
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

Form 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED JUNE 30, 2005

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

FOR THE TRANSITION PERIOD FROM TO

Commission File No. 1-07533

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1626 East Jefferson Street, Rockville, Maryland
(Address of principal executive offices)

52-0782497
(I.R.S. Employer
Identification No.)

20852-4041
(Zip Code)

(301) 998-8100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 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 the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 25, 2005
Common Shares of Beneficial Interest	52,687,034

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Federal Realty Investment Trust
S.E.C. FORM 10-Q

June 30, 2005

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FEDERAL REALTY INVESTMENT TRUST
S.E.C. FORM 10-Q

June 30, 2005

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

The following unaudited financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in conformity with rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included and the information contained in these financial statements fairly presents, in all material respects, the financial condition and results of operations of Federal Realty Investment Trust ("the Trust"). The results of operations for the six and three months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with our audited consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

Federal Realty Investment Trust
CONSOLIDATED BALANCE SHEETS

	June 30, 2005	December 31, 2004
	(unaudited) (in thousands, except share data)	
ASSETS		
Real estate, at cost		
Operating	\$ 2,614,198	\$ 2,516,610
Construction-in-progress	140,632	130,286
Discontinued operations	—	19,380
	<u>2,754,830</u>	<u>2,666,276</u>
Less accumulated depreciation and amortization	(630,861)	(595,338)
Net real estate	2,123,969	2,070,938
Cash and cash equivalents	13,625	30,475
Accounts and notes receivable	34,823	34,849
Mortgage notes receivable	41,882	42,909
Investment in real estate partnership	9,519	9,631
Prepaid expenses and other assets	67,907	71,767
Debt issuance costs, net of accumulated amortization of \$6,579, and \$5,549, respectively	5,297	6,327
	<u>\$ 2,297,022</u>	<u>\$ 2,266,896</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable	\$ 250,291	\$ 251,885
Obligations under capital leases	158,457	159,000
Notes payable	365,340	325,051
Senior notes and debentures	568,404	568,121
Accounts payable and accrued expenses	80,519	80,558
Dividends payable	31,142	28,242
Security deposits payable	7,861	7,745
Other liabilities and deferred credits	38,290	36,806
	<u>1,500,304</u>	<u>1,457,408</u>
Total liabilities	1,500,304	1,457,408
Minority interests	19,134	18,954
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, \$.01 par:		
8.5% Series B Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25 per share), 5,400,000 shares	135,000	135,000
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 54,145,519 and 53,616,827 issued, respectively	541	536
Additional paid in capital	1,108,310	1,108,213
Accumulated dividends in excess of net income	(428,695)	(416,026)
	<u>815,156</u>	<u>827,723</u>
Less:		
1,480,201 and 1,480,201 common shares in treasury — at cost, respectively	(28,786)	(28,786)
Deferred compensation on restricted shares	(9,766)	(8,641)
Notes receivable under employee stock plans	(1,792)	(2,083)
Accumulated other comprehensive income	2,772	2,321
	<u>777,584</u>	<u>790,534</u>
Total shareholders' equity	777,584	790,534
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 2,297,022</u>	<u>\$ 2,266,896</u>

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Six months ended June 30,	
	2005	2004
	(In thousands, except per share data)	
Revenue		
Rental income	\$ 197,882	\$ 185,550
Other property income	4,030	4,592
Mortgage interest income	2,730	2,381
	<u>204,642</u>	<u>192,523</u>
Expenses		
Rental	43,520	43,959
Real estate taxes	20,577	18,412
General and administrative	9,484	8,770
Depreciation and amortization	45,463	43,103
	<u>119,044</u>	<u>114,244</u>
Operating income	85,598	78,279
Other interest income	1,693	662
Interest expense	(43,890)	(42,710)
Income from real estate partnership	224	—
Minority interests	(2,795)	(2,381)
	<u>40,830</u>	<u>33,850</u>
Income from continuing operations	40,830	33,850
Discontinued operations		
Operating income from discontinued operations	90	1,394
Gain on sale of real estate	7,884	8,334
	<u>7,974</u>	<u>9,728</u>
Income from discontinued operations	7,974	9,728
Net income	48,804	43,578
Dividends on preferred stock	(5,738)	(5,738)
Net income available for common shareholders	<u>\$ 43,066</u>	<u>\$ 37,840</u>
EARNINGS PER COMMON SHARE, BASIC		
Income from continuing operations available for common shareholders	\$ 0.67	\$ 0.56
Discontinued operations	—	0.03
Gain on sale of real estate	0.15	0.16
	<u>\$ 0.82</u>	<u>\$ 0.75</u>
Weighted average number of common shares, basic	<u>52,333</u>	<u>50,207</u>
EARNINGS PER COMMON SHARE, DILUTED		
Income from continuing operations available for common shareholders	\$ 0.66	\$ 0.56
Discontinued operations	—	0.03
Gain on sale of real estate	0.15	0.16
	<u>\$ 0.81</u>	<u>\$ 0.75</u>
Weighted average number of common shares, diluted	<u>52,876</u>	<u>51,593</u>

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30,	
	2005	2004
(In thousands, except per share data)		
Revenue		
Rental income	\$ 97,799	\$ 94,771
Other property income	2,082	2,434
Mortgage interest income	1,449	1,304
	<u>101,330</u>	<u>98,509</u>
Expenses		
Rental	20,078	22,065
Real estate taxes	10,822	9,369
General and administrative	4,981	4,588
Depreciation and amortization	22,956	22,856
	<u>58,837</u>	<u>58,878</u>
Operating income	42,493	39,631
Other interest income	1,302	301
Interest expense	(21,827)	(21,391)
Income from real estate partnership	153	—
Minority interests	(1,279)	(1,192)
	<u>20,842</u>	<u>17,349</u>
Income from continuing operations	20,842	17,349
Discontinued operations		
Operating income from discontinued operations	363	707
Gain on sale of real estate	3,602	8,276
	<u>3,965</u>	<u>8,983</u>
Income from discontinued operations	3,965	8,983
Net income	24,807	26,332
Dividends on preferred stock	(2,869)	(2,869)
Net income available for common shareholders	<u>\$ 21,938</u>	<u>\$ 23,463</u>
EARNINGS PER COMMON SHARE, BASIC		
Income from continuing operations available for common shareholders	\$ 0.34	\$ 0.28
Discontinued operations	0.01	0.02
Gain on sale of real estate	0.07	0.16
	<u>\$ 0.42</u>	<u>\$ 0.46</u>
Weighted average number of common shares, basic	<u>52,454</u>	<u>51,359</u>
EARNINGS PER COMMON SHARE, DILUTED		
Income from continuing operations available for common shareholders	\$ 0.34	\$ 0.28
Discontinued operations	0.01	0.01
Gain on sale of real estate	0.06	0.16
	<u>\$ 0.41</u>	<u>\$ 0.45</u>
Weighted average number of common shares, diluted	<u>52,986</u>	<u>52,681</u>

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY
(unaudited)

Six months ended June 30,

	2005			2004		
	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Additional Paid-in Capital
<i>(In thousands, except share data)</i>						
Common shares of beneficial interest						
Balance, beginning of year	53,616,827	\$ 536	\$ 1,108,213	50,670,851	\$ 506	\$ 980,227
Exercise of stock options	216,175	2	5,609	170,106	2	4,139
Shares issued under dividend reinvestment plan	32,570	—	1,617	44,026	1	1,732
Restricted shares granted, net of restricted shares retired	76,807	1	3,948	84,617	1	3,632
Issuance of shares in public offering	—	—	—	2,186,749	22	99,099
Conversion and redemption of OP units	203,140	2	(11,561)	—	—	—
Stock compensation associated with variable accounting	—	—	484	—	—	1,698
Balance, end of period	54,145,519	\$ 541	\$ 1,108,310	53,156,349	\$ 532	\$ 1,090,527
Accumulated dividends in excess of net income						
Balance, beginning of year		\$ (416,026)			\$ (386,738)	
Net income		48,804			43,578	
Dividends declared to common shareholders		(55,735)			(49,488)	
Preferred share dividends		(5,738)			(5,738)	
Balance, end of period		\$ (428,695)			\$ (398,386)	
Common shares of beneficial interest in Treasury						
Balance, beginning and end of period	(1,480,201)	\$ (28,786)		(1,470,275)	\$ (28,445)	
Deferred compensation on restricted shares						
Balance, beginning of year	(226,904)	\$ (8,641)		(220,666)	\$ (5,474)	
Performance and restricted shares issued, net of forfeitures	(65,733)	(3,380)		(75,522)	(4,373)	
Vesting of performance and restricted shares	79,543	2,255		52,384	1,289	
Balance, end of period	(213,094)	\$ (9,766)		(243,804)	\$ (8,558)	
Notes receivable under employee stock plans						
Balance, beginning of year		\$ (2,083)			\$ (3,615)	
Subscription loans issued		—			(147)	
Subscription loans paid		291			309	
Balance, end of period		\$ (1,792)			\$ (3,453)	
Accumulated other comprehensive income (loss)						
Balance, beginning of year		\$ 2,321			\$ (87)	
Adjustments to unrealized gains on securities		60			61	
Adjustments to unrealized gains on interest rate swaps		391			2,788	
Balance, end of period		\$ 2,772			\$ 2,762	
Comprehensive income						
Net income		\$ 48,804			\$ 43,578	
Adjustments to unrealized gains on securities		60			61	
Adjustments to unrealized gains on interest rate swaps		391			2,788	
Comprehensive income		\$ 49,255			\$ 46,427	

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30,	
	2005	2004
	(in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 48,804	\$ 43,578
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization, including discontinued operations	45,587	43,858
Gain on sale of real estate	(7,884)	(8,334)
Equity in income from real estate partnership	(224)	—
Minority interests	2,795	2,381
Other, net	4,223	(106)
Changes in assets and liabilities net of effects of acquisitions and dispositions		
Decrease (increase) in accounts and notes receivable	3,043	(4,417)
(Increase) decrease in prepaid expenses and other assets before depreciation and amortization	(29)	3,991
(Decrease) increase in accounts payable, security deposits and prepaid rent	(3,011)	2,367
Decrease in accrued expenses	(4,679)	(341)
Net cash provided by operating activities	88,625	82,977
INVESTING ACTIVITIES		
Acquisition of real estate	(67,403)	(97,134)
Capital expenditures — development and redevelopment	(55,761)	(29,595)
Capital expenditures — other	(5,630)	(21,819)
Leasing costs	(3,308)	(3,133)
Proceeds from sale of real estate	24,706	19,279
Repayment (issuance) of mortgage and other notes receivable, net	8,477	(2,277)
Net cash used in investing activities	(98,919)	(134,679)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility	49,000	22,750
Issuance of senior debentures	—	75,000
Repayment of senior debentures	—	(39,500)
Repayment of mortgages, capital leases and notes payable, net	(2,219)	(47,246)
Issuance of common shares	5,902	105,450
Dividends paid to common and preferred shareholders	(56,956)	(52,738)
Dividends paid and redemptions related to OP units	(2,283)	(1,879)
Net cash (used in) provided by financing activities	(6,556)	61,837
(Decrease) increase in cash and cash equivalents	(16,850)	10,135
Cash and cash equivalents, beginning of period	30,475	34,968
Cash and cash equivalents, end of period	\$ 13,625	\$ 45,103

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005
(unaudited)

NOTE A - ACCOUNTING POLICIES AND OTHER DATA

We are an equity real estate investment trust specializing in the ownership, management, development and redevelopment of retail and mixed-use properties. As of June 30, 2005, we owned or had a majority interest in 103 community and neighborhood shopping centers and retail mixed-use properties comprising approximately 17.4 million square feet, located primarily in densely populated and affluent communities throughout the Northeast and Mid-Atlantic United States, as well as California and one apartment complex in Maryland. In total, the 103 commercial properties were 95.0% leased at June 30, 2005. A joint venture in which we own a 30% interest owned four neighborhood shopping centers totaling approximately 0.5 million square feet as of June 30, 2005. We have paid quarterly dividends to our shareholders continuously since our founding in 1962, and have increased our dividends per common share for 37 consecutive years.

The accompanying unaudited financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") for interim financial information, as well as in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the information and footnotes required by GAAP for complete financial statements are not included. In management's opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the unaudited interim financial statements are included. Operating results for interim periods reflected do not necessarily indicate the results that may be expected for a full fiscal year. You should read these financial statements in conjunction with the financial statements and the accompanying notes included in our Form 10-K for the year ended December 31, 2004.

