
Description	Location	Location	Mortgage Encumbrances	Land	Building and Improvements	Land/Building and Improvements	Land	Building and Improvements	Total	Accumulated Depreciation	Date Acquired	Life
Continuing Operations:												
Office	Orlando	FL	$ 38,132	$ —	$ 17,248	$ 42	$ —	$ 17,290	$ 17,290	$ 3,080	11/2004	40 yrs
Office	Plantation	FL	10,927	—	8,915	4,020	4,000	8,935	12,935	1,591	11/2004	40 yrs
Office	Indianapolis	IN	4,169	270	1,609	6,667	1,763	6,783	8,546	3,554	10/1974	40 yrs
Office	Chicago	IL	20,522	—	23,635	2,179	—	25,814	25,814	4,302	10/2005	40 yrs
Office	Amherst	NY	15,682	1,591	18,027	—	1,591	18,027	19,618	2,986	5/2005	40 yrs
Office	Andover	MA	—	—	7,611	718	1,200	7,129	8,329	1,149	12/2005	40 yrs
Office	South Burlington	VT	—	—	3,099	308	—	3,407	3,407	485	12/2005	40 yrs
Office	Chicago	IL	8,900	1,149	9,989	5,126	1,149	15,115	16,264	1,555	10/2007	40 yrs
Office	Houston	TX	56,423	7,075	62,468	—	7,075	62,468	69,543	11,062	1/2005	40 yrs
Office	Lisle	IL	5,753	3,774	16,371	1,309	3,774	17,680	21,454	2,544	2/2006	40 yrs
Office	Lisle	IL	1,657	2,361	6,298	(2,498)	2,361	3,800	6,161	922	2/2006	40 yrs
Office	Lisle	IL	5,600	780	2,803	462	780	3,265	4,045	456	2/2006	40 yrs
Office	Phoenix	AZ	—	801	7,387	3,327	801	10,714	11,515	676	8/2010	40 yrs
Office	Englewood	CO	—	2,580	5,403	2,695	2,580	8,098	10,678	347	11/2010	40 yrs
Office	Englewood	CO	—	1,829	5,612	741	1,829	6,353	8,182	351	12/2010	40 yrs
Office	New York	NY	49,585	—	52,778	2,679	—	55,457	55,457	226	0/2011	40 yrs
			217,350	22,210	249,253	27,775	28,903	270,335	299,238	35,286		
Retail	Atlanta	GA	—	—	4,633	5	—	4,638	4,638	826	11/2004	40 yrs
Retail	Louisville	KY	—	—	2,722	376	373	2,725	3,098	485	11/2004	40 yrs
Retail	Greensboro	NC	—	—	3,797	4	—	3,801	3,801	677	11/2004	40 yrs
Retail	Memphis	TN	—	—	760	637	635	762	1,397	135	11/2004	40 yrs
Retail	Denton	TX	—	—	1,574	1,170	915	1,829	2,744	285	11/2004	40 yrs
Retail	Seabrook	TX	—	—	1,393	619	616	1,396	2,012	249	11/2004	40 yrs
			—	—	14,879	2,811	2,539	15,151	17,690	2,657		
Other	Jacksonville	FL	—	2,166	8,684	1,491	2,166	10,175	12,341	1,858	11/2004	40 yrs
Other	Churchill	PA	—	—	23,834	(14,525)	—	9,309	9,309	3,754	11/2004	40 yrs
Other	Meriden	CT	13,590	2,887	22,367	—	2,887	22,367	25,254	1,001	10/2010	40 yrs
			13,590	5,053	54,885	(13,034)	5,053	41,851	46,904	6,613		
Total from Continuing Operations			$ 230,940	$ 27,263	$ 319,017	$ 17,552	$ 36,495	$ 327,337	$ 363,832	$ 44,556		

The aggregate cost in the properties for federal income tax purposes was approximately $289,808

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,		
	2011	2010	2009
Real Estate			
Balance at beginning of period	$ 308,499	$ 249,078	$ 267,706
Additions during the period:			
Land	—	9,408	—
Buildings and improvements	11,962	6,121	2,548
Consolidation of 450 West 14th Street	52,778	—	—
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	(1,639)	(3,970)	(10,811)
Impairments during the period	(7,600)	—	(10,000)
Disposal of fully amortized assets	(168)	(1,004)	(365)
Balance at end of period	$ 363,832	$ 308,499	$ 249,078
Accumulated Depreciation			
Balance at beginning of period	$ 36,232	$ 31,269	$ 25,901
Additions charged to operating expenses	8,644	6,399	6,652
Transfer (to) from discontinued operations, net (1)	(152)	(432)	(919)
Disposal of fully amortized assets	(168)	(1,004)	(365)
Balance at end of period	$ 44,556	$ 36,232	$ 31,269

(1) In 2011, the St. Louis, Missouri property was placed into discontinued operations. In 2010, the Lafayette, Louisiana; Knoxville, Tennessee; 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.

Schedule IV
Mortgage Loans on Real Estate
December 31, 2011
(Amounts in thousands)

Type of Loan	Location	Interest Rate	Contratual Maturity Date	Periodic Payment Terms	Senior Liens	Face Value	Outstanding Principal	Carrying Amount (1)
Whole Loan	New York, NY	LIBOR + 4.0%	10/05/13	Interest Only	—	$ 20,000	$ 20,000	$ 20,101
Whole Loan	Tempe, AZ	5.88%	01/01/15	Amortizing	—	30,466	26,351	26,501
B-Note	San Francisco, CA	9.75%	06/09/12	Interest Only	35,000	15,000	11,468	11,555
B-Note	New York, NY	7.19%	07/11/16	Amortizing	244,887	11,638	9,931	9,979
Mezzanine	San Francisco, CA	15.00%	06/09/12	Interest Only	73,796	4,800	4,800	4,846
Mezzanine	Various / Florida	LIBOR + 1.23%	07/09/12	Interest Only	120,000	20,000	18,786	18,805
Mezzanine	Chicago, IL	8.0%	05/31/16	Interest Only	10,494	4,000	4,000	4,028
Mezzanine Other (2)	Various	Various	Various	Interest Only	60,867	9,882	8,747	8,768
Corporate Loan	n/a	15.00%	10/31/14	Interest Only	—	9,750	9,750	9,750
						$ 125,536	$ 113,833	$ 114,333

(1) Carrying amount of loans receivable includes accrued interest of $500 at December 31, 2011.

(2) Line item includes four mezzanine loans each of which represent less than 3% of the total Loan Assets.

Reconciliation of Mortgage Loans on Real Estate:

The following table reconciles Mortgage Loans for the years ended December 31, 2011, 2010, and 2009.

	2011	2010	2009
Balance at January 1	$ 110,395	$ 26,101	$ 22,876
Purchase and advances	67,619	122,301	31,514
Proceeds from sale	—	(12,876)	—
Interest (received) accrued, net	(37)	361	74
Repayments	(70,289)	(15,064)	(11,467)
Provision for loan loss allowance	—	—	(2,152)
Loan accretion	13,401	8,782	1,021
Discount accretion received in cash	(13,290)	—	—
Reclass to investment in real estate	—	(19,210)	—
Reclass from loan securities	662	—	—
Reclass from equity investments	12,544	—	—
Reclass from other assets	—	—	40
Reclass to equity investments	(4,650)	—	(15,805)
Reclass to preferred investments	(2,022)	—	—
Balance at December 31	$ 114,333	$ 110,395	$ 26,101

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

Exhibit	Description	Page Number
10.6	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.	—
10.7	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.	—
10.8	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.	—
10.9	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.	—
10.10	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.	—
10.16	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.	—
10.19	Amended and Restated Loan Agreement, dated as of March 3, 2011, between WRT Realty L.P. and KeyBank, National Association. Incorporated by reference to Exhibit 10.19 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2011.	—
10.20	Guaranty from Winthrop Realty Trust and certain of its Subsidiaries in favor of KeyBank, National Association. Incorporated by reference to Exhibit 10.20 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2011.	—
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)	*
23.3	Consent of Independent Accounting Firm – KPMG LLP (Concord Debt Holdings LLC financials)	*
23.4	Consent of Independent Accounting Firm – Frazier & Deeter, LLC (Sealy Northwest Atlanta Partners LP financials)	*
23.5	Consent of Independent Accounting Firm – Frazier & Deeter, LLC (Sealy Newmarket General Partnership 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	*
99.2	Consolidated Financial Statements of Concord Debt Holdings LLC	*
99.3	Consolidated Financial Statements of Sealy Northwest Atlanta Partners LP	*
99.4	Consolidated Financial Statements of Sealy Newmarket General Partnership LLC	*
101.INS	XBRL Report Instance Document	†
101.SCH	XBRL Taxonomy Extension Schema Document	†
101.CAL	XBRL Taxonomy Calculation Linkbase Document	†
101.LAB	XBRL Taxonomy Label Linkbase Document	†
101.PRE	XBRL Presentation Linkbase Document	†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	†

* filed herewith

† Indicates furnished herewith

Exhibit 4.4

AMENDMENT NO. 1 TO AGREEMENT OF LIMITED PARTNERSHIP
OF
FIRST UNION REIT, L.P.

THIS AMENDMENT NO. 1 TO AGREEMENT OF LIMITED PARTNERSHIP OF First Union REIT, L.P., dated as of December 1, 2005, is entered into by and among Winthrop Realty Trust (f/k/a First Union Real Estate Equity and Mortgage Investments), an Ohio business trust ("WRT"), and FIRST UNION MANAGEMENT INC. (as successor by merger to FT-TRS Loan Corp.), a Delaware corporation ("FUMI"), together with any other Persons who become Partners in the Partnership as provided herein.

WHEREAS, WRT and FUMI are party to that certain Agreement of Limited Partnership of First Union REIT, L.P., dated as of January 1, 2005 (the "Partnership Agreement");

WHEREAS, WRT and FUMI desire to amend the Partnership Agreement to change the name of the Partnership to "WRT Realty L.P."

NOW, THEREFORE, the parties hereby agreed as follows:

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

2. Amendment to Agreement . The Partnership Agreement is hereby amended as follows:

a. The heading of the Partnership Agreement is amended to read in its entirety "AGREEMENT OF LIMITED PARTNERSHIP OF WRT REALTY L.P."

b. The first sentence of Section 2.2 of the Partnership Agreement is hereby deleted in its entirety and the following is inserted in lieu thereof:

"The name of the Partnership is WRT Realty L.P."

c. Exhibit D to the Partnership Agreement is hereby amended by replacing all references therein to "First Union REIT, L.P." with "WRT Realty L.P."

3. Miscellaneous . (a) Except as modified hereby, the Partnership Agreement remains in full force and effect and the provisions thereof are hereby ratified and confirmed.

(b) All references in the Partnership Agreement to "this Agreement", "hereunder", "hereto" or similar references, and all references in all other documents to the Agreement shall hereinafter be deemed references to the Agreement as amended hereby.

(c) This Amendment may be executed in one or more counterparts, all of which together shall for all purposes constitute one amendment, binding on all parties hereto, notwithstanding that the parties have not signed the same counterparts.

IN WITNESS WHEREOF, this Amendment has been executed as of the date and year first above written.

WRT REALTY TRUST

By: /s/ Peter Braverman
Peter Braverman
President

FIRST UNION MANAGEMENT, INC.

