



## **Heitner leads Kasowitz Real Estate Group team in refinancing of \$237.5 million mortgage and \$315 million mezzanine loan for Winthrop Realty Trust's Times Square project and EDITION Hotel**

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According to Winthrop Realty Trust, its venture with The Witkoff Group and New Valley LLC which owns the property located at 701 Seventh Ave. and in which Winthrop holds a preferred equity interest, has refinanced its existing indebtedness with a new \$237.5 million mortgage loan and \$315 million mezzanine loan. Both the mortgage loan and mezzanine loans bear interest at LIBOR plus 8% per annum, require payments of interest only and mature January 31, 2017, subject to two one-year extension terms. These loans refinance the existing mortgage and mezzanine loans that bear interest at LIBOR plus 11% per annum and permit the venture to draw funds in order to construct the 80,000 s/f of retail space which will include a 120 ft. high, 20,000 s/f LED sign, at the property. Kasowitz Real Estate Group represented the borrower, in the deal involving the acquisition of a construction loan for the development of a mixed-use facility at 701 Seventh Ave., including an EDITION Hotel. The Kasowitz team was led by Douglas Heitner, and included Steven Coury, Harrison Kaufman, Ashley Lostritto and Christy Mazzola.

The venture entered into two additional loan agreements providing for supplemental loans of \$262.5 million, which agreements are held in escrow and only become effective upon the satisfaction of certain conditions. At such time as such loan agreements are released from escrow, the venture will be permitted to draw on such loans to provide additional construction financing in order to develop a 452-room hotel which will be constructed above the retail component. If fully funded, the maximum aggregate debt among the various loans funded would be \$815 million.

Simultaneous with entering into the loans, the venture executed an agreement with a wholly-owned affiliate of Marriott International, Inc. to manage and operate an EDITION hotel at the property. The hotel will include 452 rooms and 30,000 s/f of food, beverage and entertainment space. As additional collateral for the lenders, Marriott agreed to provide the lenders with the right upon an uncured event of default under the loan agreement by the venture to require Marriott to purchase the hotel component of the property during the first two years after opening for \$314.6 million.

Construction of the retail and hotel space is expected to be completed in 2017.

In connection with entering into the loans, Winthrop made an additional contribution to the venture of \$32.5 million bringing its current aggregate capital contributions to the venture to \$85.9 million. Winthrop has agreed to contribute 61.1% of the aggregate capital for completion of the project up to a maximum of \$125 million. Although the ownership structure of the property is rather complex, as more fully disclosed in a Current Report on Form 8-K filed by Winthrop with the Securities and Exchange Commission on November 26, 2013, Winthrop is entitled to receive 75.42% of all distributable cash flow from the property, which reduces to 61.1% at such time as Winthrop has

received a return of its entire capital contributions, which is further reduced to 30.57% at such time as Winthrop has received a return of its entire capital contributions plus a 12% internal rate of return thereon. By way of example, based on the current ownership structure and assuming that the property is sold on October 1, 2017 and at such time the then existing debt encumbering the property is \$815 million, Winthrop has made aggregate capital contributions of \$100 million and all proceeds are distributed, Winthrop would expect to receive:

- on priority basis a return of its entire preferred capital contributions of \$100 million together with a 12% internal rate of return thereon at a net sales price of approximately \$1.031 billion; and
- for each dollar of purchase price in excess of approximately \$1.103 billion, an additional \$0.1528 cents.

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