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The following table sets forth the reconciliation between basic and diluted earnings per share:

	Six months ended June 30,		Three months ended June 30,	
	2005	2004	2005	2004
<i>(In thousands, except per share data)</i>				
Income for calculation of basic earnings per share:				
Income from continuing operations	\$40,830	\$33,850	\$20,842	\$17,349
Less: Preferred stock dividends	(5,738)	(5,738)	(2,869)	(2,869)
Income from continuing operations available for common shareholders	35,092	28,112	17,973	14,480
Income from discontinued operations	7,974	9,728	3,965	8,983
Net income available for common shareholders, basic	\$43,066	\$37,840	\$21,938	\$23,463
Weighted average number of common shares, basic	52,333	50,207	52,454	51,359
Basic Earnings Per Share:				
Income from continuing operations	\$ 0.67	\$ 0.56	\$ 0.34	\$ 0.28
Income from discontinued operations	0.15	0.19	0.08	0.18
Net income available for common shareholders, basic	\$ 0.82	\$ 0.75	\$ 0.42	\$ 0.46
Income for calculation of diluted earnings per share:				
Income from continuing operations available for common shareholders	\$35,092	\$28,112	\$17,973	\$14,480
Income attributable to operating partnership units (1)	—	638	—	403
Income from continuing operations for diluted earnings per share	35,092	28,750	17,973	14,883
Income from discontinued operations	7,974	9,728	3,965	8,983
Net income available for common shareholders, diluted	\$43,066	\$38,478	\$21,938	\$23,866
Weighted average number of common shares, basic	52,333	50,207	52,454	51,359
Effect of dilutive securities:				
Stock option awards	543	554	532	492
Operating partnership units (1)	—	832	—	830
Weighted average number of common shares, diluted	52,876	51,593	52,986	52,681
Diluted Earnings Per Share:				
Income from continuing operations	\$ 0.66	\$ 0.56	\$ 0.34	\$ 0.28
Income from discontinued operations	0.15	0.19	0.07	0.17
Net income available for common shareholders, diluted	\$ 0.81	\$ 0.75	\$ 0.41	\$ 0.45

(1) For the six and three months ended June 30, 2005, partnership units were excluded from the calculation of income from continuing operations per share because they were anti-dilutive.

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Reclassifications. Certain components of rental income, other property income, rental expense, real estate tax expense, and depreciation and amortization expense in the June 30, 2004 Consolidated Statements of Operations have been reclassified to Income From Discontinued Operations to assure comparability of all periods presented. In addition, certain December 31, 2004 Balance Sheet accounts, 2004 Statement of Operations accounts and components of the 2004 Consolidated Statement of Cash Flows have been reclassified to assure comparability of all periods presented including certain amounts reclassified from other property income.

Stock-based compensation. We grant restricted stock and stock options to employees. Our stock option grants are for a fixed number of shares with exercise prices equal to the fair value of the shares on the date of grant. We account for stock compensation under the intrinsic value method in accordance with APB No. 25, "Accounting for Stock Issued to Employees." Accordingly, we recognize compensation for restricted stock grants but do not recognize compensation for stock option grants.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

	Six months ended June 30,		Three months ended June 30,	
	2005	2004	2005	2004
	<i>(In thousands, except for earnings per share)</i>			
Net income, as reported	\$48,804	\$43,578	\$24,807	\$26,332
Stock-based employee compensation cost included in net income	1,939	1,831	1,071	769
Stock-based employee compensation cost under the fair value method of SFAS No. 123	(2,224)	(1,961)	(1,212)	(831)
Pro Forma Net Income - Basic	\$48,519	\$43,448	\$24,666	\$26,270
Earnings Per Share:				
Basic, as reported	\$ 0.82	\$ 0.75	\$ 0.42	\$ 0.46
Basic, pro forma	\$ 0.82	\$ 0.75	\$ 0.42	\$ 0.46
Net income available for common shareholders - diluted	\$43,066	\$38,478	\$21,938	\$23,886
Stock-based employee compensation cost included in net income	1,939	1,831	1,071	769
Stock-based employee compensation cost under the fair value method of SFAS No. 123	(2,224)	(1,961)	(1,212)	(831)
Pro Forma Net Income - Diluted	\$42,781	\$38,348	\$21,797	\$23,824
Earnings Per Share:				
Diluted, as reported	\$ 0.81	\$ 0.75	\$ 0.41	\$ 0.45
Diluted, pro forma	\$ 0.81	\$ 0.74	\$ 0.41	\$ 0.45

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Variable Interest Entities. In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (revised December 2003) (FIN 46-R), "Consolidation of Variable Interest Entities." FIN 46-R clarifies the application of Accounting Research Bulletin 51, Consolidated Financial Statements, for certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest ("variable interest entities"). Variable interest entities within the scope of FIN 46-R are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. We have evaluated the applicability of FIN 46-R to our investments in certain restaurant joint ventures at Santana Row and our joint venture with Clarion Lion Properties Fund and determined that these joint ventures do not meet the requirements of a variable interest entity and, therefore, consolidation of these ventures is not required. Accordingly, these investments will continue to be accounted for using the equity method. We have also evaluated the applicability of FIN 46-R to our mortgage loans receivable and determined that they are not variable interest entities. The adoption of FIN 46-R did not have a material impact on our financial position or results of operations.

NOTE B - REAL ESTATE ASSETS

On February 15, 2005, we sold two properties located in Tempe, Arizona for \$13.7 million, resulting in a gain of \$4.0 million.

On March 1, 2005, we acquired Assembly Square, an approximately 330,000 square foot enclosed mall in the City of Somerville, Massachusetts that is currently being redeveloped into a power center, and an adjacent ten-acre 220,000 square foot retail/industrial complex for an aggregate investment of \$66.4 million, which includes \$2.5 million of cost for the ongoing redevelopment. With respect to the values assigned to assumed leases, approximately \$3.4 million of the net assets acquired was allocated to prepaid and other assets for "above-market leases," while \$5.1 million of the net assets acquired was allocated to other liabilities and deferred credits for "below-market leases." Amounts associated with above and below market leases are amortized over the related lease terms. Amortization is included in rental income on the consolidated statement of operations. The acquisition was financed through available cash and borrowings under our revolving credit facility.

On June 2, 2005, we sold two properties located in Winter Park, Florida for \$11.1 million, resulting in a gain of \$3.5 million.

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NOTE C - REAL ESTATE PARTNERSHIPS

In July 2004, we entered into a joint venture arrangement (the "Partnership") by forming a limited partnership with affiliates of Clarion Lion Properties Fund ("Clarion"), a discretionary fund created and advised by ING Clarion Partners. We own 30% of the equity in the Partnership, and Clarion owns 70%. The Partnership plans to acquire up to \$350 million of stabilized, supermarket-anchored shopping centers in the Trust's East and West regions. Federal Realty and Clarion have committed to contribute to the Partnership up to \$42 million and \$98 million, respectively, of equity capital to acquire properties through June 2006. We are the manager of the Partnership and its properties, and earn fees for acquisitions, management, leasing, and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. We account for our interest in the Partnership using the equity method, as described in "Note A - Accounting Policies and Other Data – Variable Interest Entities." In total, at June 30, 2005, the Partnership had \$47.2 million of mortgage notes outstanding.

The following are the summarized unaudited financial results of the Partnership:

	Six months ended June 30, 2005	Three months ended June 30, 2005
	(In thousands)	
Revenue	\$ 4,189	\$ 2,139
Depreciation and amortization	(1,045)	(524)
Other operating expenses	(1,163)	(491)
Interest expense	(1,235)	(615)
Net income	\$ 746	\$ 509
	(In thousands)	
	As of June 30, 2005	As of December 31, 2004
Real estate at cost	\$ 81,051	\$ 80,970
Less accumulated depreciation and amortization	(1,669)	(625)
Net real estate	79,382	80,345
Other assets	5,701	5,527
Total assets	\$ 85,083	\$ 85,872
Mortgages payable	\$ 47,225	\$ 47,225
Other liabilities	6,117	6,544
Total liabilities	53,342	53,769
Partners' capital	31,741	32,103
Total liabilities and partners' capital	\$ 85,083	\$ 85,872

For mortgage notes totaling \$36.7 million at June 30, 2005 that are secured by three properties owned by subsidiaries of the Partnership, we are the guarantor for certain obligations of those subsidiaries, which are commonly referred to as "non-recourse carve-outs." We are not guaranteeing repayment of the debt itself. The Partnership indemnifies us for any loss we incur under these guarantees.

NOTE D - MORTGAGES, NOTES PAYABLE AND OTHER DEBT

We have a \$550 million unsecured credit facility consisting of a \$150 million five-year term loan, a \$100 million three-year term loan, and a \$300 million three-year revolving credit facility, that has a one-year extension option. The term loans currently bear interest at LIBOR plus 95 basis points, while the revolving facility currently bears interest at LIBOR plus 75 basis points. The spread over LIBOR is subject to adjustment based on our credit rating.

In January 2004, to hedge our exposure to interest rate fluctuations on the \$150 million five-year term loan, we entered into an interest rate swap, which fixed the LIBOR portion of the interest rate on the term loan at 2.401% through October 2006. The interest rate on the term loan as of December 31, 2003 was 2.1%, based on LIBOR plus 95 basis points. The current interest rate, taking into account the swap, is 3.351% (2.401% plus 0.95%) on notional amounts totaling \$150 million.

At June 30, 2005, there was \$104 million borrowed under our \$300.0 million revolving credit facility. The maximum amount drawn during the six months ended June 30, 2005 was \$190 million. The weighted average interest rate on borrowings under the revolving credit facility for the six months ended June 30, 2005 was 3.44%. The facility requires us to comply with various financial and other covenants, including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. At June 30, 2005, we were in compliance with all loan covenants.

A more detailed description of our derivative instruments is contained in "Item 3. Quantitative and Qualitative Disclosures about Market Risk."

We have determined that our hedged derivatives qualify as effective cash-flow hedges under SFAS No. 133, resulting in our recording all changes in the fair value of the hedged derivatives in other comprehensive income. Amounts recorded in other comprehensive income will be reclassified into earnings in the period in which earnings are affected by the hedged cash flows. To adjust the hedged derivatives to their fair value, we recorded an unrealized gain to other comprehensive income of \$0.4 million and \$2.8 million during the six months ended June 30, 2005 and 2004, respectively. We estimate that this unrealized gain at June 30, 2005 will substantially all be reclassified into earnings within the next twelve months to offset the variability of cash flows during this period.

We assess, both at inception and on an on-going basis, the effectiveness of all hedges in offsetting cash flows of hedged items. Hedge ineffectiveness did not have a material impact on earnings and we do not anticipate that it will have a material effect in the future. The fair values of the obligations under the hedged derivatives are included in accounts payable and accrued expenses on the accompanying Consolidated Balance Sheets.

NOTE E - SHAREHOLDERS' EQUITY

Under the terms of various partnerships, which own shopping center properties with a cost of approximately \$88.5 million, the partners have the right to exchange their operating units for cash or the same number of our common shares, at our option. For the six months ended June 30, 2005, we paid \$0.6 million to redeem 12,609 operating units and issued 203,140 of our common shares to redeem 203,140 operating units. The 203,140 common shares issued include 190,000 common shares that were issued to a subsidiary in 2004 and sold to a third party in February 2005 to complete a redemption.

NOTE F - INTEREST EXPENSE

We incurred total interest costs of \$46.4 million during the six months ended June 30, 2005 and \$45.2 million during the six months ended June 30, 2004, of which \$2.5 million was capitalized in each period in connection with development and redevelopment projects. We incurred total interest costs of \$23.4 million during the three months ended June 30, 2005 and \$22.6 million during the three months ended June 30, 2004, of which \$1.6 million and \$1.2 million, respectively, were capitalized in connection with development and redevelopment projects. Interest paid was \$44.6 million and \$42.8 million for the six months ended June 30, 2005 and 2004, respectively and \$22.4 million and \$20.8 million for the three months ended June 30, 2005 and 2004, respectively.

NOTE G - COMMITMENTS AND CONTINGENCIES

We are involved in various lawsuits and environmental matters arising in the normal course of business. Management believes that such matters will not have a material effect on our financial condition or results of operations.

We are committed to invest approximately \$11.0 million in restaurant joint ventures at Santana Row, of which \$9.5 million has been invested as of June 30, 2005. These restaurant joint ventures are accounted for using the equity method.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986, an unaffiliated third party has the right to require us and the two other minority partners to purchase between one-half to all of its 29.47% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value derived from the properties current operations as of June 30, 2005, our estimated maximum commitment upon exercise of the put option would range from approximately \$30 million to \$34 million.

As of June 30, 2005, a total of 423,576 operating units remain outstanding. As discussed in Note E, the partners holding these operating units have the right to exchange them for cash or the same number of our common shares, at our option.

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Under the terms of two of our other partnership agreements for entities which own street retail properties in southern California with an original cost of approximately \$29 million, if certain leasing and revenue levels are obtained for those properties, the other partners may require us to redeem their partnership interests at a formula price based upon property operating income. The purchase price for one of the partnerships must be paid in cash. The purchase price for the other partnership must be paid using our common shares or, subject to certain conditions, cash. In both partnerships, if the other partners do not redeem their interests, we may choose to purchase the limited partnership interests upon the same terms.