By: /s/ Peter Braverman
Peter Braverman
President

Exhibit 21

Name of Entity	State of Formation
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 (Atlanta) LLC	Delaware
FT-KRG (Denton) LLC	Delaware
FT-KRG (Greensboro) LLC	Delaware
FT-KRG (Louisville) LLC	Delaware
FT-KRG (Memphis) LLC	Delaware
FT-KRG (Seabrook) 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
Newbury Apartments LLC	Delaware
Newbury Properties DE LLC	Delaware
RE CDO Management LLC	Delaware
Sealy Airpark Nashville General Partnership	Delaware
Sealy Newmarket General Partnership	Delaware
Sealy Northwest Atlanta Partners L.P.	Delaware
SoCal Office Loan Portfolio LLC	Delaware
SoCal OLP Holdings LLC	Delaware

Name of Entity	State of Formation
WRT-1050 Corporetum Holdings LLC	Delaware
WRT-1050 Corporetum Property LLC	Delaware
WRT-1050 Corporetum Property Manager LLC	Delaware
WRT-550/650 Corporetum Property LLC	Delaware
WRT-550/650 Corporetum Property Manager LLC	Delaware
WRT-701 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-CDO LLC	Delaware
WRT-Concord LLC	Delaware
WRT-Crossroads LLC	Delaware
WRT-Crossroads One LLC	Delaware
WRT-Cypress LLC	Delaware
WRT-DV LLC	Delaware
WRT-Elad One South State Lender L.P.	Delaware
WRT-Elad One South State Equity L.P.	Delaware
WRT-High Line LLC	Delaware
WRT-Lender LLC	Delaware
WRT-Marc RC Holding LLC	Delaware
WRT-Marc RC LLC	Illinois
WRT-Moffett LLC	Delaware
WRT-MT LLC	Delaware
WRT-Nashville Airpark LLC	Delaware
WRT-Property Holdings LLC	Delaware
WRT Realty L.P.	Delaware
WRT-Rockwell LLC	Delaware
WRT-ROIC Lakeside Eagle LLC	Delaware
WRT-ROIC Riverside LLC	Delaware
WRT-SoCal Lender LLC	Delaware
WRT-South Burlington Property LLC	Delaware
WRT-South Burlington Property Manager LLC	Delaware
WRT-Springing Member LLC	Delaware
WRT-Stamford LLC	Delaware
WRT-State Street Lender LLC	Delaware
WRT-TALF LLC	Delaware
WRT TRS Management Corp.	Delaware
WRT-VHH LLC	Delaware
WRT-Westwood Noteholder LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (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 15, 2012, 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 15, 2012

Exhibit 23.2

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 15, 2012

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statement on Form S-3 (Nos. 333-163157 and 333-125987), on Form S-3/A (No. 333-155761) and on Form S-3D (No. 333-161664) of Winthrop Realty Trust and subsidiaries of our report dated March 7, 2012, with respect to the consolidated balance sheet of the Concord Debt Holdings LLC and subsidiaries as of December 31, 2011, and the related consolidated statements of operations, changes in members' capital, and cash flows for the year then ended, which report appears in the December 31, 2011 annual report on Form 10-K of Winthrop Realty Trust and subsidiaries.

/s/ KPMG LLP
Boston, Massachusetts
March 15, 2012

Exhibit 23.4

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 9, 2012, relating to the financial statements of Sealy Northwest Atlanta Partners, LP which appears in this Form 10-K.

/s/ Frazier & Deeter, LLC
Atlanta, Georgia
March 15, 2012

Exhibit 23.5

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 9, 2012, relating to the financial statements of Sealy Newmarket General Partnership which appears in this Form 10-K.

/s/ Frazier & Deeter, LLC
Atlanta, Georgia
March 15, 2012

Exhibit 24

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, 2011

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, 2011 (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 28th day February, 2012.

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

/s/ Howard Goldberg
Howard Goldberg

/s/ Thomas McWilliams
Thomas McWilliams

/s/ Lee Seidler
Lee Seidler

/s/ Steven Zalkind
Steven Zalkind

Exhibit 31.1

WINTHROP REALTY TRUST
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2011

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 15, 2012

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

Exhibit 31.2

WINTHROP REALTY TRUST
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2011

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 15, 2012

/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, 2011, 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 15, 2012	/s/ Michael L. Ashner Michael L. Ashner Chief Executive Officer
Date: March 15, 2012	/s/ Thomas C. Staples Thomas C. Staples Chief Financial Officer

Exhibit 99.1

Lex-Win Concord LLC

Consolidated Financial Statements

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

LEX-WIN CONCORD LLC

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Members of Lex-Win Concord LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations of, comprehensive income, of changes in members' capital and of cash flows present fairly, in all material respects, the financial position of Lex-Win Concord LLC and its subsidiaries at December 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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	$ 634,508
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	569,894
Non-controlling redeemable preferred interest:	
Non-controlling redeemable preferred interest	5,720
Total non-controlling redeemable preferred interest	5,720
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	58,894
Total liabilities and members' capital	$ 634,508

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 Year Ended December 31, 2009

(In thousands)

	(Unaudited) 2010	2009
Income:		
Interest income on real estate debt investments and available for sale securities	$ 17,930	$ 38,948
Realized gain on sale of real estate debt investments	7,760	—
Total income	25,690	38,948
Expenses:		
Interest	9,581	17,335
Provision for loss on real estate debt investments	106,150	80,620
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
Less: Impairments recognized in other comprehensive losses	—	(13,468)
Net impairment losses recognized in earnings	3,874	16,302
Realized loss on sale of available for sale securities	—	5,074
Fees and expenses paid to related party	470	1,108
Collateral support expense	319	9,757
General and administrative	1,754	4,604
Total expenses	124,555	262,999
Other income:		
Interest income on bank deposits	6	7
Total other income	6	7
Loss from continuing operations	(98,859)	(224,044)
Discontinued operations:		
Loss from discontinued operations	(971)	(959)
Total discontinued operations	(971)	(959)
Consolidated net loss	(99,830)	(225,003)
(Income) loss attributable to the non-controlling redeemable preferred interest	4,585	68,709
Income attributable to the non-controlling interest	(8)	(12)
Net loss attributable to Lex-Win Concord LLC	$ (95,253)	$ (156,306)

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
Year Ended December 31, 2009

(In thousands)

	(Unaudited) 2010	2009
Consolidated net loss	$ (99,830)	$ (225,003)
Other comprehensive income (loss):		
Unrealized gain (loss) on cash flow hedges	(4,486)	10,668
Unrealized gain (loss) on available for sale securities	5,774	(29,770)
Reclassification of unrealized loss to impairment loss	—	16,302
Other comprehensive loss	1,288	(2,800)
Comprehensive loss	(98,542)	(227,803)
Comprehensive income attributable to non-controlling interest	(8)	(12)
Comprehensive (income) loss attributable to non-controlling redeemable preferred interest	4,585	68,709
Comprehensive loss attributable to Lex-Win Concord LLC	$ (93,965)	$ (159,106)

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
Year Ended December 31, 2009

(In thousands)

	Winthrop	Lexington	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total
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	(78,153)	(78,153)	—	—	(156,306)
Balance, December 31, 2009	56,964	56,964	(55,148)	114	58,894
(Unaudited)					
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	(9,337)	(9,338)	53,860	(110)	35,075
Balance, August 26, 2010	$ —	$ —	$ —	$ —	$ —

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 Year Ended December 31, 2009

(In thousands)

	(Unaudited) 2010	2009
Cash flows from operating activities:		
Consolidated net income (loss)	$ (99,830)	$ (225,003)
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Amortization and accretion of interest	(1,270)	(4,866)
Amortization of deferred financing costs	1,634	1,945
Impairment loss on available for sale securities	3,874	16,302
Provision for loss on real estate debt investments	106,150	80,620
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)	—
Changes in operating assets and liabilities:		
Interest and other receivables	250	1,842
Other assets	104	(36)
Other liabilities	(527)	(904)
Liabilities of discontinued operations	(90)	142
Collateral support obligation	319	9,757
Net cash provided by operating activities	5,969	13,072
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
Funding of commitments on real estate debt investments	—	(1,714)
Real estate debt investments repaid	—	30,168
Available for sale securities purchased	(13,562)	(6,856)
Real estate debt investments purchased	(3,000)	
Available for sale securities repaid	296	3,935
Change in restricted cash	13,112	(22,550)
Net cash provided by investing activities	79,640	118,672

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 Year Ended December 31, 2009

(In thousands, Continued)

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

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

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.

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.

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

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 year ended December 31, 2009, the Company recognized in interest income accretion of discounts totaling $637,000 and $1,071,000, 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.

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 o **f** 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.

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 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.

Note 5—Fair Value Measurement (Continued)

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, 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.

Note 5—Fair Value Measurement (Continued)

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.

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	$ —	$ —	$ —

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	$ 83,977	$ 15,473	$ 66,311

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	$ 447,270	40

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 and $80,620,000 for the period from January 1, 2010 to August 26, 2010 (Dissolution) and the year ended December 31, 2009, 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 year ended December 31, 2009 (in thousands):

	2010	2009
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)
Transfers (2)	—	4,000
Dissolution adjustment	121,795	—
Balance at end of year	$ —	$ (55,464)

(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.

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	120,189	2,176	(38,848)	83,517
CDO	460	—	—	460
Total available for sale securities	$ 120,649	$ 2,176	$ (38,848)	$ 83,977

(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	4,565	(4,112)	65,414	(34,737)	69,979	(38,849)
CDO	—	—	—	—	—	—
Total available for sale securities	$ 4,565	$ (4,112)	$ 65,414	$ (34,737)	$ 69,979	$ (38,849)

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 year ended December 31, 2009 was $3,523,000 and $4,320,000, 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 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.

Note 8—Available for Sale Securities (Continued)

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-then-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	$ 3,874	$ 16,302

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, 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.

Note 9—Variable Interest Entities (Continued)

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 Vaue	December 31, 2009 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	$ 135,064	$ 152,258

(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.

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 $113,959,000. The weighted-average interest rate on amounts outstanding was approximately 3.24% during the year ended December 31, 2009.

Note 11—Revolving Credit Facility (Continued)

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% at December 31, 2009, 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.

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.

Note 13—Collateralized Support Obligation

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 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.

Note 13—Collateralized Support Obligation (Continued)

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 14—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 15—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.

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.

Note 15—Derivative Financial Instruments (Continued)

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 year ended December 31, 2009, 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. 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 year ended December 31, 2009. 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:

Interest Rate Derivative	Number of Instruments	Notional
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 were equal to $683,686 of income for the year ended December 31, 2009.

Note 15—Derivative Financial Instruments (Continued)

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):

Liability Derivatives (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		$ 12,274

Note 16—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 pronoucement	(23,294)	(23,294)
Dissolution adjustment	53,860	—
	$ —	$ (55,148)

Note 17—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.

Note 17—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	$ (971)	$ (959)

Note 18—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 year ended December 31, 2009, 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 19—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 year ended December 31, 2009 are as follows (in thousands):

	2010	2009
Base management fee	$ 361	$ 533
Employee wages and benefits	228	647
Total related party fees and expenses paid	$ 589	$ 1,180

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 for the year ended December 31, 2009.

At December 31, 2009, the Company owed WRP Sub-Management $163,000.

Note 19—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.

CONCORD DEBT HOLDINGS LLC

Consolidated Financial Statements

December 31, 2011 and 2010 (unaudited)

(With Independent Auditors' Report Thereon)

CONCORD DEBT HOLDINGS LLC

Consolidated Financial Statements

December 31, 2011 and 2010 (unaudited)

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Independent Auditors’ Report

The Members
Concord Debt Holdings LLC:

We have audited the accompanying consolidated balance sheet of Concord Debt Holdings LLC and subsidiaries as of December 31, 2011, and the related consolidated statements of operations, changes in members’ capital, and cash flows for the year ended December 31, 2011. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Concord Debt Holdings LLC and subsidiaries as of December 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Finalized by Allan Juwonoputro on 3/8/12

March 7, 2012

CONCORD DEBT HOLDINGS LLC

Consolidated Balance Sheets

December 31, 2011 and 2010 (unaudited)

(In thousands)

		2011	2010 (Unaudited)
Assets			
Cash and cash equivalents	$	2,978	3,281
Restricted cash		—	2,214
Real estate debt investments carried at fair value		23,627	114,621
Securities carried at fair value		581	5,836
Interest and other receivables		101	389
Other assets		107	122
Total assets	$	27,394	126,463
Liabilities and Capital			
Liabilities:			
Repurchase agreements carried at fair value	$	—	60,377
Revolving Credit facility carried at fair value		—	34,754
Sub-participation obligation at fair value		—	3,855
Other liabilities		150	335
Total liabilities		150	99,321
Members’ capital		27,244	27,142
Total liabilities and capital	$	27,394	126,463

See accompanying notes to consolidated financial statements.