Street Retail San Antonio LP, a wholly-owned subsidiary of the Trust, entered into a Development Agreement (the "Agreement") in 2000 with the City of San Antonio, Texas (the "City") related to the redevelopment of land and buildings that we own along Houston Street. Under the Agreement, we are required to issue an annual letter of credit, commencing on October 1, 2002 and ending on September 30, 2014, that covers our designated portion of the debt service should the incremental tax revenue generated in the zone specified in the Agreement not cover the debt service. We posted a letter of credit with the City on September 25, 2002 for \$0.8 million, and the letter of credit remains outstanding. We estimate our obligation under the Agreement to be in the range of \$1.6 million to \$3.0 million. During the years ended December 31, 2004 and 2003, we funded approximately \$0.4 million each year. In anticipation of a shortfall of incremental tax revenues to the City, we have accrued \$0.7 million as of June 30, 2005 to cover additional payments we may be obligated to make as part of the project costs. Prior to the expiration of the Agreement on September 30, 2014, we could be required to provide funding beyond the \$0.7 million currently accrued. We do not anticipate, however, that our obligation would exceed \$0.6 million in any year or \$3.0 million in total. If the Zone creates sufficient tax increment funding to repay the City's debt prior to the expiration of the Agreement, we will be eligible to receive reimbursement of amounts paid for debt service shortfalls together with interest thereon.

NOTE H - COMPONENTS OF RENTAL INCOME

The components of rental income are as follows:

	Six months ended June 30,		Three months ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Minimum rents				
Retail and commercial	\$ 147,556	\$ 137,217	\$ 74,043	\$ 69,649
Residential	6,324	6,146	3,115	3,170
Cost reimbursements	38,218	36,069	18,119	18,665
Percentage rents	3,063	2,865	1,266	1,504
Other rental income	2,721	3,253	1,256	1,783
Total rental income	<u>\$ 197,882</u>	<u>\$ 185,550</u>	<u>\$ 97,799</u>	<u>\$ 94,771</u>

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Minimum rents include \$3.8 million and \$2.4 million for the six months ended June 30, 2005 and 2004, respectively, and \$ 1.7 million and \$1.6 million for the three months ended June 30, 2005 and 2004, respectively, that represent amounts included in minimum rents in order to reflect the recognition of minimum rents on a straight line basis as required by GAAP. Minimum rents include \$0.8 million and \$0.6 million for the six months ended June 30, 2005 and 2004, respectively, and \$0.4 million for both the three months ended June 30, 2005 and 2004, that represent amounts included in minimum rents in order to reflect the recognition of income attributable to market lease adjustments on acquired properties in accordance with SFAS 141. Residential minimum rents comprise the entire rental amounts at Rollingwood Apartments, The Crest at Congressional Plaza Apartments and the residential units at Santana Row.

NOTE I – SEGMENT INFORMATION

We operate our portfolio of properties in two geographic operating regions: East and West, which constitute our segments under Statement of Financial Accounting Standard No. 131, “Disclosures about Segments of an Enterprise and Related Information.”

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A summary of our operations by geographic region is as follows:

	Six months ended June 30, 2005			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 154,311	\$ 43,571	\$ —	\$ 197,882
Other property income	1,768	2,262	—	4,030
Mortgage interest income	1,414	1,316	—	2,730
Rental expenses	(29,885)	(13,635)	—	(43,520)
Real estate taxes	(16,055)	(4,522)	—	(20,577)
Property operating income	\$ 111,553	\$ 28,992	\$ —	\$ 140,545
Other interest income	1,658	35	—	1,693
Interest expense	—	—	(43,890)	(43,890)
Income from real estate partnership	—	—	224	224
General and administrative expense	—	—	(9,484)	(9,484)
Depreciation and amortization	(32,375)	(13,088)	—	(45,463)
Income before minority interests and discontinued operations	\$ 80,836	\$ 15,939	\$ (53,150)	\$ 43,625
Total assets as of June 30, 2005	\$1,328,329	\$900,704	\$ 67,989	\$2,297,022
	Six months ended June 30, 2004			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 146,784	\$ 38,766	\$ —	\$ 185,550
Other property income	1,793	2,799	—	4,592
Mortgage interest income	1,469	912	—	2,381
Rental expenses	(29,790)	(14,169)	—	(43,959)
Real estate taxes	(15,409)	(3,003)	—	(18,412)
Property operating income	\$ 104,847	\$ 25,305	\$ —	\$ 130,152
Other interest income	569	93	—	662
Interest expense	—	—	(42,710)	(42,710)
Income from real estate partnership	—	—	—	—
General and administrative expense	—	—	(8,770)	(8,770)
Depreciation and amortization	(31,318)	(11,785)	—	(43,103)
Income before minority interests and discontinued operations	\$ 74,098	\$ 13,613	\$ (51,480)	\$ 36,231
Total assets as of June 30, 2004	\$1,296,017	\$883,702	\$ 95,494	\$2,275,213

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	Three months ended June 30, 2005			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 76,212	\$ 21,587	\$ —	\$ 97,799
Other property income	814	1,268	—	2,082
Mortgage interest income	741	708	—	1,449
Rental expenses	(13,159)	(6,919)	—	(20,078)
Real estate taxes	(8,002)	(2,820)	—	(10,822)
Property operating income	\$ 56,606	\$ 13,824	\$ —	\$ 70,430
Other interest income	1,288	14	—	1,302
Interest expense	—	—	(21,827)	(21,827)
Income from real estate partnership	—	—	153	153
General and administrative expense	—	—	(4,981)	(4,981)
Depreciation and amortization	(16,204)	(6,752)	—	(22,956)
Income before minority interests and discontinued operations	\$ 41,690	\$ 7,086	\$ (26,655)	\$ 22,121
Total assets as of June 30, 2005	\$1,328,329	\$900,704	\$ 67,989	\$2,297,022

	Three months ended June 30, 2004			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 73,949	\$ 20,822	\$ —	\$ 94,771
Other property income	881	1,553	—	2,434
Mortgage interest income	797	507	—	1,304
Rental expenses	(14,067)	(7,998)	—	(22,065)
Real estate taxes	(7,749)	(1,620)	—	(9,369)
Property operating income	\$ 53,811	\$ 13,264	\$ —	\$ 67,075
Other interest income	269	32	—	301
Interest expense	—	—	(21,391)	(21,391)
Income from real estate partnership	—	—	—	—
General and administrative expense	—	—	(4,588)	(4,588)
Depreciation and amortization	(16,517)	(6,339)	—	(22,856)
Income before minority interests and discontinued operations	\$ 37,563	\$ 6,957	\$ (25,979)	\$ 18,541
Total assets as of June 30, 2004	\$1,296,017	\$883,702	\$ 95,494	\$2,275,213

There are no transactions between geographic areas.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Form 10-K for the year ended December 31, 2004.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to forward-looking statements or information, sometimes we use words such as "may," "will," "could," "should," "plans," "intends," "expects," "believes," "estimates," "anticipates" and "continues." Many things can happen that can cause actual results to be different from those we describe. These factors include, but are not limited to the risk factors described in our current report in Form 8-K filed on March 2, 2005, and include the following:

- risks that our tenants will not pay rent or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that any redevelopment or renovation project that we do pursue may not perform as anticipated;
- risks that the number of properties we acquire for our own account, and therefore the amount of capital we invest in acquisitions, may be impacted by our real estate partnership;
- risks normally associated with the real estate industry, including risks that:
 - occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected,
 - completion of anticipated or ongoing property redevelopments or renovations may fail to perform as expected,
 - new acquisitions may fail to perform as expected,
 - competition for acquisitions could result in increased prices for acquisitions,
 - environmental issues may develop at our properties and result in unanticipated costs, and
 - because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and
- risks related to our status as a real estate investment trust, commonly referred to as a

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REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our current report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2005 before making any investments in us.

Overview

We are an equity real estate investment trust specializing in the ownership, management, development and redevelopment of retail and mixed-use properties. As of June 30, 2005, we owned or had a majority interest in 103 community and neighborhood shopping centers and mixed-use properties comprising approximately 17.4 million square feet, located primarily in densely populated and affluent communities throughout the Northeast and Mid-Atlantic United States, as well as in California, and one apartment complex in Maryland. In total, the 103 commercial properties were 95.0% leased at June 30, 2005. A joint venture in which we own a 30% interest owned four neighborhood shopping centers totaling approximately 0.5 million square feet as of June 30, 2005. In total, the joint venture properties in which we own an interest were 98.9% leased at June 30, 2005. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 37 consecutive years.

2005 Property Acquisitions and Dispositions

On February 15, 2005, we sold two properties located in Tempe, Arizona for an aggregate of \$13.7 million, resulting in a gain of \$4.0 million. The two properties, acquired in 1998, totaled approximately 40,000 square feet of leasable area.

On March 1, 2005, we acquired Assembly Square, an approximately 330,000 square foot enclosed mall in the City of Somerville, Massachusetts that is currently being redeveloped into a power center, and an adjacent ten-acre 220,000 square foot retail/industrial complex for an aggregate investment of \$66.4 million, including \$2.5 million of cost for the ongoing redevelopment. With respect to the values assigned to assumed leases, approximately \$3.4 million of the net assets acquired was allocated to prepaid and other assets for "above-market leases," while \$5.1 million of the net assets acquired was allocated to other liabilities and deferred credits for "below-market leases." The acquisition was financed through available cash and borrowings under our revolving credit facility. We expect to invest an additional approximately \$38.0 million to complete the redevelopment of the mall, with stabilization anticipated within 12 months of completion.

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The acquisition of Assembly Square also included zoning entitlements to add four mixed-use buildings on 3.5 acres, which could include approximately 41,000 square feet of retail space, 51,000 square feet of office and 239 residential units. The acquisition also includes an option to purchase adjacent land parcels, all of which are zoned for dense, mixed-use development. We expect that we will structure any future development of Assembly Square in a manner designed to mitigate our risk which may include selling entitlements or co-developing with other real estate companies.

On June 2, 2005, we sold two properties located in Winter Park, Florida for an aggregate of \$11.1 million, resulting in a gain of \$3.5 million. The two properties, acquired in 1996, totaled approximately 28,000 square feet of leasable area.

Outlook

General

We believe that in 2005 we will experience growth in earnings from operations when compared to 2004. We expect this growth in earnings to be generated by a combination of the following:

- increased earnings in our same center portfolio and from properties under redevelopment,
- increased earnings from our real estate partnership established in July 2004,
- increased earnings as we expand our portfolio through property acquisitions, and
- increased earnings as a result of improved occupancy and rental rates on retail space as well as additional development at Santana Row.

On June 6, 2005, as a result of our operating performance and our analysis of our future growth prospects, we announced a regular quarterly cash dividend of \$0.555 per share on our common shares resulting in an indicated annual rate of \$2.22, an increase of \$0.20 per share annually. The increase in our regular quarterly cash dividend will increase the cash used to pay dividends to our common shareholders.

Our earnings in 2004 were positively impacted by the reimbursement to us of lost rents from an insurance settlement received in December 2003 related to a fire at Santana Row in 2002. Approximately \$3.0 million of the reimbursement was recognized as income during 2004. The amount recognized in 2005 is insignificant.

Same Center Portfolio and Redevelopment Projects

Earnings in our same center portfolio (as defined below under "Results of Operations") are anticipated to grow as an expanding economy in each of our regions is expected to result in improved occupancy rates and increasing rents on lease rollovers. The economic environment in the Northern California retail market, while improving, continues to be weak, however, resulting in lower occupancy rates and limiting our ability to increase rents in properties in that area. We believe the economies of our other markets are generally improving. Our same center growth has also been slowed during the past two fiscal years by the increase in our redevelopment activity at certain centers, which will, by design, keep leasable space out of service until the redevelopments are complete.

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The competitive retail environment has resulted in the loss of some of our anchor retail tenants, but we have been successful in replacing a number of those anchors and other weaker tenants with tenants that we believe are more credit-worthy. In other cases, we have taken advantage of the opportunity to redevelop the space that became vacant when the anchor tenant vacated. While this redevelopment and retenanting activity has resulted in increased capital investment in those centers, it should also increase the rental income from these centers as these tenants enter into new leases and commence operations. In addition, the redevelopment activity adds to the economic life of the centers, and increases the appeal of the centers to retail customers. These factors should extend the number of years during which we can reasonably expect growth in earnings from those properties beyond the period we could have expected if we had not made the additional capital investment.

Santana Row

Santana Row currently consists of approximately 558,000 square feet of retail space, 255 residential units and a ground lease to a 213-room hotel and we project final cost to be \$480 million which is net of \$129 million of insurance proceeds, \$11 million of which was recognized as income in 2003 and 2004 related to lost rental income. An additional 256 residential units are currently under construction with the projected cost for those units to be approximately \$67 million. Occupancy of the new units began in April 2005 with lease-up expected to continue into mid-2006.