CONCORD DEBT HOLDINGS LLC

Consolidated Statements of Operations

Year ended December 31, 2011 and
period from August 26, 2010 (Inception) through December 31, 2010 (unaudited)

(In thousands)

	2011	Period from August 26, 2010 (inception) through December 31, 2010 (Unaudited)
Income:		
Interest income	$ 3,472	2,108
Fees received from related party	57	20
Total income	3,529	2,128
Expenses:		
Interest	726	668
General and administrative	448	356
Total expenses	1,174	1,024
Net investment income	2,355	1,104
Realized and unrealized gain (loss) from investments:		
Realized gain on sale of securities carried at fair value	370	237
Realized loss on sale of securities carried at fair value	(1,127)	—
Realized gain on sale of real estate debt investments carried at fair value	8,634	—
Realized loss on sale of real estate debt investments carried at fair value	(1,532)	—
Realized loss on repurchase agreement carried at fair value	(1,850)	—
Realized loss on revolving credit facility carried at fair value	(845)	—
Total realized gain from investments, net	3,650	237
Unrealized gain on real estate debt investment carried at fair value	3,666	5,753
Unrealized loss on securities carried at fair value	(273)	(925)
Unrealized loss on repurchase agreement carried at fair value	—	(588)
Unrealized loss on revolving credit facility carried at fair value	—	(132)
Total unrealized gain from investments, net	3,393	4,108
Total realized and unrealized gain from investments	7,043	4,345
Net income from continuing operations, net	9,398	5,449
Discontinued operations:		
Income from discontinued operations	36	104
Total income from discontinued operations	36	104
Net income	$ 9,434	5,553

See accompanying notes to consolidated financial statements.

CONCORD DEBT HOLDINGS LLC

Consolidated Statements of Changes in Members' Capital

Year ended December 31, 2011 and
period from August 26, 2010 (Inception) through December 31, 2010 (unaudited)

(In thousands)

	WRT Concord LLC	Lexington CDH I LLC	Inland American Concord Sub LLC	Total
Balance at August 26, 2010 (unaudited)	$ 7,196	7,196	7,197	21,589
Net income	1,894	1,894	1,765	5,553
Balance at December 31, 2010 (unaudited)	9,090	9,090	8,962	27,142
Net income	3,145	3,145	3,144	9,434
Distribution	(3,216)	(3,216)	(2,900)	(9,332)
Balance at December 31, 2011	$ 9,019	9,019	9,206	27,244

See accompanying notes to consolidated financial statements.

CONCORD DEBT HOLDINGS LLC

Consolidated Statements of Cash Flows

Year ended December 31, 2011 and
period from August 26, 2010 (Inception) through December 31, 2010 (unaudited)

(In thousands)

	2011	Period from August 26, 2010 (inception) through December 31, 2010 (Unaudited)
Cash flows from operating activities:		
Consolidated net income	$ 9,434	5,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized gain on real estate debt investment carried at fair value	(3,666)	(5,753)
Realized gain on sale of securities carried at fair value	(370)	(237)
Realized loss on sale of securities carried at fair value	1,127	—
Realized loss on sale of real estate debt investments carried at fair value	1,532	—
Realized gain on sale of real estate debt investment carried at fair value	(8,634)	—
Realized loss on repurchase agreement carried at fair value	1,850	—
Realized loss on credit facility carried at fair value	845	—
Unrealized loss on securities carried at fair value	273	925
Unrealized loss on repurchase agreement carried at fair value	—	588
Unrealized loss on credit facility carried at fair value	—	132
Changes in operating assets and liabilities:		
Interest receivable	288	160
Other assets	15	(43)
Other liabilities	(185)	85
Net cash provided by operating activities	2,509	1,410
Cash flows from investing activities:		
Proceeds from sale of securities carried at fair value	370	1,682
Repayment of securities carried at fair value	—	645
Proceeds from sale of real estate debt investments	56,672	771
Repayment of real estate debt investments carried at fair value	—	10
Purchase of real estate debt investment	(11,000)	—
Change in restricted cash	2,214	(80)
Net cash provided by investing activities	48,256	3,028
Cash flows from financing activities:		
Cash proceeds from reorganization	—	2,765
Repayments on repurchase agreements	(6,137)	(1,064)
Repayment of revolving credit facility	(35,599)	(2,450)
Distribution to members	(9,332)	
Repayment under sub-participation arrangement	—	(408)
Net cash used in financing activities	(51,068)	(1,157)
Net increase (decrease) in cash and cash equivalents	(303)	3,281
Cash and cash equivalents at beginning of period	3,281	—
Cash and cash equivalents at end of period	$ 2,978	3,281

CONCORD DEBT HOLDINGS LLC

Consolidated Statements of Cash Flows

Year ended December 31, 2011 and
period from August 26, 2010 (Inception) through December 31, 2010 (unaudited)

(In thousands)

		2011	Period from August 26, 2010 (inception) through December 31, 2010 (Unaudited)
Supplemental cash flow information:			
Interest paid	$	691	686
Supplement disclosure of noncash investing and financing activities Debt assumed on sale of real estate investment at fair market value		56,090	—
Noncash investing activity:			
The following represents the increase in certain assets and liabilities in connection with the Company’s reorganization:			
Restricted cash	$	—	2,134
Real estate debt investments		—	109,649
Securities		—	9,088
Interest receivable		—	549
Other assets		—	79
Repurchase agreements		—	60,853
Revolving credit facility		—	37,072
Sub-participation obligation		—	4,500
Other liabilities		—	250
Member capital		—	21,589

See accompanying notes to consolidated financial statements.

(1) Description of Business and Basis of Presentation

(a) Formation and Ownership

Concord Debt Holdings LLC (the Company) is a Delaware limited liability company (LLC) that was originally formed on March 31, 2006 (Formation Date). At its Formation Date the Company was owned 50% each by Winthrop Realty Trust (Winthrop) and Lexington Master Limited Partnership (Lexington).

On August 2, 2008 (Recapitalization Date) the Company was recapitalized and amended and restated its LLC agreement to admit Inland American Concord Sub, LLC (Inland). Inland received a redeemable preferred membership interest in exchange for new capital invested in the Company. Concurrently with the admission of Inland as a preferred member, Lexington and Winthrop contributed all of their interest in the Company to Lex-Win Concord, LLC (Lex-Win) which was owned 50% by Winthrop and 50% by Lexington and Lex-Win was designated as the Company's managing member.

Winthrop and Lexington funded 100% of their capital commitments of $162,500,000 prior to the Company's admission of Inland as a preferred member and Inland invested $76,000,000 in the Company as a result of the Company's recapitalization.

On August 26, 2010 (Reorganization Date or Inception) the Company was reorganized and its LLC agreement was amended and restated to admit two new Lexington and Winthrop affiliates as members, Lexington CDH I LLC and WRT-Concord LLC. Concurrently, Inland's existing preferred member interest was eliminated and Lex-Win was dissolved after it distributed its 100% common member interest in the Company to the newly admitted members and Inland equally, resulting in each member having an equal 33.3% common member interest with Inland designated as the Company's managing member.

As of the Reorganization Date, Winthrop and Lexington effectively reduced their 50%/50% common member interests and Inland exchanged its preferred member interest for a common member interest. As a result of the Reorganization, each hold an equal one-third common member interest in the Company. Income is divided equally among members and distributions of operating cash flow, capital proceeds, and quarterly guarantees are made in accordance with the LLC agreement. The Company's members are not required to make any future capital contributions to the Company.

(b) Business Purpose and Opening Balance Sheet at Inception

Through its subsidiaries, the Company was originally formed in 2006 to acquire real estate whole loans and subordinate real estate debt investments such as B-notes and mezzanine loans and commercial real estate securities including collateralized debt obligations (CDO's) and collateralized mortgage backed securities (CMBS) which are further characterized as either pool bonds or rake bonds. A rake bond is a junior interest in a securitized mortgage loan which has been structured in one or more classes of CMBS and issued in a transaction that solely relates to one particular mortgage loan.

On the Reorganization Date the Company divested its CDO subsidiary. Therefore the opening balance sheet of the Company at Inception consists of the remaining non-CDO assets accounted for on a fair value basis of accounting.

(Continued)

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

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

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates in the consolidated financial statements include the valuation of the Company’s real estate debt investments and available for sale securities and estimates pertaining to credit. Actual results could differ materially from those estimates.

(c) Concentration of Credit Risk

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

(d) Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at time of acquisition and as of the balance sheet date are considered to be cash equivalents. The Company places its cash and cash equivalents in major financial institutions.

(e) Restricted Cash

The Company had no restricted cash of at December 31, 2011 as the credit line was paid in full and the lender released all of the restricted funds. The Company had restricted cash of $2,214,000 at December 31, 2010 which represented $489,000 of deposits controlled by our lender used for payments of principal and interest under the Key Bank loan. The remaining restricted funds were held in attorney escrow accounts.

(Continued)

(f) Fair Value Measurements

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

(g) Real Estate Debt Investments

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

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

(h) Members' Capital

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

(i) Gain on Sale of Loans

All loans sold to date have been sold without recourse. When loans are sold, a gain or loss is recognized to the extent that the sales proceeds plus unamortized fees and costs exceed or are less than the carrying value of the loans. Gains and losses are determined using the specific identification method.

(j) Income Taxes

The Company is an LLC and is treated as a partnership for U.S. Federal income tax purposes. Accordingly, no provision or benefit for income taxes is made in the consolidated financial statements since taxable income or loss passes through to, and is reportable by its members on their respective income tax returns. However, the Company is required to pay certain state and local entity level taxes which are expensed as incurred.

(Continued)

(k) Recently Issued Accounting Standards

On April 5, 2011 the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2011-02: *Receivables (Topic 310) – A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring* that provides clarification on which loan modifications meet the criteria to be treated as Troubled Debt Restructurings (TDR's) under Topic 310. The guidance is intended to improve financial reporting by creating greater consistency in the way accounting principles generally accepted in the United States (GAAP) is applied for various TDRs by reaffirming the requirements and clarifying the criteria that creditors should use in evaluating whether a restructuring constitutes a TDR. The guidance was effective for interim and/or annual periods beginning on or after June 15, 2011, and early application was permitted. The Company has adopted this standard which did not have a material impact on its consolidated financial statements.

On April 29, 2011 the FASB issued ASU No. 2011-03: *Transfers and Servicing (Topic 860) – Reconsideration of Effective Control for Repurchase Agreements* which is intended to improve transparency and improve the manner in which repurchase and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity are reported in the financial statements. ASU No. 2011-03 is effective for the first interim or annual period beginning on or after December 15, 2011, and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date, with early adoption disallowed. The Company has evaluated this amendment and does not anticipate its adoption will have a material impact on its consolidated financial statements.

On May 12, 2011 the FASB issued ASU No. 2011-04: Fair Value Measurement (Topic 820) – *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* which results in changes to common fair value measurement and disclosure requirements. Consequently, the amendments change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. Certain amendments in this update clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change requirements for measuring fair value or for disclosing information about fair value measurements. This amendment will be effective for the Company beginning with the first reporting period of 2012. The Company has evaluated this amendment and does not anticipate its adoption will have a material impact on its consolidated financial statements.

On December 14, 2011, FASB issued ASU No. 2011-10: *Property, Plant, and Equipment (Topic 360) – Derecognition of in Substance Real Estate – a Scope Clarification* , clarifying that a parent company should not deconsolidate an in substance real estate subsidiary in which the parent loses a controlling interest as a result of default on the subsidiary's nonrecourse debt until title to the in substance real estate is transferred to legally satisfy the debt. This ASU resolves diversity in practice of applying existing consolidation guidance. The amendments in ASU No. 2011-10 should be applied prospectively to deconsolidation events occurring after the effective date, though early adoption is permitted. Prior periods should not be adjusted. This amendment will be effective for the Company for fiscal years ending after December 15, 2013. The Company has evaluated this new guidance and does not anticipate its adoption will have a material impact on its consolidated financial statements.

(Continued)

On December 16, 2011, FASB issued ASU No. 2011-11: *Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities* which requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the financial statements particularly for transactions related to derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The new disclosure requirements will be effective for annual reporting periods beginning on or after January 1, 2013. The new disclosures will be required for all prior comparative periods presented. The Company has evaluated this new guidance and does not anticipate its adoption will have a material impact on its consolidated financial statements.

(3) Fair Value Measurement

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

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

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

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

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

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

(Continued)

(a) Fair Value Option

The fair value option election allows companies to irrevocably elect fair value measurement attributed for certain financial assets and liabilities. The fair value option election is permitted on an instrument by instrument basis at initial recognition for real estate debt investments, securities, and debt outstanding at the Company's inception and ongoing. The Company elects the fair value option to mitigate a divergence between accounting and economic exposure. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur.

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

(b) Cash, Cash Equivalents and Restricted Cash

The Company's cash, cash equivalents and restricted cash are generally classified within Level 1 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 with original maturities less than 90 days and most money market securities.

(c) Real Estate Debt Investments

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

(d) Securities

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

(e) Repurchase Agreements and Revolving Credit Facility

The Company uses a third-party pricing model to establish values for its repurchase agreements and credit facility. Management also performs further analysis giving consideration to one or more of the following criteria as appropriate: (i) interest rates for liabilities of comparable quality and maturity, and (ii) the value and performance of the underlying collateral (iii) local, industry, and broader economic trends and factors. Significant judgment is used in the ultimate determination of fair value. This valuation methodology has been characterized as Level 3 in the fair value hierarchy.

(f) Sub-Participation Obligation

The Company estimated fair value related to the sub-participation agreement in part by considering the fair value of the collateral. Management also considered the fair value of the call options written to both the borrower and the unaffiliated third party, along with the valuation of our available for sale securities at December 31, 2010 and no material impact in the value of these instruments was noted.

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

The following table presents for each of the fair value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011 (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 2011
Assets:				
Cash and cash equivalents	$ 2,978	—	—	2,978
Real estate debt investments	—	—	23,627	23,627
Securities	—	—	581	581

(Continued)

The following table presents for each of the fair value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010 (in thousands):

	Quoted prices in active markets for identical assets and liabilities (Level 1) (Unaudited)	Significant other unobservable inputs (Level 2) (Unaudited)	Significant unobservable inputs (Level 3) (Unaudited)	Balance at December 2010 (Unaudited)
Assets:				
Cash and cash equivalents	$ 3,281	—	—	3,281
Restricted cash	2,214	—	—	2,214
Real estate debt investments	—	—	114,621	114,621
Securities	—	—	5,836	5,836
Liabilities:				
Repurchase agreements	—	—	60,377	60,377
Credit facility	—	—	34,754	34,754
Sub-participation obligation	—	—	3,855	3,855

(h) Changes in Level Three Fair Value Measurements

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2011 and period from August 26, 2010 (Inception) to December 31, 2010 (in thousands):

	Real estate debt investments	Securities	Repurchase agreements	Credit facility	Sub-participation obligation
Fair value, August 26, 2010 (unaudited) (Inception)	$ 109,649	9,088	60,853	37,072	4,500
Total realized and unrealized gains and losses included in statement of operations	5,753	(925)	588	132	(237)
Repayments of securities, investments and loans	(10)	(645)	(1,064)	(2,450)	(408)
Sale of investments and securities	(771)	(1,682)	—	—	—
Fair value, December 31, 2010 (unaudited)	114,621	5,836	60,377	34,754	3,855

	Real estate debt investments	Securities	Repurchase agreements	Credit facility	Sub-participation obligation
Total realized and unrealized gains and losses included in statement of operations	$ 10,768	(1,030)	1,850	845	—
Repayments of securities, investments and loans	—	(370)	(6,137)	(35,599)	(3,855)
Purchase of investments	11,000	—	—	—	—
Debt assumed on sale of investment	(56,090)	—	(56,090)	—	—
Sale of investments and securities	(56,672)	(3,855)	—	—	—
Fair value, December 31, 2011	$ 23,627	581	—	—	—
Change in unrealized gain/(loss) included in earnings related to the investments still held at December 31, 2011	$ 3,666	(273)	—	—	—
Change in unrealized gain/(loss) included in earnings related to the investments still held at December 31, 2010 (unaudited)	5,753	(925)	(588)	(132)	237

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

There were no transfers of assets or liabilities between Levels 1, 2 or 3 of the fair value hierarchy during the year ended December 31, 2011 and period from August 26, 2010 to December 31, 2010.

(4) Real Estate Debt Investments

Real estate debt investments, consisting of whole loans, B-Note participation interests, and mezzanine loans, are held for investment and are carried at fair value. 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 Company's methodology to fair value these investments considers amongst others, the collateral value of the underlying assets. The following table is a summary of the Company's real estate debt investments at December 31, 2011 and 2010 (in thousands):

	2011	
	Real estate debt investments at fair value	Loan count
B-notes	$ 10,990	3
Mezzanine loans	12,637	2
Total loans	$ 23,627	5

	2010 (unaudited)	
	Real estate debt investments at fair value	Loan count
B-notes	$ 24,530	5
Mezzanine loans	90,091	7
Total loans	$ 114,621	12

The following table sets forth the maturity dates for the Company's real estate debt investments at December 31, 2011 and 2010 (in thousands):

As of December 31, 2011				
Year of maturity (1)	Number of loan assets maturing	Principal balance	Fair value	Percentage of total
2012	3	$ 11,016	10,990	47%
2013	—	—	—	—
2014	—	—	—	—
2015	—	—	—	—
2016 and thereafter	2	12,900	12,637	53%
Total real estate debt investments	5	$ 23,916	23,627	100%

(1) Weighted average maturity is 2.83 years. The calculation of weighted average maturity is based upon the remaining initial term and does not take into account any maturity extension period or the ability to prepay the investment after a negotiated lock-out period, which may be available to the borrower. The weighted average maturity with the exercise of any extension options is 3.34 years.

As of December 31, 2010 (unaudited)

Year of maturity (1)	Number of loan assets maturing	Principal balance	Fair value (2)	Percentage of total
2011	7	$ 115,612	99,856	87%
2012	2	52,804	2,649	2
2013	1	4,515	—	—
2014	—	—	—	—
2015 and thereafter	2	11,150	12,116	11
Total real estate debt investments	12	$ 184,081	114,621	100%

(1) Weighted average maturity is 0.90 years. The calculation of weighted average maturity is based upon the remaining initial term and does not take into account any maturity extension period or the ability to prepay the investment after a negotiated lock-out period, which may be available to the borrower. The weighted average maturity with the exercise of any extension options is 1.42 years.

(2) Of the 12 real estate debt investments there is one loan that is not performing and its carrying value has been written down to zero. Therefore, the remaining 11 loans included in the carrying value at December 31, 2010 above are performing.

The Company considers a loan to be nonperforming and places loans on nonaccrual 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 nonaccrual status, based on the Company'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. As of December 31, 2011, there were no nonaccrual loans.

(Continued)

Credit Risk Concentrations

Concentrations of credit risk arise when a number of borrowers, tenants or issuers related to the Company's investments are engaged in similar business activities or located in the same geographic location and are similarly affected by changes in economic conditions. The Company monitors its portfolio to identify potential concentrations of credit risk. The Company's real estate debt investments contain concentrations in the following asset types, categorized by industry as a percentage of the unpaid principal balance and fair value of real estate debt investments as of December 31, 2011 and 2010:

	2011	
Asset type	Unpaid principal balance	Fair value
Office	100%	100%
Total	100%	100%

As of December 31, 2011, two loans exceeded 10% of the Company's assets and for the year ended December 31, 2011 there were no loans that generated more than 10% of the Company's income.

	2010 (unaudited)	
.Asset type	Unpaid principal balance	Fair value
Office	17%	24%
Hospitality	11	60
Multifamily	72	16
Total	100%	100%

As of December 31, 2010, two loans exceeded 10% of the Company's assets and for the period beginning August 26, 2010 and ending December 31, 2010 five loans generated more than 10% of the Company's income.

During the year ended December 31, 2011, the Company sold 8 loans for a total proceed of $56.7 million. The Company recognized a net realized gain of $7.1 million from the sale in the current year. The Company had recognized an accumulated unrealized gain of $4.7 million at the beginning of the period.

(Continued)

(5) Securities Carried at Fair Value

The Company has a portfolio of loan securities that includes three and seven investments in pool bonds and rake bonds at December 31, 2011 and 2010. These bonds are marked to fair value on a continuous basis.

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

	2011				
	Par	Cost basis	Unrealized gains	Unrealized (losses)	Fair value
CMBS:					
Rake Bonds	$ —	—	—	—	—
Pool Bonds	15,400	1,122	—	(541)	581
Total securities at fair value	$ 15,400	1,122	—	(541)	581

	2010 (unaudited)				
	Par	Cost basis	Unrealized gains	Unrealized (losses)	Fair value
CMBS:					
Rake Bonds	$ 5,162	3,855	—	—	3,855
Pool Bonds	24,793	2,906	—	(925)	1,981
Total securities at fair value	$ 29,955	6,761	—	(925)	5,836

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 at December 31, 2011 and 2010 (in thousands):

	2011					
	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:						
Pool Bonds	$ —	—	581	(541)	581	(541)
Total securities	$ —	—	581	(541)	581	(541)

	2010 (unaudited)					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
CMBS:						
Rake Bonds	$ 3,855	—	—	—	3,855	—
Pool Bonds	1,981	(925)	—	—	1,981	(925)
Total securities	$ 5,836	(925)	—	—	5,836	(925)

The following table presents the amortized cost and fair value of debt securities available for sale by contractual maturity dates as of December 31, 2011 and 2010 (in thousands).

	2011	
	Cost	Fair value
CMBS-Pool Bonds:		
Due within 1 year	$ —	—
After 1 but within 5 years	1,122	581
Total CMBS – Pool Bonds	$ 1,122	581

	2010 (unaudited)	
	Cost	Fair value
CMBS – Rake Bonds:		
Due within 1 year	$ 2,477	2,477
After 1 but within 5 years	1,378	1,378
Total CMBS – Rake Bonds	3,855	3,855
CMBS – Pool Bonds:		
Due within 1 year	1,935	1,217
After 1 but within 5 years	971	764
Total CMBS – Pool Bonds	2,906	1,981
Total securities	$ 6,761	5,836

Changes in fair value of securities are reflected in the statement of operations as unrealized gain or losses on securities. During the year ended December 31, 2011, the Company sold 4 securities for a total proceed of $370 thousand. The Company recognized a net realized loss of $757 thousand from the sale in the current year. The Company had recognized an accumulated unrealized loss of $659 thousand at the beginning of the period.