Subject to receiving the necessary government approvals, we anticipate selling up to 219 of the existing residential units at Santana as condominiums with projected gross sale proceeds estimated to be approximately \$130 million to \$135 million. The actual gross sale proceeds will depend on demand, interest rates and other market factors. We have received preliminary governmental approval to sell up to 121 units and expect to file in the third quarter of 2005 for approval to sell the additional 98 units. We have been entering into contracts to sell units and, subject to obtaining final governmental approval, we expect to begin closing on the sale of the first units in August 2005. The sale of these units will reduce our operating income by the net income previously generated by these units and will generate sale proceeds which will reduce our basis in the units.

The financial success of Santana Row will depend on many factors, which cannot be assured. These factors include, among others:

- the demand for retail and residential space,
- the ongoing costs of operations and maintenance,
- the costs of ongoing and future developments, and
- the general economy, particularly in and around Silicon Valley.

Other

We anticipate further growth in earnings from continuing investments in our primary markets in the East and West regions, partly offset by selective dispositions. We expect to continue growth through the acquisition of neighborhood and community shopping centers in 2005 and beyond. This growth is contingent, however, on our ability to find properties that meet our qualitative hurdles at prices that meet our financial hurdles. Changes in interest rates also may affect our success in achieving growth through acquisitions by affecting both the price which must be paid to acquire a property, as well as our ability to economically finance the property acquisitions.

As one method to enhance growth and strengthen our market share in the regions in which we operate, in July 2004, we entered into a joint venture arrangement by forming a limited partnership in which we own 30% of the equity. The venture plans to acquire up to \$350 million of stabilized, supermarket-anchored shopping centers in our East and West regions with the acquisitions to be financed through secured borrowings and equity contributions. We are the manager of the venture and its properties and earn fees for acquisitions, management, leasing and financing. Through our partnership interest, we also will have the opportunity to earn performance-based income.

RESULTS OF OPERATIONS**Comparison of six months ended June 30, 2005 and 2004**

	2005	2004	Increase/ (Decrease)	% Change
	(In thousands)			
Rental income	\$ 197,882	\$ 185,550	\$ 12,332	6.6%
Other property income	4,030	4,592	(562)	-12.2%
Mortgage interest income	2,730	2,381	349	14.7%
Total revenues	204,642	192,523	12,119	6.3%
Rental expenses	43,520	43,959	(439)	-1.0%
Real estate taxes	20,577	18,412	2,165	11.8%
Total property expenses	64,097	62,371	1,726	2.8%
Property operating income	140,545	130,152	10,393	8.0%
Other interest income	1,693	662	1,031	155.7%
Income from real estate partnership	224	—	224	—
Interest expense	(43,890)	(42,710)	(1,180)	2.8%
General and administrative expense	(9,484)	(8,770)	(714)	8.1%
Depreciation and amortization	(45,463)	(43,103)	(2,360)	5.5%
Total other expenses, net	(96,920)	(93,921)	(2,999)	3.2%
Income before minority interest and discontinued operations	43,625	36,231	7,394	20.4%
Minority interests	(2,795)	(2,381)	(414)	17.4%
Operating income from discontinued operations	90	1,394	(1,304)	-93.5%
Gain on sale of real estate	7,884	8,334	(450)	-5.4%
Net income	\$ 48,804	\$ 43,578	\$ 5,226	12.0%

“Same Center”

Throughout this section, we have provided certain information on a “same center” basis. Information provided on a same center basis is provided for only those properties that we owned and operated for the entirety of both periods being compared and excludes properties for which redevelopment or expansion occurred during either of the periods being compared. Properties purchased or sold and properties under development or redevelopment at any time during the periods being compared are excluded.

Our same center-basis results of operations for the three months ended June 30, 2005 compared to the three months ended June 30, 2004 exclude Assembly Square, which we acquired in 2005 and Shaw’s Plaza which we acquired in the fourth quarter of 2004, as well as the dispositions that occurred in 2005 (two buildings in Tempe, Arizona and two buildings in Winter Park, Florida) and 2004 (Magruder’s Center, Plaza del Mercado and four other buildings located in Connecticut and Illinois). Our definition of “same center” also excludes Santana Row, which is considered under development in both 2005 and 2004. In addition to the properties listed above as being excluded from our same center-basis results of operations, our same center results for the six months ended June 30, 2005 and 2004 exclude Westgate Mall which was acquired in the first quarter of 2004.

Property Revenues

Total revenues in the six months ended June 30, 2005 were \$204.6 million, which represents an increase of \$12.1 million, or 6.3%, over total revenues of \$192.5 million in the six months ended June 30, 2004. The following were the primary drivers of this increase:

- the additional revenue contributed by properties acquired,
- growth of minimum rent from same center revenues as a result of increased rental rates on new leases, and
- growth in minimum rents at redevelopment properties and at Santana Row due to increased occupancy.

In addition, we experienced increased cost recoveries from our tenants due mainly to higher snow removal costs and other costs at our properties.

The percentage leased at our commercial properties increased to 95.0% at June 30, 2005, compared to 94.2% at June 30, 2004, due primarily to new leases signed at existing properties.

Rental Income. Rental income consists primarily of minimum rent, cost recoveries from tenants and percentage rent. Rental income in the six months ended June 30, 2005 was \$197.9 million compared to \$185.6 million in the six months ended June 30, 2004, which represents an increase of \$12.3 million, or 6.6%, due largely to the following:

- an increase of approximately \$7.4 million due to properties acquired in 2004 and 2005, primarily Westgate Mall and Assembly Square, and to growth at Santana Row,
- on a same center basis, an increase of \$4.8 million, or 3.4%, due mainly to increased minimum rents associated with new leases and redevelopments and increased cost recoveries resulting from higher snow removal costs in the East, and
- an increase of \$2.0 million, or 9.1%, at redevelopment properties due primarily to increased occupancy,

partially offset by

- a decrease of \$2.1 million of income recognized in 2004 attributable to proceeds of the Santana Row fire insurance settlement.

Other Property Income. Other property income in the six months ended June 30, 2005 was \$4.0 million compared to \$4.6 million in the six months ended June 30, 2004, which represents a decrease of \$0.6 million or 12.2%. Other property income includes items which, although recurring, are not directly related to property rental or tend to fluctuate more than rental income from period to period, such as lease termination fees and management fee income. Other property income for the six months ended June 30, 2004 included a non-recurring gain of \$0.3 million related to the sale of cable assets at Santana Row.

Mortgage Interest Income. Interest on mortgage notes receivable in the six months ended June 30, 2005 was \$2.7 million compared to \$2.4 million in the six months ended June 30, 2004, which represents an increase of \$0.3 million or 14.7%. The increase is due primarily to higher principal balances on notes outstanding in the six months ended June 30, 2005.

Property Expenses

Total property operating expenses in the six months ended June 30, 2005 were \$64.1 million compared to \$62.4 million in the six months ended June 30, 2004, which represents an increase of \$1.7 million, or 2.8%. The increase in total property expenses is due primarily to expenses associated with additional properties acquired in 2004 and 2005 and higher maintenance expenses, partly offset by lower bad debt expense and insurance premiums.

Rental Expenses. Rental expenses decreased \$0.4 million, or 1.0%, to \$43.5 million in the six months ended June 30, 2005 from \$44.0 million in the six months ended June 30, 2004. This decrease was the result of:

- a decrease of \$2.7 million due to lower bad debt expense and insurance premiums,
- a decrease of \$1.1 million due to write-offs of fixed assets and deferred lease costs related to early lease terminations,

partially offset by

- an increase of \$1.2 million due to the expenses attributable to the additional properties acquired during 2004 and 2005,
- an increase of \$1.2 million in maintenance expenses at same center properties due primarily to higher snow removal costs in the East, and
- an increase of \$1.0 million in maintenance expense related to redevelopment properties, including Santana Row, and property acquisitions.

As a result of these changes in rental expenses, as well as changes in rental income and other property income during the six months ended June 30, 2005, compared to the six months ended June 30, 2004, rental expense as a percentage of rental income plus other property income decreased from 23.1% in the six months ended June 30, 2004 to 21.6% in the six months ended June 30, 2005.

Real Estate Taxes. Real estate tax expense increased by \$2.2 million, or 11.8%, to \$20.6 million in the six months ended June 30, 2005 compared to \$18.4 million in the six months ended June 30, 2004. The increase in 2005 is due largely to increased taxes of \$1.8 million related to acquired and developed properties, including Santana Row, and higher tax assessments for our same center properties.

Property Operating Income

Property operating income was \$140.5 million for the six months ended June 30, 2005, an increase of \$10.4 million, or 8.0%, compared to \$130.2 million for the six months ended June 30, 2004. Income recognized from fire insurance proceeds attributable to rental income lost at Santana Row due to the August 2002 fire amounted to \$2.1 million in the six months ended June 30, 2004 and was insignificant in the six months ended June 30, 2005. Excluding these insurance proceeds, property operating income increased by \$12.5 million. This increase is due primarily to:

- earnings attributable to our 2004 and 2005 property acquisitions,

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- growth in same center earnings,
- earnings growth at Santana Row for the phases brought into service combined with higher occupancy and lower operating expenses at that property, and
- growth at redevelopment properties where vacancy has decreased.

Same center property operating income increased by 4.0%, or approximately \$4.1 million, in the six months ended June 30, 2005 over the six months ended June 30, 2004. This increase is primarily due to:

- increased rental income associated with new leases and redevelopments, and
- higher percentage rent,

partly offset by

- higher maintenance expenses, mainly related to snow removal.

Other

Interest Income. Interest income increased by \$1.0 million, or 155.7%, to \$1.7 million in the six months ended June 30, 2005 compared to \$0.7 million in the six months ended June 30, 2004. This increase is due to additional interest income related to the early pay-off of a note receivable. The note receivable which was paid-off had an outstanding principal amount of \$7.5 million.

Interest Expense. Interest expense increased by \$1.2 million, or 2.8%, to \$43.9 million in the six months ended June 30, 2005 compared to \$42.7 million in the six months ended June 30, 2004. This increase is due to higher outstanding balances and higher interest rates on our line of credit, which we used to finance acquisitions. Gross interest costs in the six months ended June 30, 2005 were \$46.4 million versus \$45.2 million in the six months ended June 30, 2004. Capitalized interest amounted to \$2.5 million in the six months ended June 30, 2005 and 2004.

General and Administrative Expense. General and administrative expenses increased by \$0.7 million, or 8.1%, to \$9.5 million in the six months ended June 30, 2005 compared to \$8.8 million in the six months ended June 30, 2004. This increase resulted primarily from increased costs of payroll and benefits and lower capitalization of leasing and development costs.

Depreciation and Amortization. Expenses attributable to depreciation and amortization increased by \$2.4 million or 5.5%, to \$45.5 million in the six months ended June 30, 2005 from \$43.1 million in the six months ended June 30, 2004. The increase is due primarily to depreciation of additional capital invested in redevelopment properties, depreciation attributable to new properties acquired and depreciation of new capital and tenant improvements at same center properties.

Minority Interests. Income to minority partners increased by \$0.4 million to \$2.8 million in the six months ended June 30, 2005 from \$2.4 million in the six months ended June 30, 2004. This is the result of increased earnings at properties owned in partnership, partly offset by a decrease in the interest held by minority owners in several partnerships.

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Operating Income from Discontinued Operations. Operating income from discontinued operations represents the operating income of properties prior to their disposition which, under SFAS No. 144, are required to be reported separately from results of ongoing operations. The reported operating income of less than \$0.1 million in the six months ended June 30, 2005 and operating income of \$1.4 million in the six months ended June 30, 2004 represent the operating income for the period during which we owned the properties sold in 2005 and 2004.

Gain on Sale of Real Estate. The gain on sale of real estate was \$7.9 million in the six months ended June 30, 2005 and \$8.3 million in the six months ended June 30, 2004. All properties sold in the six months ended June 30, 2005 and 2004, resulted in a gain.

Segment Results

We operate our business on an asset management model, where property management teams are responsible for a portfolio of assets.

We manage our portfolio as two operating regions: East and West. Property management teams consist of regional directors, leasing agents, development staff and financial personnel, each of whom has responsibility for a distinct portfolio.

The following selected key segment data presented is for the six months ended June 30, 2005 and 2004. The results of operations of properties that have been subsequently sold are excluded from property operating income data in the following table, in accordance with SFAS No. 144.

Property operating income consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. The measure is used internally to evaluate the performance of our regional operations, and we consider it to be a significant measure.

	Six months ended June 30,	
	2005	2004
	(In thousands)	
<i>East</i>		
Rental income	\$ 154,311	\$ 146,784
Total revenue	\$ 157,493	\$ 150,046
Property operating income	\$ 111,553	\$ 104,847
Property operating income as a percent of total revenue	70.8%	69.9%
Total assets	\$1,328,329	\$1,296,017
Gross leasable area at end of period (square feet)	14,999	14,482
<i>West</i>		
Rental income	\$ 43,571	\$ 38,766
Total revenue	\$ 47,149	\$ 42,477
Property operating income	\$ 28,992	\$ 25,305
Property operating income as a percent of total revenue	61.5%	59.6%
Total assets	\$ 900,704	\$ 883,702
Gross leasable area at end of period (square feet)	2,368	2,380

East

The East region extends roughly from New England south through metropolitan Washington, D.C. and further south through Virginia and North Carolina. This region also includes several properties in Illinois and Michigan. As of June 30, 2005, the East segment consisted of 71 properties, after the sale of two properties in the second quarter of 2005.