(6) Variable Interest Entities

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

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

At December 31, 2011 the company had no real estate debt investments that were deemed a VIE but for the year ended December 31, 2010 the Company identified a real estate debt investment with an aggregate carrying value of $5,820,000 that was deemed a VIE 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 VIE 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 would require the Company to absorb expected losses or be entitled to receive expected residual returns of the borrower entity.

(7) Repurchase Agreements at Fair Value

The following table outlines borrowings under the Company's repurchase agreements as of December 31, 2010 (in thousands):

	2010 (unaudited)		
	Debt fair value	Collateral fair value	Outstanding debt balance
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 1.261	$ 56,936	63,370	58,781
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 1.261%	3,441	6,090	3,446
Total repurchase agreements	$ 60,377	69,460	62,227

In circumstances where 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 the related investments as an asset and the related repurchase agreement as a liability on the Company's consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the repurchase obligations are reported separately on the consolidated statements of operations. The Company's repurchase agreements with Royal Bank of Scotland (RBS) contain covenants that are both financial and nonfinancial in nature. Significant financial covenants require the Company to maintain certain loan to asset value ratios, a minimum net worth and minimum liquidity. In addition, all of the repurchase facilities require that the Company pay down borrowings under these facilities as principal payments on the loan assets and loan securities pledged to these facilities are received. The Company had not met its compliance requirements at December 31, 2010 and had not received a waiver noncompliance of these covenants. RBS has put a cash custodian arrangement in place in which 100% of the payments due from the Company's borrowings collateralizing the repurchase agreements are applied first to the interest due with any excess applied to the outstanding balance of the debt.

(Continued)

The repurchase agreement with a balance of $3,446,000 at December 31, 2010 matured on January 15, 2011. RBS has granted the Company 30 days to sell the collateral or refinance the debt. The collateral was sold on February 14, 2011 and the repurchase agreement was fully repaid.

The other repurchase agreement with a balance of $58,781,000 at December 31, 2010 was assumed by the buyer when the collateral was sold to a related third party in June 2011. On October 29, 2011, the buyer received payment in full and paid the assumed debt.

(8) Credit Facility

The Company assumed a credit facility with KeyBank at its inception. The facility had a maturity date of December 31, 2011 with a provision for a two, one-year extensions at the option of the Company, subject to certain conditions. The facility is a recourse obligation of the Company. Under the terms of the facility, an annual administration agent fee of $50,000 is payable annually in advance.

Under the conditions of the agreement, no distributions were allowed to be made to the Company's members until KeyBank is fully repaid. The bank has allowed for a maximum of $275,000 per month in operating expenses, however a mandatory monthly principal payment of $100,000 plus an additional annual principal repayment of $10,000,000 is required or the Company will be in default of the loan.

The Company had an outstanding balance on the credit facility of approximately $0 and $35,599,000 as of December 31, 2011 and 2010, 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 fair market carrying value of $0 and $47,773,000, respectively. Borrowings under the facility bear interest rates based upon prevailing LIBOR plus 300 bps. The weighted average interest rate on amounts outstanding was approximately 3.23% and 3.26% for the year ended December 31, 2011 and period beginning August 26, 2010 and ended December 31, 2010, respectively.

Based on the borrowing rates currently available to the Company for credit facilities with similar terms and average maturities, the fair value of long-term debt was $0 and $34,754,000 at December 31, 2011 and 2010, respectively.

The terms of the agreement with KeyBank required 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) payout any restricted payments in excess of 100% of net income (maximum payout ratio), v) prohibition on additional indebtedness.

The Company failed its covenants during the period from August 26, 2010 to December 31, 2010 and therefore was in default of its agreement with KeyBank. On June 2, 2011, the Company received proceeds from the sale of certain investments which was used to repay the KeyBank credit facility in full.

(Continued)

(9) Sub-Participation Obligation

The Company assumed a $4,500,000 liability at Inception which represents a sub-participation obligation which requires the Company to remit to the borrower, principal and interest payments received from certain bonds. The collateral for the bonds that are subject to the sub-participation obligation are controlled by the borrower.

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. One of the bonds paid principal of $645,000 which reduced the sub-participation obligation.

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 and 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 balance of the sub-participation obligation at December 31, 2011 and 2010 after reflecting repayments was $0 and $3,855,000, respectively.

(10) Discontinued Operations

The Company received expense reimbursements for insurance and real estate taxes of approximately $36,000 and $104,000 for the year ended December 31, 2011 and period ended December 31, 2010, respectively, related to an operating property held for sale and subsequently sold by the Company's predecessor prior to the Company's inception. The property was collateral on a loan that the Company's predecessor obtained through foreclosure and was included in discontinued operations of Company's predecessor. Therefore the Company included this reimbursement as income of discontinued operations.

(11) Related Party Transactions

For the year ended December 31, 2011 and period beginning August 26, 2010 and ending December 31, 2010, the Company sold real estate debt investments and securities to an affiliate of Winthrop for net proceeds of $29,000,000 and $2,453,000, respectively, which was also the carrying value at the time of sale.

For the year ended December 31, 2011 and period beginning August 26, 2010 and ending December 31, 2010 the Company received advancing agent fees from Concord CDO in the amount of $57,000 and $20,000, respectively.

CDH-CDO LLC, a related party to the Company, assumed the equity interest in the property secured by a $10 million real estate debt investments held by the Company. The investments are scheduled to mature in July 2012. The borrower is expected to exercise its ability to extend the loan for an additional year in accordance to the loan agreement.

(12) Subsequent Events

In connection with the preparation of the consolidated financial statements, the Company evaluated subsequent events after the consolidated balance sheets date of December 31, 2011 through March 7, 2012, which was the date the consolidated financial statements were available to be issued

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

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

Exhibit 99.3

SEALY NORTHWEST ATLANTA PARTNERS, L.P.

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011, 2010 (UNAUDITED) AND 2009 (UNAUDITED)

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
Sealy Northwest Atlanta Partners, L.P.
Shreveport, Louisiana

We have audited the accompanying consolidated balance sheet of Sealy Northwest Atlanta Partners, L.P. (the "Partnership") as of December 31, 2011, and the related consolidated statements of operations, partners' capital, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Frazier & Deeter, LLC

March 9, 2012
Atlanta, Georgia

SEALY NORTHWEST ATLANTA PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010 (UNAUDITED)

	2011	2010 (UNAUDITED)
ASSETS		
PROPERTY AND EQUIPMENT		
Buildings and improvements	$22,600,496	$22,593,848
Land	8,048,579	8,048,579
Land improvements	3,967,043	3,967,043
Tenant improvements	2,450,694	2,235,581
Total property and equipment, at cost	37,066,812	36,845,051
Less accumulated depreciation	6,162,386	5,143,248
Total property and equipment, net	30,904,426	31,701,803
CASH AND CASH EQUIVALENTS	610,563	445,921
RESTRICTED CASH	144,952	399,302
OTHER ASSETS		
Deferred rent receivable	534,286	450,041
Deferred financing costs, net of accumulated amortization of $93,422 and $39,310 for 2011 and 2010	558,959	10,608
Prepaid expenses and other assets	82,354	99,954
Other receivables	37,826	—
Tenant rent receivable, net	—	67,405
Due from related parties	3,950	11,400
Deferred leasing costs, net of accumulated amortization of $452,763 and $338,062 for 2011 and 2010	427,311	389,652
Total other assets	1,644,686	1,029,060
TOTAL ASSETS	$33,304,627	$33,576,086
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES		
Note payable, less holdback of $700,000 and $0 for 2011 and 2010	$13,969,883	$28,750,000
Accrued interest payable	67,828	935,669
Due to related parties	386	—
Accounts payable and accrued expenses	133,421	25,273
Unearned revenues	123,985	175,653
Tenant security deposits	161,266	156,896
Total liabilities	14,456,769	30,043,491
PARTNERS' CAPITAL	$18,847,858	$ 3,532,595
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$33,304,627	$33,576,086

See accompanying notes to the consolidated financial statements.

SEALY NORTHWEST ATLANTA PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

	2011	2010 (UNAUDITED)	2009 (UNAUDITED)
REVENUES			
Minimum rent	$ 2,516,602	$ 2,559,908	$ 3,143,742
Tenant Reimbursements	444,610	486,025	573,163
Total revenues	$ 2,961,212	$ 3,045,933	$ 3,716,905
OPERATING EXPENSES			
Depreciation and amortization	1,133,838	1,085,769	1,096,497
Repairs and maintenance	432,170	407,331	627,866
Property taxes	330,234	376,815	403,361
General and administrative	146,133	216,165	152,505
Utilities	144,031	171,549	150,264
Management fees	106,154	102,853	130,074
Insurance	66,672	65,777	66,952
Bad debt	23,536	30,727	38,840
Total operating expenses	2,382,768	2,456,986	2,666,359
OPERATING INCOME	578,444	588,947	1,050,546
OTHER INCOME (EXPENSE)			
Gain on extinguishment of debt and accrued interest	9,158,571	—	—
Other income	16,292	9,583	6,471
Interest expense	(2,188,044)	(2,051,810)	(1,671,495)
Total other income (expense)	6,986,819	(2,042,227)	(1,665,024)
NET INCOME (LOSS)	$ 7,565,263	$ (1,453,280)	$ (614,478)

See accompanying notes to the consolidated financial statements.

SEALY NORTHWEST ATLANTA PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

	Sealy Northwest Atlanta Partners, L.P.	WRT-Atlanta, L.L.C.	Total
BALANCE, DECEMBER 31, 2008 (UNAUDITED)	$ 2,240,141	$ 3,360,212	$ 5,600,353
Net Loss	(245,791)	(368,687)	(614,478)
BALANCE, DECEMBER 31, 2009 (UNAUDITED)	1,994,350	2,991,525	4,985,875
Net Loss	(581,312)	(871,968)	(1,453,280)
BALANCE, DECEMBER 31, 2010 (UNAUDITED)	1,413,038	2,119,557	3,532,595
Contribution	3,100,000	4,650,000	7,750,000
Net income	3,026,105	4,539,158	7,565,263
BALANCE, DECEMBER 31, 2011	$ 7,539,143	$ 11,308,715	$ 18,847,858

See accompanying notes to the consolidated financial statements.

SEALY NORTHWEST ATLANTA, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

	2011	2010 (UNAUDITED)	2009 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 7,565,263	$ (1,453,280)	$ (614,478)
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities:			
Depreciation expense	1,019,138	986,410	981,354
Bad Debt Expense	23,536	30,727	38,840
Amortization of acquired intangibles	—	—	(8,843)
Amortization of deferred financing costs	54,112	9,984	9,984
Amortization of deferred leasing costs	114,700	99,360	110,145
Gain on extinguishment of debt and accrued interest	(9,158,571)	—	—
Changes in assets and liabilities:			
Restricted cash	254,350	126,073	(173,584)
Deferred rent receivable	(84,245)	(124,202)	(129,538)
Prepaid expenses and other assets	17,600	(34,259)	(32,253)
Tenant rent receivable	43,869	(70,524)	11,674
Other receivables	(37,826)	—	—
Due from related parties	7,450	(11,400)	—
Deferred leasing costs paid	(152,359)	(151,514)	(109,289)
Accrued interest	1,290,730	935,669	—
Accounts payable and accrued expenses	108,148	(13,234)	(209,464)
Due to related parties	386	—	—
Unearned revenues	(51,668)	15,549	31,762
Tenant security deposits	4,370	(3,533)	(40,531)
Net cash provided by (used in) operating activities	1,018,983	341,826	(134,221)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(221,761)	(237,743)	(50,961)
Net cash used in investing activities	(221,761)	(237,743)	(50,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions from partners	3,100,000	—	—
Deferred financing costs paid	(602,463)	—	—
Payments on note payable	(3,130,117)	—	—
Distributions to partners	—	—	(224,198)
Net cash used in financing activities	(632,580)	—	(224,198)
Change in cash and cash equivalents	164,642	104,083	(409,380)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	445,921	341,838	751,218
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 610,563	$ 445,921	$ 341,838
Cash paid during the year for interest	$ 843,192	$ 1,106,157	$ 1,661,511

See accompanying notes to the consolidated financial statements.