Total revenue in the East increased \$7.4 million to \$157.5 million in the six months ended June 30, 2005 compared to \$150.0 million in the six months ended June 30, 2004. The increase in total revenue of 5.0% is attributable mainly to increases in revenues at redevelopment properties and higher revenues on lease turnover.

The percentage leased was 95.5% and 94.7% at June 30, 2005 and 2004, respectively. The percentage leased increased between June 30, 2004 and June 30, 2005 due partly to the leasing of centers under redevelopment.

The ratio of property operating income to total revenue during the six months ended June 30, 2005 increased 90 basis points when compared to the six months ended June 30, 2004. The East region's property operating income margin to total revenue improved in the six months ended June 30, 2005 over the six months ended June 30, 2004 primarily due to improvements on redevelopments and higher revenues on lease turnover.

West

The West region extends from Texas to the West Coast. As of June 30, 2005, the West segment consisted of 33 properties, including Santana Row and after the sale of two properties in the first quarter of 2005.

Total revenue in the West in the six months ended June 30, 2005 increased \$4.7 million to \$47.1 million compared to \$42.5 million in the six months ended June 30, 2004. The increase in total revenue of 11.0% is largely attributable to increased rental revenue of \$4.8 million, primarily from Westgate Mall, which was acquired at the end of March 2004, and from Santana Row. The increase in rental revenue was partially offset by a decrease in Santana Row fire insurance proceeds of \$2.1 million. The insurance proceeds were reported as part of rental income as they relate largely to lost rents on the delayed opening of the residential and retail units and rental concessions to tenants due to the August 2002 fire at Santana Row.

For the West region, the percentage leased was 92.2% and 90.9% at June 30, 2005 and June 30, 2004, respectively. The improved leased rate as of June 30, 2005 compared June 30, 2004 is due largely to the leasing of additional space at Santana Row and to higher leased rates at Westgate Mall.

The ratio of property operating income to total revenue during the six months ended June 30, 2005 increased 190 basis points when compared to the six months ended June 30, 2004. The West region's property operating income margin to total revenue improved in the six months ended June 30, 2005 over the six months ended June 30, 2004 due primarily to growth in revenue and reduced expenses at Santana Row and the acquisition of Westgate Mall.

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The success of Santana Row and Houston Street in San Antonio, Texas will depend on many factors that are not entirely within our control. We monitor current and long-term economic forecasts for these markets in order to evaluate the long-term financial returns of these projects. The overall return on investment in the West segment is significantly less than the overall return on investment in the East segment. This is primarily due to the generally lower basis in our East properties, the phasing into service of Santana Row, and the weak retail environment in San Antonio, Texas. We expect that the returns on investment in the West will continue to rise as these projects come into service, but that they will not necessarily rise to the same level of overall returns that are generated in the East segment.

Comparison of three months ended June 30, 2005 and 2004

	2005	2004	Increase/ (Decrease)	% Change
	(In thousands)			
Rental income	\$ 97,799	\$ 94,771	\$ 3,028	3.2%
Other property income	2,082	2,434	(352)	-14.5%
Mortgage interest income	1,449	1,304	145	11.1%
Total revenues	101,330	98,509	2,821	2.9%
Rental expenses	20,078	22,065	(1,987)	-9.0%
Real estate taxes	10,822	9,369	1,453	15.5%
Total property expenses	30,900	31,434	(534)	-1.7%
Property operating income	70,430	67,075	3,355	5.0%
Other interest income	1,302	301	1,001	332.6%
Income from real estate partnership	153	—	153	—
Interest expense	(21,827)	(21,391)	(436)	2.0%
General and administrative expense	(4,981)	(4,588)	(393)	8.6%
Depreciation and amortization	(22,956)	(22,856)	(100)	0.4%
Total other expenses, net	(48,309)	(48,534)	225	-0.5%
Income before minority interest and discontinued operations	22,121	18,541	3,580	19.3%
Minority interests	(1,279)	(1,192)	(87)	7.3%
Operating income from discontinued operations	363	707	(344)	-48.7%
Gain on sale of real estate	3,602	8,276	(4,674)	-56.5%
Net income	\$ 24,807	\$ 26,332	\$ (1,525)	-5.8%

Property Revenues

Total revenues in the three months ended June 30, 2005 were \$101.3 million, which represents an increase of \$2.8 million, or 2.9%, over total revenues of \$98.5 million in the three months ended June 30, 2004. The following were the primary drivers of this increase:

- growth of minimum rent from same center revenues as a result of increased rental rates on new leases,
- the additional revenue contributed by properties acquired, and
- growth in minimum rents at redevelopment properties and at Santana Row due to increased occupancy.

The percentage leased at our commercial properties increased to 95.0% at June 30, 2005 compared to 94.2% at June 30, 2004 due primarily to new leases signed at existing properties.

Rental Income. Rental income consists primarily of minimum rent, cost recoveries from tenants and percentage rent. Rental income in the three months ended June 30, 2005 was \$97.8 million compared to \$94.8 million in the three months ended June 30, 2004, which represents an increase of \$3.0 million, or 3.2% due largely to the following:

- an increase of approximately \$1.7 million due to properties acquired in 2004 and 2005, primarily Assembly Square, and to growth at Santana Row,
- on a same center basis, an increase of \$2.0 million, or 2.7%, due mainly to increased minimum rents associated with tenant rollovers and redevelopments, offsetting lower maintenance cost recoveries, and
- an increase of \$0.4 million, or 3.9%, at redevelopment properties due primarily to increased occupancy,

partially offset by

- a decrease of \$1.0 million of income recognized on the Santana Row fire insurance settlement.

Other Property Income. Other property income in the three months ended June 30, 2005 was \$2.1 million compared to \$2.4 million in the three months ended June 30, 2004. Other property income includes items which, although recurring, are not directly related to property rental or tend to fluctuate more than rental income from period to period, such as lease termination fees and management fee income.

Mortgage Interest Income. Interest on mortgage notes receivable in the three months ended June 30, 2005 was \$1.4 million compared to \$1.3 million in the three months ended June 30, 2004. The increase of \$0.1 million is due primarily to higher principal balances on notes outstanding in the second quarter of 2005.

Property Expenses

Total property operating expenses in the three months ended June 30, 2005 were \$30.9 million compared to \$31.4 million in the three months ended June 30, 2004, which represents a decrease of \$0.5 million, or 1.7%. The decrease in total property expenses is due primarily to lower bad debt expense and fixed asset write-offs, partially offset by higher real estate taxes.

Rental Expenses. Rental expenses decreased \$2.0 million, or 9.0%, to \$20.1 million in the three months ended June 30, 2005 from \$22.1 million in the three months ended June 30, 2004. This decrease was the result of:

- a decrease of \$1.2 million at same center properties due to decreased bad debt expense, and
- a decrease of \$1.1 million due to write-offs of fixed assets and deferred lease costs related to early lease terminations.

As a result of these changes in rental expenses, as well as changes in rental income and other property income during the three months ended June 30, 2005, compared to the three months ended June 30, 2004, rental expense as a percentage of rental income plus other property income decreased from 22.7% in the three months ended June 30, 2004 to 20.1% in the three months ended June 30, 2005.

Real Estate Taxes. Real estate tax expense increased by \$1.5 million, or 15.5%, to \$10.8 million in the three months ended June 30, 2005 compared to \$9.4 million in the three months ended June 30, 2004. The increase in 2005 is due largely to increased taxes of \$1.1 million related to acquired and developed properties, including Santana Row, and higher tax assessments for our same center properties.

Property Operating Income

Property operating income was \$70.4 million for the three months ended June 30, 2005, an increase of \$3.4 million, or 5.0%, compared to \$67.1 million for the three months ended June 30, 2004. Income recognized from fire insurance proceeds attributable to rental income lost at Santana Row due to the August 2002 fire amounted to \$1.0 million in the second quarter of 2004 with no income recognized in the second quarter of 2005. Excluding these insurance proceeds, property operating income increased by \$4.4 million. This increase is due primarily to:

- growth in same center earnings,
- earnings attributable to our 2004 and 2005 acquisitions,
- growth at redevelopment properties where vacancy has decreased, and
- earnings growth at Santana Row for the phases brought into service combined with higher occupancy and lower operating expenses at that property.

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Same center property operating income increased by 4.2%, or approximately \$2.2 million, in the three months ended June 30, 2005 over the three months ended June 30, 2004. This increase is primarily due to:

- increased rental income associated with new leases, and
- decreased bad debt expenses.

Other

Interest Income. Interest income increased by \$1.0 million, or 332.6%, to \$1.3 million in the three months ended June 30, 2005, compared to \$0.3 million in the three months ended June 30, 2004. The increase is due to additional interest income related to the early pay-off of a note receivable. The note receivable which was paid-off had an outstanding principal amount of \$7.5 million.

Interest Expense. Interest expense increased by \$0.4 million, or 2.0%, to \$21.8 million in the three months ended June 30, 2005 compared to \$21.4 million in the three months ended June 30, 2004. This increase is due to higher outstanding balances and higher interest rates on our line of credit, which we used to finance acquisitions. Gross interest costs in the three months ended June 30, 2005 were \$23.4 million versus \$22.6 million in the three months ended June 30, 2004. Capitalized interest amounted to \$1.6 million and \$1.2 million in the three months ended June 30, 2005 and 2004, respectively.

General and Administrative Expense. General and administrative expenses increased by \$0.4 million, or 8.6%, to \$5.0 million in the three months ended June 30, 2005 compared to \$4.6 million in the three months ended June 30, 2004. This increase resulted primarily from increased costs of payroll and benefits.

Depreciation and Amortization. Expenses attributable to depreciation and amortization increased by \$0.1 million or 0.4%, to \$23.0 million in the three months ended June 30, 2005 from \$22.9 million in the three months ended June 30, 2004. The increase is due primarily to depreciation of additional capital invested in redevelopment properties, depreciation attributable to new properties acquired and depreciation of new capital and tenant improvements at same center properties.

Minority Interests. Income to minority partners increased less than \$0.1 million to \$1.3 million in the three months ended June 30, 2005 from \$1.2 million in the three months ended June 30, 2004. This is the result of increased earnings at properties owned in partnership, partly offset by a decrease in the interest held by minority owners in several partnerships.

Operating Income from Discontinued Operations. Operating income from discontinued operations represents the operating income of properties prior to their disposition which, under SFAS No. 144, are required to be reported separately from results of ongoing operations. The reported operating income of \$0.4 million in the three months ended June 30, 2005 and operating income of \$0.7 million in the three months ended June 30, 2004 represent the operating income for the period during which we owned the properties sold in 2005 and 2004.

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Gain on Sale of Real Estate. The gain on sale of real estate was \$3.6 million in the three months ended June 30, 2005 and \$8.3 million in the three months ended June 30, 2004. All properties sold in the three months ended June 30, 2004 and the three months ended June 30, 2005 resulted in a gain.

Segment Results

The following selected key segment data presented is for the three months ended June 30, 2005 and 2004. The results of operations of properties that have been subsequently sold are excluded from property operating income data in the following table, in accordance with SFAS No. 144.

Property operating income consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. The measure is used internally to evaluate the performance of our regional operations, and we consider it to be a significant measure.

	Three months ended June 30,	
	2005	2004
	(In thousands)	
<i>East</i>		
Rental income	\$ 76,212	\$ 73,949
Total revenue	\$ 77,767	\$ 75,627
Property operating income	\$ 56,606	\$ 53,811
Property operating income as a percent of total revenue	72.8%	71.2%
Total assets	\$1,328,329	\$1,296,017
Gross leasable area at end of period (square feet)	14,999	14,482
<i>West</i>		
Rental income	\$ 21,587	\$ 20,822
Total revenue	\$ 23,563	\$ 22,882
Property operating income	\$ 13,824	\$ 13,264
Property operating income as a percent of total revenue	58.7%	58.0%
Total assets	\$ 900,704	\$ 883,702
Gross leasable area at end of period (square feet)	2,368	2,380

East

The East region extends roughly from New England south through metropolitan Washington, D.C. and further south through Virginia and North Carolina. This region also includes several properties in Illinois and Michigan. As of June 30, 2005, the East segment consisted of 71 properties after the sale of two properties in the second quarter of 2005.

Total revenue in the East increased \$2.1 million to \$77.8 million in the three months ended June 30, 2005 compared to \$75.6 million in the three months ended June 30, 2004. The increase in total revenue of 2.8% is attributable mainly to increases in revenues at redevelopment properties and higher revenues on lease turnover.