SEALY NORTHWEST ATLANTA, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

Supplemental Disclosure of Noncash Investing and Financing Transactions:

During the year ended December 31, 2011, the Partnership entered into a discounted payoff option with a lender, whereby, the Lender reduced the amount of note payable outstanding by $7,000,000 and reduced the amount of accrued interest outstanding by $2,158,571.

During the year ended December 31, 2011, a related party converted $4,650,000 of a note payable to Partners' capital.

See accompany notes to the consolidated financial statements.

1. ORGANIZATION

Sealy Northwest Atlanta Partners, L.P. (the "Partnership"), a Delaware limited partnership, was organized in December 2006 (expires December 31, 2056) by Sealy Northwest Atlanta Ventures, L.P. ("Sealy") and WRT-Atlanta, L.L.C. (the "WRT") (collectively, the "Partners") to acquire, own, operate, maintain, and lease certain commercial properties located in Marietta, Georgia (the "Property"). The Partnership acquired the Property on December 12, 2006 and began operations.

(a) *Profits (Losses) Allocation*

Net profits and losses shall be allocated to the Partners in accordance with the terms of the Partnership Agreement. Profits are allocated as follows:

(i) First, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the balance of their Additional Capital Contributions Preferred Return Accounts; and

(ii) Second, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (i) above, plus the balance of their respective Additional Capital Contribution Accounts; and

(iii) Third, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (ii) above, plus the balance of their respective Initial Capital Preferred Return Account Balances; and

(iv) Fourth, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (iii) above, plus the balance of their respective Initial Capital Contribution Account Balances; and

(v) Fifth, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (iv) to be in the same proportions as their respective Residual Percentages; and

(vi) Sixth, any remainder allocated to the Partners in proportion to their respective Residual Percentage Interests.

1. ORGANIZATION (CONTINUED)

Losses are allocated to the Partners as follows:

(i) First, to the Partners in proportion to and to the extent of the amounts necessary to cause the amounts by which such Partners' Capital Accounts exceed the sum referred to in tier (iv) of the profit allocation shown above to be in the same proportions as their respective Residual Percentages; and

(ii) Second, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (iv) of the profit allocation shown above; and

(iii) Third, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (iii) of the profit allocation shown above; and

(iv) Fourth, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (ii) of the profit allocation shown above; and

(v) Fifth, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (i) of the profit allocation shown above; and

(vi) Sixth, to the Partners in proportion to, and to the extent of the amounts necessary to cause their respective Capital Accounts to equal zero.

(b) *Distribution of cash flows*

The Partnership's distributable cash from operations, as defined, shall be distributed as follows:

(i) First, to the Partners in proportion to their respective Additional Capital Preferred Return Account balances until such balances are reduced to zero;

(ii) Second, to the Partners in proportion to their respective Initial Capital Preferred Return Account balances until such balances are reduced to zero; and

(iii) Third, any balance to the Partners in proportion to their respective Residual Percentages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation —The Partnership has adopted Financial Accounting Standards Board (FASB) Codification. The Codification is the single official source of authoritative accounting principles generally accepted in the United States of America (GAAP) recognized by the FASB to be applied by non-governmental entities and all of the Codification’s content carries the same level of authority.

Principles of consolidation —The Partnership’s consolidated financial statements include its accounts and the accounts of, Sealy Northwest Atlanta, L.P., which holds the Property and Sealy Northwest Atlanta General Partner, L.L.C. All intercompany profits, balances and transactions are eliminated in consolidation.

Cash and cash equivalents —All highly-liquid debt instruments with original maturities of three months or less are considered to be cash equivalents.

Use of estimates —The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Property and equipment —Property and equipment, including property improvements, are recorded at cost. Major renewals and purchases of property and equipment are capitalized. Repairs and maintenance are charged to operations as incurred.

Property and equipment are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives are 5 to 39 years for buildings and improvements, and 15 years for land improvements. Depreciation of tenant improvements is computed using the straight-line method over the life of the respective lease. Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was $1,019,138, $986,410 and $981,354, respectively.

Restricted cash —Restricted cash represents amounts escrowed for property taxes, insurance, tenant improvements and commissions, and repairs and improvements.

Deferred charges —Deferred charges consist of financing costs and leasing costs. Deferred financing costs are related to the Partnership’s note payable. Financing costs are amortized, as a component of interest expense, over the term of the loan using a method that approximates the effective-interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tenant rent receivable —The Partnership's estimate for the allowance for uncollectible accounts represents the probable incurred losses within its tenant receivables as of December 31, 2011 and 2010. The Partnership estimates probable incurred losses based upon an evaluation of delinquent accounts along with the Partnership's own experience with collections and charge-offs. The allowance for doubtful accounts as of December 31, 2011 and 2010 was $12,687 and $17,176, respectively. Bad debt expense for the years ended December 31, 2011, 2010 and 2009 was $23,536, $30,727 and $38,840, respectively.

Revenue recognition —Minimum rent revenue is recognized on a straight-line basis over the term of the lease agreements regardless of when payments are due. Differences between rents billed in accordance with the lease terms and the minimum rent revenue recognized on a straight-line basis are reported as deferred rent receivable in the accompanying consolidated financial statements. Tenant reimbursements are recognized as revenue in the same period the related expenses are incurred by the Partnership.

Income taxes —No federal or state income taxes are payable by the Partnership, and none have been provided for in the accompanying consolidated financial statements. The Partners are to include their respective shares of Partnership income or losses, determined on an income tax basis, in their individual tax returns.

The Partnership recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Tax years that remain subject to examination by major tax jurisdictions date back to the year ended December 31, 2008. Federal and state income tax positions taken or anticipated to be taken in the income tax returns are attributable to the Partners and not to the entity. As of December 31, 2011 and 2010, there are no known items which would result in a material accrual attributable to uncertain tax positions.

Impairment of long-lived assets and long-lived assets to be disposed of —The Partnership reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset 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 future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment charge recognized during the years ended December 31, 2011, 2010, and 2009.

Subsequent events —Management has evaluated subsequent events through March 9, 2012, the date which the consolidated financial statements were available to be issued.

3. DEFERRED FINANCING AND LEASING COSTS

For the year ended December 31, 2011, the Partnership paid $602,463 of financing costs related to the new note payable. For the year ended December 31, 2011, the Partnership wrote off $49,918 of financing costs related to the previous loan paid off in 2011 (See Note 6). Amortization of deferred financing costs was $54,112, $9,984, and $9,984 for the years ended December 31, 2011, 2010, and 2009.

The following is a schedule by year of future amortization of deferred financing costs, which are being amortized over the life of the note payable:

Year Ending December 31,	
2012	$ 150,616
2013	150,616
2014	150,616
2015	107,111
	$ 558,959

Amortization of deferred leasing costs was $114,700, $99,360, and $110,145 for the years ended December, 2011, 2010, and 2009, respectively. An additional $18,090, $77,360, and $42,020 of commissions was expensed in 2011, 2010, and 2009, respectively, due to the related leases having a life of less than one year of a total commission amount of less than $1,000. The following is a schedule by year of future amortization of deferred leasing costs, which are being amortized over the respective life of the lease:

Year Ending December 31,	
2012	$ 118,487
2013	94,564
2014	65,662
2015	53,688
2016	38,335
Thereafter	56,575
	$ 427,311

4. RELATED PARTY TRANSACTIONS

The Partnership has entered into a management agreement with a property management company related to Sealy, and will pay a monthly management fee of 3.5% of gross receipts from the Properties, less any third-party management fees, 50% of all late payments and returned checks collected, and an accounting fee of $2,480 per month. Management fees paid to related parties for the years ended December 31, 2011, 2010 and 2009 were $106,154, $102,853 and $130,074, respectively. As of December 31, 2011 and 2010, there were $-0- and $12,088 of accrued management fees, respectively. The management agreement also states that the related party may receive leasing commissions of 4.00% to 6.00%. Leasing commissions paid to related parties for the years ended December 31, 2011, 2010 and 2009 were $49,418, $53,887 and $67,174, respectively. All employees are currently employed by Sealy Operating Company III, Inc., a related party, and the Partnership periodically reimburses the management company for the salaries of the onsite staff. The Partnership also reimburses Sealy & Company, L.L.C., a related party, for miscellaneous postage, copier charges and bank statement fees incurred.

During 2010 the Partnership paid $10,000 on behalf of Sealy Acquisitions, L.L.C., a related party, for costs incurred related to the loan renegotiation. All amounts were collected in 2011. The remaining related party receivables represent amounts paid by the Partnership on behalf of the Partners for tax preparation and annual registration fees that are expected to be reimbursed at some time in the future. No interest is due and there are no set repayment terms on any of the related party receivables.

5. ACQUIRED INTANGIBLE ASSETS AND OBLIGATIONS

Acquired intangible assets and obligations were fully amortized as of December 31, 2009. The net amortization of acquired intangible assets and liabilities for the year ended December 31, 2009 was $8,843, of which $13,841 was related to net accretion into minimum rent revenue for acquired below market leases.

6. NOTE PAYABLE

On December 12, 2006, the Partnership entered into an acquisition loan (the “Loan”) in the amount of $28,750,000 with an unrelated third party to obtain the Property. The Loan matured January 1, 2012, bore interest at a fixed rate of 5.7% per annum and required interest only payments until the loan matured.

On June 23, 2011, WRT made a $20,641,000 bridge loan to the Partnership which enabled the Partnership to satisfy its $28,750,000 first mortgage loan at a discounted payoff amount of $20,500,000, resulting in $9,158,571 of cancellation of debt that was reported as a gain on extinguishment of debt and accrued interest in the consolidated statement of operations for the year ended December 31, 2011.

6. NOTE PAYABLE (CONTINUED)

On September 29, 2011, the Partnership obtained replacement financing in the amount of $14,000,000 bearing interest at Libor plus 5.35% and maturing on September 29, 2015. In connection with the financing, the Partnership purchased an interest rate cap which caps Libor at 1% through October 1, 2013. Net proceeds from the new loan plus additional capital contributions of $4,650,000 from WRT and $3,100,000 from Sealy were utilized to pay off the bridge loan. The loan bears interest at the USD LIBOR—BBA (one month) as normally published by Bloomberg Professional Service, which was 0.30% at December 31, 2011, plus a LIBOR margin rate of 5.35%, with a floor on the LIBOR rate of no less than 0.25%. The maturity date of the loan is September 29, 2015, with monthly principal and interest payments being made on the loan based on a 30-year amortization schedule.

A total of $700,000 of the loan was not funded on the closing date. It has been retained by the lender as an unfunded reserve for leasing costs. No funds have been disbursed as of December 31, 2011. The loan is collateralized by a security interest in the Property and an assignment of rents and leases. The note is personally guaranteed by related parties of the Partnership.

Future scheduled principal maturities are as follows at December 31, 2011:

Year Ending December 31,	
2012	$ 170,851
2013	184,099
2014	194,927
2015	13,420,006
	$13,969,883

7. OPERATING LEASES

The Partnership leases the Property to tenants under operating leases with expiration dates extending to 2020. The leases typically provide for minimum rent and other charges to cover certain operating expenses. Minimum future rentals on non-cancellable leases at December 31, 2011 are as follows:

Years Ending December 31,	
2012	$ 2,109,387
2013	1,592,863
2014	1,133,980
2015	906,356
2016	706,661
Thereafter	1,599,340
	$ 8,048,587

8. CONCENTRATION OF CREDIT RISK

The Company maintains its cash in bank deposits, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

As of December 31, 2010, two tenants combined owed 96%, of the tenant receivables before the allowance. The entire allowance of $17,176 as of December 31, 2010 relates to one of these tenants. There was no such concentration in tenant receivable as of December 31, 2011.