The percentage leased was 95.5% and 94.7% at June 30, 2005 and 2004, respectively. The percentage leased increased between June 30, 2004 and June 30, 2005 due partly to the leasing of centers under redevelopment.

The ratio of property operating income to total revenue during the three months ended June 30, 2005 increased 160 basis points when compared to the three months ended June 30, 2004. The East region's property operating income margin to total revenue improved in the three months ended June 30, 2005 over the three months ended June 30, 2004 due primarily to improvements on redevelopments and higher revenues on lease turnover.

West

The West region extends from Texas to the West Coast. As of June 30, 2005, the West segment consisted of 33 properties, including Santana Row and after the sale of two properties in the first quarter of 2005.

Total revenue in the West in the three months ended June 30, 2005 increased \$0.7 million to \$23.6 million compared to \$22.9 million in the three months ended June 30, 2004. The increase in total revenue of 3.0% is largely attributable to increased rental revenue of \$0.8 million, primarily from Santana Row. The increase in rental revenue was partially offset by a decrease in insurance proceeds of \$1.0 million. The insurance proceeds were reported as part of rental income as they relate largely to lost rents on the delayed opening of the residential and retail units due to the August 2002 fire at Santana Row.

For the West region, the percentage leased was 92.2% and 90.9% at June 30, 2005 and June 30, 2004, respectively. The improved leased rate as of June 30, 2005 compared to June 30, 2004 is due largely to the leasing of additional space at Santana Row and to higher leased rates at Westgate Mall.

The ratio of property operating income to total revenue during the three months ended June 30, 2005 increased 70 points when compared to the three months ended June 30, 2004. The West region's property operating income margin to total revenue improved in the three months ended June 30, 2005 over the three months ended June 30, 2004 due primarily to growth in revenue and reduced expenses at Santana Row.

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Liquidity and Capital Resources

Due to the nature of our business and strategy, we generally generate significant amounts of cash from operations. The cash generated from operations is primarily paid to our shareholders in the form of dividends. Our status as a REIT requires that we distribute at least 90% of our REIT taxable income each year, as defined in the Internal Revenue Code. Therefore, cash needed to execute our strategy and invest in new properties, as well as to pay our debt at maturity, must come from one or more of the following sources:

- cash not distributed to shareholders,
- proceeds of property dispositions, or
- proceeds derived from the issuance of new debt or equity securities.

It is management's intention that we continually have access to the capital resources necessary to expand and develop our business. As a result, we intend to operate with and maintain a conservative capital structure that will allow us to maintain strong debt service coverage and fixed-charge coverage ratios as part of our commitment to investment-grade debt ratings. In a manner consistent with our intention to operate with a conservative capital structure, we may, from time to time, seek to obtain funds by the following means:

- additional equity offerings,
- unsecured debt financing and/or mortgage financings, and
- other debt and equity alternatives, including formation of joint ventures.

Cash and cash equivalents were \$13.6 million and \$30.5 million at June 30, 2005 and December 31, 2004, respectively.

Summary of Cash Flows

	Six months ended June 30, 2005
	(In thousands)
Cash provided by operating activities	\$ 88,625
Cash used in investing activities	(98,919)
Cash used in financing activities	(6,556)
Decrease in cash and cash equivalents	(16,850)
Cash and cash equivalents, beginning of period	30,475
Cash and cash equivalents, end of period	\$ 13,625

The cash provided by operating activities is primarily attributable to the operation of our properties and the change in working capital related to our operations.

We used cash of \$98.9 million during the six months ended June 30, 2005 in investing activities, including the following:

- \$67.4 million for our acquisition of Assembly Square and an adjacent ten-acre retail/industrial complex,

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- capital expenditures of \$55.8 million for development and redevelopment of properties including Santana Row,
- maintenance capital expenditures of approximately \$5.6 million,
- leasing costs of approximately \$3.3 million,

partly offset by

- \$24.7 million in net sale proceeds from the sale of properties, and
- \$8.5 million in net repayment of mortgage and other notes receivable.

For the six months ended June 30, 2005, our financing activities used \$6.6 million of cash, which was composed of:

- \$49.0 million of net borrowings on our revolving credit facility,
- \$5.9 million of proceeds from the issuance of common shares and upon the exercise of options,

offset by

- \$57.0 million used to pay dividends to common and preferred shareholders,
- \$2.2 million of net payments on mortgages, capital leases and notes payable, and
- \$2.3 million representing dividends paid and redemptions related to operating partnership units.

Off-Balance Sheet Arrangements. Other than items disclosed in the Contractual Commitments Table and related notes below, we have no off-balance sheet arrangements as of June 30, 2005 that are reasonably likely to have a current or future material effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

[Table of Contents](#)**Contractual Commitments**

The following table provides a summary of our fixed, noncancelable obligations as of June 30, 2005:

	Commitments Due by Period				
	Total	Remainder of 2005	2006-2007	2008-2009	After 2009
			(In thousands)		
Current and long-term debt	\$1,184,035	\$ 41,539	\$ 401,733	\$ 346,751	\$ 394,012
Capital lease obligations, principal only	158,457	599	2,645	3,222	151,991
Operating leases	284,869	2,164	8,799	8,763	265,143
Real estate commitments	127,000	63,000	4,000	—	60,000
Development and redevelopment obligations	71,269	62,678	8,591	—	—
Restaurant joint ventures	1,333	1,333	—	—	—
Contractual operating obligations	10,850	4,257	5,722	839	32
Total contractual cash obligations	\$1,837,813	\$ 175,570	\$ 431,490	\$ 359,575	\$ 871,178

In addition to the amounts set forth in the table above, the following potential commitments exist:

- a) Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986, an unaffiliated third party has the right to require us and the two other minority partners to purchase between 50% and 100% of its 29.47% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value as of June 30, 2005, our estimated maximum commitment upon exercise of the put option would range from approximately \$30.0 million to \$34.0 million.
- b) Under the terms of two other partnerships which own properties in southern California with a cost of approximately \$29.0 million, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the other partners may require us to purchase their partnership interests at a formula price based upon property operating income. The purchase price for one of the partnerships will be paid in cash and the purchase price for the other partnership will be paid using our common shares or, subject to certain conditions, cash. In those partnerships, if the other partners do not redeem their interests, we may choose to purchase the limited partnership interests upon the same terms.

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- c) Street Retail San Antonio LP, a wholly-owned subsidiary of the Trust, entered into a Development Agreement (the “Agreement”) in 2000 with the City of San Antonio, Texas (the “City”) related to the redevelopment of land and buildings that we own along Houston Street. Under the Agreement, we are required to issue an annual letter of credit, commencing on October 1, 2002 and ending on September 30, 2014, that covers our designated portion of the debt service should the incremental tax revenue generated in the zone specified in the Agreement not cover the debt service. We posted a letter of credit with the City on September 25, 2002 for \$0.8 million, and the letter of credit remains outstanding. We estimate our obligation under the Agreement to be in the range of \$1.6 million to \$3.0 million. During the years ended December 31, 2004 and 2003 we funded approximately \$0.4 million each year. In anticipation of a shortfall of incremental tax revenues to the City, we have accrued \$0.7 as of June 30, 2005 to cover additional payments we may be obligated to make as part of the project costs. Prior to the expiration of the Agreement on September 30, 2014, we could be required to provide funding beyond the \$0.7 million currently accrued. We do not anticipate, however, that our obligation would exceed \$0.6 million in any year or \$3.0 million in total. If the Zone creates sufficient tax increment funding to repay the City’s debt prior to the expiration of the Agreement, we will be eligible to receive reimbursement of amounts paid for debt service shortfalls together with interest thereon.
- d) Under the terms of various partnerships, which own shopping center properties with a cost of approximately \$88.5 million, the partners have the right to exchange their operating units for cash or the same number of our common shares, at our option. For the six months ended June 30, 2005 we paid \$0.6 million to redeem 12,609 of these operating units and issued 203,140 of our common shares to redeem 203,140 operating units. The 203,140 common shares issued include 190,000 common shares that were issued to a subsidiary in 2004 and sold to a third party in February 2005 to complete a redemption. As of June 30, 2005, a total of 423,576 operating units are outstanding.
- e) In addition to our contractual obligations, we have other short-term liquidity requirements consisting primarily of normal recurring operating expenses, regular debt service requirements (including debt service relating to additional and replacement debt), recurring corporate expenditures including compensation agreements, non-recurring corporate expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. In addition, future rental commitments are not reflected as commitments until the underlying leased space has been delivered for use. Overall capital requirements will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of future phases of Santana Row and Assembly Square.
- f) We are the guarantor for the “non-recourse carve outs” under mortgage notes totaling \$36.7 million that are secured by three properties owned by subsidiaries of our unconsolidated joint venture with affiliates of Clarion Lion Properties Fund, a discretionary fund created and advised by ING Clarion Partners. We are not guaranteeing the debt itself. The joint venture indemnifies for any loss we incur under these guarantees.

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Debt Financing Arrangements

As of June 30, 2005, we had total debt outstanding of \$1.3 billion.

The following is a summary of our total debt outstanding as of June 30, 2005:

Description of Debt	Original Debt Issued	Principal Balance as of June 30, 2005	Interest Rate as of June 30, 2005	Maturity Date
(Dollars in thousands)				
Mortgage Loans (1)				
<i>Secured Fixed Rate</i>				
Leesburg Plaza	\$ 9,900	\$ 9,900	6.510%	October 1, 2008
164 E. Houston Street	345	168	7.500%	October 6, 2008
Mercer Mall	Acquired	4,608	8.375%	April 1, 2009
Federal Plaza	36,500	34,895	6.750%	June 1, 2011
Tysons Station	7,000	6,570	7.400%	September 1, 2011
Barracks Road	44,300	43,465	7.950%	November 1, 2015
Hauppauge	16,700	16,385	7.950%	November 1, 2015
Lawrence Park	31,400	30,809	7.950%	November 1, 2015
Wildwood	27,600	27,080	7.950%	November 1, 2015
Wynnewood	32,000	31,397	7.950%	November 1, 2015
Brick Plaza	33,000	32,320	7.415%	November 1, 2015
Mount Vernon (2)	13,250	12,694	5.660%	April 15, 2028
Total Mortgage Loans		\$ 250,291		
Notes Payable				
<i>Unsecured Fixed Rate</i>				
Perring Plaza Renovation	3,087	\$ 1,895	10.00%	January 31, 2013
Other	295	45	Various	Various
<i>Unsecured Variable Rate</i>				
Revolving credit facilities (3)	300,000	104,000	LIBOR + 0.75%	October 8, 2006
Term note with banks	100,000	100,000	LIBOR + 0.95%	October 8, 2006
Term note with banks (4)	150,000	150,000	LIBOR + 0.95%	October 8, 2008
Escondido (Municipal Bonds) (5)	9,400	9,400	2.30%	October 1, 2016
Total Notes Payable		\$ 365,340		
Senior Notes and Debentures				
<i>Unsecured Fixed Rate</i>				
6.625% Notes	40,000	\$ 40,000	6.625%	December 1, 2005
6.99% Medium Term Notes (6)	40,500	40,500	6.894%	March 10, 2006
6.125% Notes (7)	150,000	150,000	6.325%	November 15, 2007
8.75% Notes	175,000	175,000	8.750%	December 1, 2009
4.50% Notes	75,000	75,000	4.500%	February 15, 2011
7.48% Debentures (8)	50,000	50,000	7.480%	August 15, 2026
6.82% Medium Term Notes (9)	40,000	40,000	6.820%	August 1, 2027
Subtotal		570,500		
Unamortized Discount		(2,096)		
Total Senior Notes and Debentures		\$ 568,404		
Capital Lease Obligations				
Various		\$ 158,457	Various	Various through 2077
Total Debt and Capital Lease Obligations		\$ 1,342,492		

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- 1) Mortgage loans do not include our 30% share (\$14.2 million) of the \$47.2 million debt of the partnership with Clarion Lion Properties Fund.
- 2) The interest rate is fixed at 5.66% for the first ten years and then will be reset to a market rate. The lender has the option to call the loan on April 15, 2013 or any time thereafter.
- 3) The maximum amount drawn under the facility during the first six months of 2005 was \$190 million. The weighted average effective interest rate, including the amortization of deferred financing fees, on borrowings under the facility was 3.52% for the three months ended June 30, 2005.
- 4) This loan bears interest at LIBOR plus 95 basis points. In January 2004, we purchased interest rate swaps or hedges on this note, which fixed the LIBOR portion of the interest rate at 2.401% through October 2006, resulting in an effective interest rate, assuming no change to our debt rating, of 3.351% through October 2006.
- 5) The bonds require monthly interest only payments through maturity. The bonds bear interest at a variable rate determined weekly, which would enable the bonds to be remarketed at 100% of their principal amount. The weighted average effective interest rate, including the amortization of deferred financing fees, was 3.68% for the three months ended June 30, 2005. The property is not encumbered by a lien.
- 6) We purchased interest rate swaps at issuance (in 1998), thereby reducing the effective interest rate from 6.99% to 6.894%.
- 7) We purchased an interest rate lock to hedge a planned note offering. A hedge loss of \$1.5 million associated with this hedge is being amortized into the note offering, thereby increasing the effective interest rate on these notes to 6.325%.
- 8) Beginning on August 15, 2008, the debentures are redeemable by the holders thereof at the original purchase price of \$1,000 per debenture.
- 9) Beginning on August 1, 2007, the notes are redeemable by the holders thereof at the original purchase price of \$1,000 per note.