Exhibit 99.4

SEALY NEWMARKET GENERAL PARTNERSHIP

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011, 2010 (UNAUDITED) AND 2009 (UNAUDITED)

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of
Sealy Newmarket General Partnership
Shreveport, Louisiana

We have audited the accompanying consolidated balance sheet of Sealy Newmarket General Partnership (the “Partnership”) as of December 31, 2011, and the related consolidated statements of operations, partners’ capital, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Frazier & Deeter, LLC

March 9, 2012
Atlanta, Georgia

SEALY NEWMARKET GENERAL PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010 (UNAUDITED)

	2011	2010 (UNAUDITED)
ASSETS		
PROPERTY AND EQUIPMENT		
Buildings and improvements	$36,640,265	$36,291,697
Land	6,286,506	6,286,506
Tenant improvements	2,348,102	2,044,225
Total property and equipment, at cost	45,274,873	44,622,428
Less accumulated depreciation	5,271,688	3,777,173
Total property and equipment, net	40,003,185	40,845,255
CASH AND CASH EQUIVALENTS	436,588	978,250
RESTRICTED CASH	5,358,244	4,141,546
OTHER ASSETS		
Acquired intangible assets, net	534,280	734,285
Deferred rent receivable	517,685	396,292
Deferred financing costs, net of accumulated amortization of $96,737 and $67,716 for 2011 and 2010	145,096	174,117
Prepaid expenses and other assets	37,226	37,609
Tenant rent receivable	7,582	19,750
Due from related parties	84,044	13,300
Deferred leasing costs, net of accumulated amortization of $206,145 and $109,797 for 2011 and 2010	393,489	309,019
Total other assets	1,719,402	1,684,372
TOTAL ASSETS	$47,517,419	$47,649,423
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES		
Note payable	$37,000,000	$37,000,000
Accrued interest payable	4,805,641	500,167
Accounts payable and accrued expenses	378,925	301,281
Unearned revenues	120,449	197,532
Tenant security deposits	103,049	137,121
Acquired intangible obligations, net	1,129	1,953
Total liabilities	$42,409,193	$38,138,054
PARTNERS' CAPITAL	$ 5,108,226	$ 9,511,369
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$47,517,419	$47,649,423

See accompanying notes to consolidated financial statements.

SEALY NEWMARKET GENERAL PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

	2011	2010 (UNAUDITED)	2009 (UNAUDITED)
REVENUES			
Minimum rent	$ 2,628,897	$ 3,386,610	$ 4,033,490
Tenant Reimbursements	379,433	785,326	490,804
Total revenues	$ 3,008,330	$ 4,171,936	$ 4,524,294
OPERATING EXPENSES			
Depreciation and amortization	1,648,561	1,781,988	1,830,598
Repairs and maintenance	644,250	1,048,712	610,954
Property taxes	336,181	392,875	396,571
General and administrative	244,936	261,787	187,042
Management fees	104,399	144,646	182,675
Bad Debt	22,648	—	—
Insurance	75,722	75,533	73,322
Total operating expenses	3,076,697	3,705,541	3,281,162
OPERATING INCOME (LOSS)	(68,367)	466,395	1,243,132
OTHER INCOME (EXPENSE)			
Other income	18,563	18,998	70,385
Interest expense	(4,353,339)	(2,422,504)	(2,318,580)
Total other expense	(4,334,776)	(2,403,506)	(2,248,195)
NET LOSS	$ (4,403,143)	$ (1,937,111)	$ (1,005,063)

See accompanying notes to consolidated financial statements.

SEALY NEWMARKET GENERAL PARTNERSHIP
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

	Sealy Newmarket Ventures, L.P.	WRT-Atlanta, L.L.C.	Total
BALANCE, DECEM BER 31, 2008 (UNAUDITED)	$ 4,090,779	$ 8,692,906	$12,783,685
Distributions	(105,646)	(224,496)	(330,142)
Net Loss	(321,620)	(683,443)	(1,005,063)
BALANCE, DECEM BER 31, 2009 (UNAUDITED)	3,663,513	7,784,967	11,448,480
Net Loss	(619,876)	(1,317,235)	(1,937,111)
BALANCE, DECEM BER 31, 2010 (UNAUDITED)	3,043,637	6,467,732	9,511,369
Net Loss	(1,409,006)	(2,994,137)	(4,403,143)
BALANCE, DECEM BER 31, 2011	$ 1,634,631	$ 3,473,595	$ 5,108,226

See accompanying notes to consolidated financial statements.

SEALY NEWMARKET GENERAL PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2011, 2010 (UNAUDITED), AND 2009 (UNAUDITED)

	2011	2010 (UNAUDITED)	2009 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (4,403,143)	$ (1,937,111)	$ (1,005,063)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation expense	1,494,515	1,594,340	1,620,523
Amortization of acquired intangibles	199,183	472,151	605,443
Amortization of deferred financing costs	29,021	29,021	29,021
Amortization of deferred leasing costs	96,348	64,070	28,361
(Increase) decrease in:			
Restricted cash	(1,216,698)	203,009	(713,968)
Deferred rent receivable	(121,393)	(219,966)	(90,267)
Prepaid expenses and other assets	382	811	(3,134)
Tenant rent receivable	12,168	43,498	3,334
Due from related parties	(70,744)	(13,300)	—
Deferred leasing costs paid	(180,819)	(186,442)	(158,524)
Increase (decrease) in:			
Accrued interest	4,305,474	500,168	—
Accounts payable and accrued expenses	77,644	(229,582)	416,379
Unearned revenues	(77,083)	(107,099)	193,881
Tenant security deposits	(34,072)	219	(2,069)
Net cash provided by operating activities	110,783	213,787	923,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(652,445)	(788,832)	(512,478)
Net cash used in investing activities	(652,445)	(788,832)	(512,478)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions to partners	—	—	(330,142)
Net cash used in financing activities	—	—	(330,142)
Change in cash and cash equivalents	(541,662)	(575,045)	81,297
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	978,250	1,553,295	1,471,998
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 436,588	$ 978,250	$ 1,553,295
Cash paid during the year for interest	$ 18,845	$ 1,893,315	$ 2,289,560

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

Sealy Newmarket General Partnership ("the Partnership"), a Delaware partnership, was organized May 2, 2008 (expires December 31, 2056) by Sealy Newmarket Ventures, L.P. ("Sealy") and WRT-Atlanta, L.L.C. ("WRT") (collectively, the "Partners") to acquire, own, hold, manage, operate, mortgage, pledge, sell, assign, transfer and lease certain commercial properties located in Cobb County, Georgia, (the "Property"). The Partnership acquired the Property on August 20, 2008 and began operations.

(a) *Profits (Losses) Allocation*

Profits and losses are allocated to the Partners in accordance with the terms of the Partnership agreement. Capital contributions of the Partners do not earn preferred returns. Profits are allocated as follows:

(i) First, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the balance of their Additional Capital Contributions Preferred Return Accounts; and

(ii) Second, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (i) above, plus the balance of their respective Additional Capital Contribution Accounts; and

(iii) Third, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (ii) above, plus the balance of their respective Initial Capital Contribution Account Balances; and

(iv) Fourth, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (iii) above, plus the balance of their respective Initial Capital Contribution Account Balances; and

(v) Fifth, to the Partners, in proportion to and to the extent of the amounts necessary to cause their Capital Accounts to equal the sum of the amount referred to in tier (iv) to be in the same proportions as their respective Residual Percentages; and

(vi) Sixth, any remainder allocated to the Partners in proportion to their respective Residual Percentage Interests.

1. ORGANIZATION (CONTINUED)

Losses are allocated to the Partners as follows:

(i) First, to the Partners in proportion to and to the extent of the amounts necessary to cause the amounts by which such Partners' Capital Accounts exceed the sum referred to in tier (iv) of the profit allocation shown above to be in the same proportions as their respective Residual Percentages; and

(ii) Second, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (iv) of the profit allocation shown above; and

(iii) Third, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (iii) of the profit allocation shown above; and

(iv) Fourth, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (ii) of the profit allocation shown above; and

(v) Fifth, to the Partners in proportion to and to the extent of the amounts necessary to reduce each Partners' Capital Accounts to the sum referred to in tier (i) of the profit allocation shown above; and

(vi) Sixth, to the Partners in proportion to, and to the extent of the amounts necessary to cause their respective Capital Accounts to equal zero.

(b) *Distribution of cash flows*

The Partnership's distributable cash, as defined, shall be distributed as follows:

(i) First, to the Partners in proportion to their respective Additional Capital Contributions Account balances until such balances are reduced to zero; and

(ii) Second, to the Partners in proportion to their respective Initial Capital Preferred Return Account balances until their respective Additional Capital Preferred Return Account balances are reduced to zero; and

(iii) Third, any balance to the Partners in proportion to their respective Residual Percentage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation— The Partnership presents its consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") as provided in the Financial Accounting Standard Board's Accounting Standards Codification (the "Codification" or "ASC"). The Codification is the single source of authoritative accounting principles applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP.

The Partnership's consolidated financial statements include its accounts and the accounts of Sealy Newmarket, L.P., which holds the Property, and Sealy Newmarket General Partner, L.P. All intercompany profits, balances and transactions are eliminated in consolidation.

Use of estimates —The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Property and equipment —Property and equipment, including property improvements are recorded at cost. Major renewals and purchases of equipment are capitalized. Repairs and maintenance are charged to operations as incurred.

Property and equipment are depreciated over their estimated useful lives using the straight- line method. Estimated useful lives are 5 to 39 years for buildings and improvements, and 15 years for land improvements. Depreciation of tenant improvements is computed using the straight-line method over the life of the respective lease. Depreciation expense for the years ended December 31, 2011, 2010 and 2009 was $1,494,515, $1,594,430 and $1,620,523, respectively.

Cash and cash equivalents —All highly-liquid debt investments with original maturities of three months or less are considered to be cash equivalents.

Restricted cash —Restricted cash represents amounts escrowed for property taxes, tenant improvements, commissions, repairs and improvements, and debt service.

Tenant rent receivable —The Partnership's estimate for the allowance for uncollectible accounts represents the probable incurred losses within its tenant receivables as of December 31, 2011 and 2010. The Partnership estimates probable incurred losses based upon an evaluation of delinquent accounts along with the Partnership's own experience with collections and charge-offs. There was no allowance for doubtful accounts as of December 31, 2011 and 2010. There was bad debt expense recorded for one tenant in the amount of $22,648 for the year ended December 31, 2011. There was no bad debt expense for the years ended December 31, 2010 and 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred financing costs —Deferred financing costs are related to the Partnership’s note payable. Financing costs are amortized, as a component of interest expense, over the term of the loan using a method that approximates the effective-interest method.

Deferred leasing costs —Deferred leasing costs are related to commissions paid for certain tenant leases. Leasing costs are capitalized and amortized over the life of the respective tenant lease.

Accounting for intangible assets and liabilities —Accounting guidance for acquisitions of a business prior to revised guidance effective for the first annual reporting period beginning on or after December 15, 2008, required that upon acquisition, the purchase price is to be allocated to the components of the acquisition based on the Partnership’s estimates and assumptions of each component’s fair value. These estimates and assumptions impact the amount of costs allocated between components. They also impact depreciation expense and gains or losses recorded on future sales of property. First, the Partnership determines the value of the physical property including land, buildings, and improvements utilizing an “as- if vacant” methodology. Factors considered by management in their analysis of the “as-if vacant” value include lost rentals at market rates during an expected lease-up period and costs to execute similar leases including incremental tenant improvements, leasing commissions, and other related expenses. The Partnership also considers information obtained about the property as a result of its pre-acquisition due diligence.