Our credit facility and other debt agreements include financial covenants that may limit our operating activities in the future. These covenants require us to comply with a number of financial provisions using calculations of ratios and other amounts that are not normally useful to a financial statement reader and that are calculated in a manner that is not in accordance with GAAP. Accordingly, the numeric information set forth below is calculated as required by our various loan agreements rather than in accordance with GAAP. We have not included a reconciliation of this information to GAAP information because, in this case, there is no directly comparable GAAP measure, similarly titled GAAP measures are not relevant in determining whether or not we are in compliance with our financial covenants and we believe that the ratios on our material covenants are relevant to the reader. These covenants require us to:

- limit the amount of debt so that our interest and other fixed charge coverage will exceed 1.75 to 1 (we maintained a ratio of 2.25 to 1 as of June 30, 2005);
- limit the amount of debt as a percentage of total asset value to less than 0.55 to 1 (we maintained a ratio of 0.44 to 1 as of June 30, 2005);

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- limit the amount of secured debt as a percentage of total asset value to less than 0.30 to 1 (we maintained a ratio of 0.14 to 1 as of June 30, 2005);
- limit the amount of unsecured debt so that unencumbered asset value to unsecured debt will equal or exceed 1.75 to 1 (we maintained a ratio of 2.76 to 1 as of June 30, 2005); and
- limit the total cost of development projects under construction to 15% or less of gross asset value (the budgeted total cost of our projects under construction at June 30, 2005 represented 4.86% of gross asset value).

We are also obligated to comply with other covenants, including, among others, provisions:

- relating to the maintenance of any property securing a mortgage;
- restricting our ability to pledge assets or create liens;
- restricting our ability to incur additional debt;
- restricting our ability to amend or modify existing leases at properties securing a mortgage;
- restricting our ability to enter into transactions with affiliates; and
- restricting our ability to consolidate, merge or sell all or substantially all of our assets.

As of June 30, 2005, we were in compliance with all of the financial covenants. If we were to breach any of our debt covenants, including the listed covenants, and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a covenant under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares.

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Below are the aggregate principal payments required as of June 30, 2005 under our debt financing arrangements by year. Scheduled principal installments and amounts due at maturity are included.

	<u>Secured</u>	<u>Capital Lease</u>	<u>Unsecured</u>	<u>Total</u>
	(In thousands)			
Remainder of 2005	\$ 1,453	\$ 599	\$ 40,086	\$ 42,138
2006	3,581	1,271	244,685(1)	249,537(1)
2007	3,858	1,374	149,609	154,841
2008	13,633	1,511	150,226	165,370
2009	8,551	1,711	174,341	184,603
2010 and thereafter (2)	219,215	151,991	174,797	546,003
	<u>\$250,291</u>	<u>\$ 158,457</u>	<u>\$933,744</u>	<u>\$1,342,492</u>

1) Includes \$104 million outstanding under our revolving credit facility.

2) Includes \$13.1 million under the Mount Vernon mortgage loan that may be required to be paid on or after April 15, 2013 and \$90 million of unsecured debt that may be called by the holders beginning August 1, 2007 as to \$40 million thereof and beginning August 15, 2008 as to \$50 million thereof.

Our organizational documents do not limit the level or amount of debt that we may incur.

Interest Rate Hedging

We enter into derivative contracts, which qualify as cash flow hedges under SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities” in order to manage interest rate risk. Derivatives are not purchased for speculation. We use derivative financial instruments to convert a portion of our variable rate debt to fixed rate debt and to manage our fixed to variable rate debt ratio. As of June 30, 2005, the Company had three cash flow hedge agreements, which are accounted for in conformity with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities – an Amendment of FASB Statement No. 133.”

In January 2004, to hedge our exposure to interest rate fluctuations on our \$150 million, five-year term loan issued in October 2003, we entered into an interest rate swap, which fixed the LIBOR portion of the interest rate on the term loan at 2.401% through October 2006. The interest rate on the term loan as of December 31, 2003 was 2.1% based on LIBOR plus 95 basis points. Upon entering into the swap, the interest rate was fixed, assuming no change to our debt rating, at 3.351% on notional amounts totaling \$150 million through October 2006. On the January 2004 hedge, we are exposed to credit loss in the event of non-performance by the counterparty to the interest rate protection agreement should interest rates exceed the cap. However, management does not anticipate non-performance by the counterparty. The counterparty has a long-term debt rating of “A-” by Standard and Poor’s Ratings Service and “A2” by Moody’s Investors Service as of June 30, 2005. Although our swap is not exchange traded, there are a number of financial institutions which enter into these types of transactions as part of their day-to-day activities. The swap has been documented as a cash flow hedge and designated as effective at inception of the swap contract. Consequently, the unrealized gain or loss upon measuring the swap at its fair value is recorded as a component of other comprehensive income within shareholders’ equity and either a derivative instrument asset or liability is recorded on the balance sheet.

The two remaining hedging instruments involved an interest rate swap associated with our 6.99% Medium Term Notes and an interest rate lock purchased in 2002 in connection with our \$150 million, 6.125% Senior Unsecured Note offering and are described in more detail below in “Item 3. Quantitative and Qualitative Disclosures about Market Risk – Interest Rate Hedging.”

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Liquidity Requirements

Our short-term liquidity requirements consist primarily of obligations under our capital and operating leases, normal recurring operating expenses, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring trust expenditures, non-recurring trust expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Overall capital requirements in 2005 and 2006 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of future phases of existing properties. To the extent that we require additional funds to meet our capital requirements, and normal recurring operating costs, we expect to fund these amounts from one or more of the following sources:

- cash provided by operating activities,
- cash provided by proceeds from property dispositions,
- borrowings under our credit facility,
- additional and replacement borrowings, both secured and unsecured, from other funding sources, and
- additional equity financing.

Our long-term capital requirements consist primarily of maturities under our long-term debt, development and redevelopment costs and potential acquisition opportunities. We expect to fund these through a combination of sources which we believe will be available to us, including additional and replacement secured and unsecured borrowings, issuance of additional equity, joint venture relationships relating to existing properties or new acquisitions and property dispositions.

The following factors could affect our ability to meet our liquidity requirements:

- we may be unable to obtain debt or equity financing on favorable terms, or at all, as a result of our financial condition or market conditions at the time we seek additional financing;
- restrictions in our debt instruments or outstanding equity may prohibit us from incurring debt or issuing equity at all, or on acceptable terms under then-prevailing market conditions; and
- we may be unable to service additional or replacement debt due to increases in interest rates or a decline in our operating performance.

REIT Qualification

We intend to maintain our qualification as a REIT under Section 856(c) of the Code. As a REIT, we generally will not be subject to corporate federal income taxes as long as we satisfy certain technical requirements of the Code, including the requirement to distribute 90% of our REIT taxable income to our shareholders.

Funds From Operations

Funds from operations (“FFO”) is a supplemental non-GAAP financial measure of real estate companies’ operating performance. The National Association of Real Estate Investment Trusts (“NAREIT”) defines FFO as follows: net income, computed in accordance with the U.S. GAAP, plus depreciation and amortization of real estate assets and excluding extraordinary items and gains on the sale of real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income and net cash provided by operating activities. It should be noted that FFO:

- does not represent cash flows from operating activities in accordance with GAAP (which, unlike FFO, generally reflects all cash effects of transactions and other events in the determination of net income);
- should not be considered an alternative to net income as an indication of our performance; and
- is not necessarily indicative of cash flow as a measure of liquidity or ability to fund cash needs, including the payment of dividends.

We consider FFO available for common shareholders a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of the real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation. We use FFO primarily as one of several means of assessing our operating performance in comparison with other REITs. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs.

An increase or decrease in FFO available for common shareholders does not necessarily result in an increase or decrease in aggregate distributions because our Board of Trustees is not required to increase distributions on a quarterly basis unless necessary for us to maintain REIT status. However, we must distribute 90% of our REIT taxable income (as defined in the Code) to remain qualified as a REIT. Therefore, a significant increase in FFO will generally require an increase in distributions to shareholders although not necessarily on a proportionate basis.

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The reconciliation of net income to funds from operations available for common shareholders is as follows:

	For the six months ended June 30,		For the three months ended June 30	
	2005	2004	2005	2004
	(In thousands, except per share data)			
Net income	\$ 48,804	\$ 43,578	\$ 24,807	\$ 26,332
(Gain) on sale of real estate	(7,884)	(8,334)	(3,602)	(8,276)
Depreciation and amortization of real estate assets	41,253	39,987	20,735	21,261
Amortization of initial direct costs of leases	3,428	3,285	1,802	1,787
Depreciation of real estate partnership assets	314	—	157	—
Funds from operations	85,915	78,516	43,899	41,104
Dividends on preferred stock	(5,738)	(5,738)	(2,869)	(2,869)
Income attributable to operating partnership units	352	638	194	403
Funds from operations available for common shareholders	\$ 80,529	\$ 73,416	\$ 41,224	\$ 38,638
Weighted average number of common shares, diluted	53,305	51,593	53,408	52,681
Funds from operations available for common shareholders, per diluted share	\$ 1.51	\$ 1.42	\$ 0.77	\$ 0.73

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our use of financial instruments, such as debt instruments, subjects us to market risk which may affect our future earnings and cash flows, as well as the fair value of our assets. Market risk generally refers to the risk of loss from changes in interest rates and market prices. We manage our market risk by attempting to match anticipated inflow of cash from our operating, investing and financing activities with anticipated outflow of cash to fund debt payments, dividends to common and preferred shareholders, investments, capital expenditures and other cash requirements. We also enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for variable rate debt and on the fair value of total outstanding debt, including our fixed-rate debt. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our debt. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management likely would take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt. The majority of our outstanding debt obligations (maturing at various times through 2028 or through 2077 including capital lease obligations) have fixed interest rates which limit the risk of fluctuating interest rates. Interest rate fluctuations may affect the fair value of our fixed rate debt instruments, however. At June 30, 2005 we had \$1.1 billion of fixed-rate debt outstanding. If interest rates on our fixed-rate debt instruments at June 30, 2005 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$39.7 million. If interest rates on our fixed-rate debt instruments at June 30, 2005 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$45.5 million.

Variable Interest Rate Debt. We believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At June 30, 2005, we had \$213.4 million of variable rate debt outstanding. Based upon this amount of variable rate debt, if interest rates increased 1.0%, our annual interest expense would increase by approximately \$2.1 million, and our net income and cash flows for the year would decrease by approximately \$2.1 million. Conversely, if interest rates decreased 1.0%, our annual interest expense would decrease by approximately \$2.1 million, and our net income and cash flows for the year would increase by approximately \$2.1 million.

Interest Rate Hedging

Our objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements or other identified risks. We use derivative financial instruments to convert a portion of our variable rate debt to fixed rate debt and to manage our fixed to variable rate debt ratio.

Cash Flow Hedging. To accomplish this objective, the Company primarily uses interest rate swaps as part of its cash flow hedging strategy. Interest rate swaps designated as cash flow hedges involve the payment of fixed rate amounts in exchange for variable rate payments over the life of the agreements without exchange of the underlying principal amount. During the quarter ended June 30, 2005, these derivatives were used to hedge the variable cash flows associated with existing variable rate debt. As of June 30, 2005, the Company had entered into three cash flow hedge agreements, which are accounted for in conformity with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133."

Hedging of Unsecured Notes. The three cash flow hedge agreements referred to above served to hedge certain unsecured notes. In January 2004, to hedge our exposure to interest rates on the \$150 million five-year term loan, we entered into an interest rate swap, which fixed the LIBOR portion of the interest rate on the term loan at 2.401% through October 2006. The interest rate on the term loan as of December 31, 2003 was 2.1% based on LIBOR plus 95 basis points. The current interest rate, taking into account the swap, is 3.351% (2.401% plus 0.95%) on notional amounts totaling \$150 million. A more detailed description of this derivative financial instrument is contained in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources - Interest Rate Hedging."

In anticipation of a \$150 million Senior Unsecured Note offering, on August 1, 2002, we entered into a treasury lock that fixed the benchmark five year treasury rate at 3.472% through August 19, 2002. The rate lock was documented as a cash flow hedge of a forecasted transaction and designated as effective at the inception of the contract. On August 16, 2002, we priced the Senior Unsecured Notes with a scheduled closing date of August 21, 2002 and closed out the associated rate lock. Five-year treasury rates declined between the pricing period and the settlement of the hedge purchase; therefore, to settle the rate lock, we paid \$1.5 million. As a result of the August 19, 2002 fire at Santana Row, we did not proceed with the note offering at that time. However, we consummated a \$150 million, 6.125% Senior Unsecured Note offering on November 15, 2002, and thus, the hedge loss is being amortized into interest expense over the life of the related Notes.