The balance of the purchase price is allocated to tenant improvements and acquired intangible assets or liabilities. Tenant improvements represent the tangible assets associated with the acquired leases and are valued at estimated fair market value on the acquisition date considering the remaining lease terms. They are classified as a component of property and equipment on the consolidated financial statements and are depreciated over the remaining lease terms. Expiration dates of acquired non-cancellable leases extend to 2018. Acquired intangible assets and liabilities relate to the value of acquiring a property with existing in-place operating leases and come in three forms: (i) acquired lease origination values, (ii) acquired above and below market in place leases, and (iii) acquired tenant relationships.

Acquired lease origination values are costs the Partnership estimates, based on terms generally experienced in the local market, it would incur to execute leases with terms similar to the remaining lease terms of the in-place leases, including commissions and other related expenses. They are recorded as a component of acquired intangible assets in the accompanying consolidated financial statements and are amortized over the remaining terms of the respective non-cancellable leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquired above and below market in place leases are recorded based on the present value (using a discount rate that reflects the risks associated with the property acquired and the respective tenants) of the difference between (i) the contractual amount to be paid pursuant to the in place lease and (ii) management's estimate of the fair market lease rate for a comparable in place lease on the acquisition date, measured over a period equal to the remaining non-cancellable term of the lease. Above market in place leases are classified as a component of acquired intangible assets in the accompanying consolidated financial statements and are amortized as a reduction of rental income over the remaining terms of the respective leases. Below market in place leases are classified as a component of acquired intangible liabilities in the accompanying consolidated financial statements and are amortized as an increase to rental income over the remaining terms of the respective leases.

Prepaid expenses and other assets —Prepaid expenses and other assets include such items as prepaid insurance and vendor deposits.

Revenue recognition —Minimum rent revenue is recognized on a straight-line basis over the term of the lease agreements regardless of when payments are due. Differences between rents billed in accordance with the lease terms and the minimum rent revenue recognized on a straight-line basis are reported as deferred rent receivable in the consolidated accompanying financial statements. Tenant reimbursements are accrued as revenue in the same period the related expenses are incurred by the Partnership. For the years ended December 31, 2011, 2010, and 2009 the Partnership incurred $18,389, $297,764, and $0 of costs related to tenant improvements on behalf of a tenant, which are reimbursable to the Partnership per the terms of the lease agreement. These direct tenant costs are presented as a component of repairs and maintenance and tenant reimbursement revenue on the accompanying consolidated statements of operations.

Income taxes —No federal or state income taxes are payable by the Partnership, and none have been provided for in the accompanying consolidated financial statements. The Partners are to include their respective shares of Partnership income or losses, determined on an income tax basis, in their individual tax returns. The Partnership's tax return and the amount of allocable Partnership profits or losses are subject to examination by federal and state taxing authorities. If such examinations result in changes to Partnership profits or losses, then the tax liability of the Partners would be changed accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Partnership recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Tax years that remain subject to examination by major tax jurisdictions date back to the year ended December 31, 2008. Federal and state income tax positions taken or anticipated to be taken in the income tax returns are attributable to the Partners and not to the entity. As of December 31, 2011 and 2010, there are no known items which would result in a material accrual attributable to uncertain tax positions.

Impairment of long-lived assets and long-lived assets to be disposed of —The Partnership reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset 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 future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There was no impairment charge recognized during the years ended December 31, 2011, 2010, and 2009.

Subsequent events —Management has evaluated subsequent events through March 9, 2012, the date which the consolidated financial statements were available to be issued.

3. DEFERRED FINANCING AND LEASING COSTS

Amortization of deferred financing costs for the years ended December 31, 2011, 2010 and 2009 was $29,021 for each year. The following is a schedule by year of future amortization of deferred financing costs:

Year Ending December 31,	
2012	$ 29,021
2013	29,021
2014	29,021
2015	29,021
2016	29,012
	$ 145,096

3. DEFERRED FINANCING AND LEASING COSTS (CONTINUED)

Deferred leasing costs are related to commissions paid for certain tenant leases. Leasing costs are capitalized and are amortized over the life of the respective tenant leases. Amortization of deferred leasing costs was $96,348, $64,070 and $28,361 for the years ended December 31, 2011 and 2010 and 2009, respectively. An additional $365, $-, and $2,752 of commissions was expensed in the years ended December 31, 2011, 2010 and 2009, respectively, due to the related leases having a life of less than one year or a total commission amount of less than $1,000. The following is a schedule by year of future amortization of deferred leasing costs:

Year Ending December 31,	
2012	$ 94,487
2013	84,993
2014	68,686
2015	44,758
2016	17,495
Thereafter	83,070
	$ 393,489

4. ACQUIRED INTANGIBLE ASSETS AND OBLIGATIONS

The Partnership's acquired intangible assets and obligations as of December 31 are:

	2011	2010
Acquired lease origination values		
Original allocated values	$ 570,713	$ 570,713
Less: accumulated amortization	(446,314)	(388,618)
	124,399	182,095
Acquired above market in place leases		
Original allocated values	$ 1,522,851	$ 1,522,851
Less: accumulated amortization	(1,112,970)	(970,661)
	409,881	552,190
Net book value of total acquired intangible assets	$ 534,280	$ 734,285
Acquired below market in place lease		
Original allocated values	$ 16,132	$ 16,132
Less: accumulated amortization	(15,003)	(14,179)
Net book value of total acquired intangible obligations	$ 1,129	$ 1,953

For the years ended December 31, 2011, 2010 and 2009, net amortization of acquired intangible assets was $199,183, $472,151 and $605,443, respectively. Of that amount, $141,483, $348,574 and $423,733 of net amortization resulting from acquired above and below market in place leases was reported in minimum rent revenue for the years ended December 31, 2011, 2010, and 2009, respectively.

5. RELATED PARTY TRANSACTIONS

The Partnership has entered into a management agreement with a property management company related to Sealy, and will pay a monthly management fee of 3.5% of gross receipts from the Property less any third-party management fees, 50% of all late payments and returned checks collected, and an accounting fee of $2,025 per month. Management fees paid to related parties for the years ended December 31, 2011, 2010 and 2009 were $104,399, $144,646 and $182,675, respectively. The management agreement also states that the related party may receive leasing commissions of 3.00% to 6.75%. Leasing commissions paid to the related party for the years ended December 31, 2011, 2010 and 2009 were $34,570 and $54,896 and $33,263, respectively. All employees are currently employed by Sealy Operating Company III, Inc., a related party, and the Partnership periodically reimburses the management company for the salaries of the onsite staff. The Partnership also reimburses Sealy & Company, L.L.C., a related party, for miscellaneous postage, copier charges, and bank statement fees incurred.

During the years ended December 31, 2011, 2010, and 2009, the Partnership paid $22,500, $10,000, and $0, respectively, on behalf of Sealy Acquisitions, LLC, a related party, for costs incurred related to the loan renegotiation. The remaining related party receivables represent amounts paid by the Partnership on behalf of the Partners for tax preparation and annual registration fees that are expected to be reimbursed at some time in the future. No interest is due and there are no set repayment terms on any of the related party receivables. All amounts are expected to be collected.

6. NOTE PAYABLE

On August 20, 2008, in connection with the acquisition of the Property, the Partnership assumed a $37,000,000 note payable (the “Note”) from the seller. The Note bears interest at a fixed rate of 6.12% per annum and matures on November 10, 2016, at which time any unpaid principal and interest are due. From December 2006 until November 2011, monthly interest only payments are due. From December 2011 until the maturity date, monthly principal and interest payments of $224,696 are due. The Note is collateralized by the Property, an assignment of rents and leases, all deposits held by lender, all account receivables and personal guarantees from two affiliates of Sealy. The Note had an outstanding balance of $37,000,000 at December 31, 2011 and 2010. Interest expense on the Note, exclusive of amortization of deferred financing costs, was $4,324,318, $2,393,483, and $2,289,559 for the years ended December 31, 2011, 2010, and 2009, respectively.

The terms of the Note require the Partnership to direct all tenants of all leases to pay their rent directly into a clearing account (“Rent Account”) to provide additional collateral to the lender. The Partnership must deposit any and all other receipts into the Rent Account within two days of receipt. All funds deposited in the Rent Account will be transferred not less than weekly to the Partnership’s account. The balance of the Rent Account will be distributed in accordance with the agreement.

6. NOTE PAYABLE (CONTINUED)

Principal maturities of the Note after December 31, 2011 are as follows:

Years ending December 31,	
2012	$ 405,878
2013	438,410
2014	466,401
2015	496,179
2016	35,193,132
	$ 37,000,000

Upon closing of the loan, the seller was required to set aside certain amounts of the loan proceeds into escrow accounts to pay future costs such as insurance, repairs, taxes and leasing commissions. These escrow accounts were transferred to the Partnership upon assumption of the loan. The Partnership is required to make monthly payments into these escrow accounts to pay future costs such as insurance, repairs, taxes and leasing commissions. The balances in these escrow accounts will be distributed in accordance with the terms of the Note.

In 2010, the Partnership stopped paying interest on the Loan after its November payment in order to expedite the process of negotiating a debt restructuring of the Loan with the special servicer. This was done to make available the needed cash flows for capital expenditures and leasing commissions to re-lease the Property. Restricted cash for debt repayment consist of excess cash paid to the lender monthly and held in a suspense account until renegotiation of the Note is reached. The restricted cash will be used to reduce the principal balance of the Note. See Note 8.

The Partnership has submitted its proposal for a loan modification to the special servicer and is currently in negotiations with the special servicer on restructuring the Note. As of the date of the consolidated financial statements, no final agreement has been reached. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the Partnership be unable to restructure the debt and continue in existence as a going concern.

6. NOTE PAYABLE (CONTINUED)

Since the Note is in default, the Note is subject to the default interest rate as described in the Note of 5.00% per annum in addition to the fixed rate of 6.12% per annum, for a total of 11.12% per annum. The default interest accrued for the year ended December 31, 2011 and 2010 was $1,850,000 and $97,632, respectively. Late fees are charged equal to 5.00% of the payment amount due. For the year ended December 31, 2011 and 2010, late fees of $178,468 and $13,469 were included in accrued interest.

7. OPERATING LEASES

The Partnership leases the Property to tenants under operating leases with expiration dates extending to 2020. The leases typically provide for minimum rent and other charges to cover certain operating expenses. Minimum future rentals on non-cancellable leases at December 31, 2011 are as follows:

Years ending December 31,	
2012	$ 2,465,772
2013	2,054,766
2014	1,753,366
2015	1,175,673
2016	627,904
Thereafter	1,342,291
	$ 9,419,772

8. RISKS AND UNCERTAINTIES

The Property has experienced a significant decline in operating cash flow stemming from a decline in occupancy levels, lower market rents and increased concessions to compete in the weakened industrial real estate market in Atlanta, Georgia. Management of the Partnership believes that a restructuring of the terms of the Loan is necessary to ensure adequate cash flow to make necessary capital expenditures to the Property and to pay needed concessions for re-tenanting.

Management's proposal to the special servicer consists of a modification of the Loan. Negotiations are still in progress with the special servicer and no agreements have been finalized as of the date of the consolidated financial statements. Management, however, believes that a restructuring arrangement will eventually be reached. The partners are willing to invest additional equity to ensure that the Partnership can continue its operations. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the Partnership be unable to restructure the debt and continue in existence as a going concern.

9. CONCENTRATION OF CREDIT RISK

The Company maintains its cash in bank deposits, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.