We also purchased an interest rate swap that terminates March 2006, with a face amount of \$40.5 million upon issuance of our 6.99% Medium Term Notes, which reduced the effective interest rate from 6.99% to 6.894%.

Item 4. Controls and Procedures

Quarterly Assessment. We carried out an assessment as of June 30, 2005 of the effectiveness of the design and operation of our disclosure controls and procedures and our internal control over financial reporting. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer. Rules adopted by the SEC require that we present the conclusions of our principal executive officer and our principal financial officer about the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report.

Principal Executive Officer and Principal Financial Officer Certifications. Included as Exhibits 31.1 and 31.2 to this Quarterly Report on Form 10-Q are forms of "Certification" of our principal executive officer and our principal financial officer. The forms of Certification are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002. This section of this Quarterly Report on Form 10-Q that you currently are reading is the information concerning the assessment referred to in the Section 302 certifications and this information should be read in conjunction with the Section 302 certifications for a more complete understanding of the topics presented.

Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports, such as this report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. These controls and procedures are based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. Rules adopted by the SEC require that we present the conclusions of the Chief Executive Officer and Chief Financial Officer about the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report.

Internal Control over Financial Reporting. Establishing and maintaining internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, as appropriate, and effected by our employees, including management, with oversight by our Board of Trustees, 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. This process includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of our assets in reasonable detail;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with the authorization procedures we have established; and

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- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

Limitations on the Effectiveness of Controls. Management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. In designing and evaluating our control system, management recognized that any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, that may affect our operation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management's override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions that cannot be anticipated at the present time, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Scope of the Evaluations. The evaluation by our Chief Executive Officer and our Chief Financial Officer of our disclosure controls and procedures included a review of procedures and our internal audit, as well as discussions with our Disclosure Committee, independent public accountants and others in our organization, as appropriate. In the course of the evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. The evaluation of our disclosure controls and procedures is done on a quarterly basis, so that the conclusions concerning the effectiveness of such controls can be reported in our Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. Our internal control over financial reporting is also assessed on an ongoing basis by personnel in our accounting department and by our independent auditors in connection with their audit and review activities.

The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures and to make modifications as necessary. Our intent in this regard is that the disclosure controls and procedures will be maintained and updated (including with improvements and corrections) as conditions warrant. We also sought to deal with other control matters in the evaluation, and in any case in which a problem was identified, we considered what revision, improvement and/or correction was necessary to be made in accordance with our on-going procedures.

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Periodic Evaluation of and Conclusion Regarding Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting during our second fiscal quarter of 2005 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Under the terms of various partnership agreements of certain of our affiliated limited partnerships, the interests of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or an equivalent number of our common shares, at our option. In order to facilitate the redemption of a minority partner's interest in one of our affiliated limited partnerships, we issued 123,130 common shares to the affiliated limited partnership on September 27, 2004 to redeem the partner's 123,130 operating units. The shares were issued in reliance on an exemption from the registration requirements of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

During the fiscal quarter ended June 30, 2005, we submitted certain matters to a vote of our shareholders through the notice of annual meeting of shareholders and the solicitation of proxies related thereto. The proxy materials related to our annual meeting of shareholders were distributed beginning on or about March 25, 2005, and the annual meeting of shareholders was held on May 4, 2005, in Rockville, Maryland. As of the record date prior to such meeting, 52,486,661 of our common shares were outstanding. At the annual shareholders meeting on May 4, 2005, 45,788,061 shares of our common stock were presented in person or by proxy, representing 87% of our outstanding common shares. The following sets forth the matters presented for a vote by the shareholders and the votes cast for, withheld, abstained, and broker non-votes:

	Matter	Votes for	Votes withheld	Abstentions	Broker non-votes
(1)	Election of Mr. Mark S. Ordan as a Class III director with a term serving until the 2008 Annual Meeting	44,622,133	1,165,928	—	—
(2)	Election of Mr. Donald C. Wood as a Class III director with a term serving until the 2008 Annual Meeting	45,304,602	483,458	—	—
(3)	The consideration of a shareholder proposal to modify the shareholder vote required to elect Trustees from a plurality vote to a majority vote	19,746,095	18,998,840	622,014	6,421,111
(4)	Ratification of Grant Thornton LLP as the Trust's independent accountant for the year ended December 31, 2005	43,456,419	2,249,030	82,608	—

The terms of office of the following Trustees continued after the meeting: Amy B. Lane, Walter F. Loeb, Joseph S. Vassalluzzo, David W. Faeder and Kristin Gamble.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999, as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004 (filed herewith)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003 and May 5, 2004 (filed herewith)
4.1	Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) (the "1999 Form 10-K") and incorporated herein by reference)
4.2	Articles Supplementary relating to the 8 1/2% Series B Cumulative Redeemable Preferred Shares (previously filed as Exhibit 4.1 to the Trust's Registration Statement on Form 8-A filed on November 26, 2001 (File No. 1-07533) (the "2001 Form 8-A") and incorporated by reference)
4.3	Specimen 8 1/2% Series B Cumulative Redeemable Preferred Share certificate (previously filed as Exhibit 4.2 to the 2001 Form 8-A and incorporated herein by reference)
4.4	Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 1 to the Trust's Registration Statement on Form 8-A/A filed on March 11, 1999 (File No. 1-07533) and incorporated herein by reference)
4.5	First Amendment to Amended and Restated Rights Agreement, dated as of November __, 2003, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 4.1 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-07533) and incorporated herein by reference)
4.6	Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; 6 5/8% Notes due 2005; 6.82% Medium Term Notes due August 1, 2027; and 6.99% Medium Term Notes due March 10, 2006 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 is incorporated herein by reference)
4.7	Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009 and the Trust's 6 1/8% Notes due November 15, 2007 and the Trust's 4.50% Notes due 2011 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 is incorporated herein by reference)
4.8	Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust

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- 10.1 Amended and Restated 1983 Stock Option Plan and 1985 Non-Qualified Stock Option Plan of Federal Realty Investment Trust (previously filed as exhibits to the Trust's Registration Statement in Form S-8 (File No. 33-55111), filed on August 17, 1994 and incorporated herein by reference)
- 10.2 1985 Non-Qualified Stock Option Plan (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1985 (File No. 1-07533) and incorporated herein by reference)
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- 10.30 Form of Option Award Agreement for options awarded under 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.30 to the 2004 Form 10-K and incorporated herein by reference)
- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FEDERAL REALTY INVESTMENT TRUST

/s/ Donald C. Wood

July 28, 2005

Donald C. Wood, President, Chief Executive Officer and Trustee (Principal Executive Officer)

/s/ Larry E. Finger

July 28, 2005

Larry E. Finger, Executive Vice President and Chief Financial Officer (Principal Accounting Officer)

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EXHIBIT INDEX

- 3.1 Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999, as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004 as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004 (filed herewith)
- 3.2 Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003 and May 5, 2004 (filed herewith)
- 4.1 Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) (the "1999 Form 10-K") and incorporated herein by reference)
- 4.2 Articles Supplementary relating to the 8 1/2% Series B Cumulative Redeemable Preferred Shares (previously filed as Exhibit 4.1 to the Trust's Registration Statement on Form 8-A filed on November 26, 2001 (File No. 1-07533) (the "2001 Form 8-A") and incorporated by reference)
- 4.3 Specimen 8 1/2% Series B Cumulative Redeemable Preferred Share certificate (previously filed as Exhibit 4.2 to the 2001 Form 8-A and incorporated herein by reference)
- 4.4 Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 1 to the Trust's Registration Statement on Form 8-A/A filed on March 11, 1999 (File No. 1-07533) and incorporated herein by reference)
- 4.5 First Amendment to Amended and Restated Rights Agreement, dated as of November __, 2003, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 4.1 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-07533) and incorporated herein by reference)
- 4.6 Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; 6 5/8% Notes due 2005; 6.82% Medium Term Notes due August 1, 2027; and 6.99% Medium Term Notes due March 10, 2006 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 is incorporated herein by reference)
- 4.7 Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009 and the Trust's 6 1/8% Notes due November 15, 2007 and the Trust's 4.50% Notes due 2011 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 is incorporated herein by reference)
- 4.8 Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust
- 10.1 Amended and Restated 1983 Stock Option Plan and 1985 Non-Qualified Stock Option Plan of Federal Realty Investment Trust (previously filed as exhibits to the Trust's Registration Statement in Form S-8 (File No. 33-55111), filed on August 17, 1994 and incorporated herein by reference)
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32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

FEDERAL REALTY INVESTMENT TRUST**DECLARATION OF TRUST**

Dated May 5, 1999

This DECLARATION OF TRUST is made as of the date set forth above by the undersigned Trustees (as defined herein) and amends and restates the Third Amended and Restated Declaration of Trust of Federal Realty Investment Trust.

ARTICLE I**NAME**

The name of the Trust (as hereinafter defined) is:

Federal Realty Investment Trust

Under circumstances in which the Board of Trustees of the Trust (the "Board of Trustees" or "Board") determines that the use of the name of the Trust is not practicable, the Trust may use any other designation or name for the Trust.

ARTICLE II**FORMATION**

The Trust (the "Trust") is a real estate investment trust within the meaning of Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland ("Title 8"). The Trust shall not be deemed to be a general partnership, limited partnership, joint venture, joint stock company or a corporation but nothing herein shall preclude the Trust from being treated for tax purposes as an association under the Internal Revenue Code of 1986, as amended (the "Code").

ARTICLE III**PURPOSES AND POWERS**

Section 3.1 Purposes. The purposes for which the Trust has been formed are to invest in and to acquire, hold, develop, redevelop, manage, administer, control, lease and dispose of interests in property, including, without limitation or obligation, engaging in business as a real estate investment trust under the Code or any other lawful activity for which real estate investment trusts may be organized under Title 8 as now or hereafter in force.

Section 3.2 Powers. The Trust has all of the powers granted to real estate investment trusts by Title 8 and all other powers set forth in the Declaration of Trust which are not inconsistent with law and are appropriate to promote and attain the purposes set forth in the Declaration of Trust.

ARTICLE IV

RESIDENT AGENT

The name of the resident agent of the Trust in the State of Maryland is CSC Lawyers Incorporating Service Company, whose post office address is 11 E. Chase Street, Baltimore, Maryland 21202. The resident agent is a resident of the State of Maryland. The Trust may have such offices or places of business within or outside the State of Maryland as the Board of Trustees may from time to time determine.

ARTICLE V

BOARD OF TRUSTEES

Section 5.1 Powers. Subject to any express limitations contained in the Declaration of Trust or in the Bylaws, (a) the business and affairs of the Trust shall be managed under the direction of the Board of Trustees and (b) the Board shall have full, exclusive and absolute power, control and authority over any and all property of the Trust. The Board may take any action as in its sole judgment and discretion is necessary or appropriate to conduct the business and affairs of the Trust. The Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the Board. Any construction of the Declaration of Trust or determination made in good faith by the Board concerning its powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Trustees included in the Declaration of Trust or in the Bylaws shall in no way be construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board or the Trustees under the general laws of the State of Maryland or any other applicable laws.

The Board, without any action by the shareholders of the Trust, shall have and may exercise, on behalf of the Trust, without limitation, the power to terminate the status of the Trust as a real estate investment trust under the Code; to determine that compliance with any restriction or limitations on ownership and transfers of shares of the Trust's beneficial interest set forth in Article VII of the Declaration of Trust is no longer required in order for the Trust to qualify as a REIT; to adopt, amend and repeal Bylaws; to elect officers in the manner prescribed in the Bylaws; to solicit proxies from holders of shares of beneficial interest of the Trust; and to do any other acts and deliver any other documents necessary or appropriate to the foregoing powers.

Section 5.2 Number and Classification. Upon acceptance for record of this Declaration of Trust, the number of Trustees (hereinafter the "Trustees") is seven, which number may be increased or decreased by the Board of Trustees; provided, however, that the total number of Trustees shall be at least three (3) and not more than fifteen (15). Except for Trustees elected solely by holders of one or more series of Preferred Shares, the Trustees shall be elected at every third annual meeting of shareholders in the manner provided in the Bylaws or, in order to fill any vacancy on the Board of Trustees, in the manner provided in the Bylaws. The names and classes of the Trustees who shall serve until the annual meeting of shareholders at which their class comes up for reelection (as provided herein) and until their successors are duly elected and qualify are:

<u>Name</u>	<u>Class</u>
Kenneth D. Brody	I
A. Cornet de Ways Ruart	I
Walter F. Loeb	I
Dennis L. Berman	II
Kristin Gamble	II
Steven J. Guttman	III
Mark S. Ordan	III

Subject to the rights of holders of one or more classes or series of Preferred Shares then outstanding, any vacancy on the Board of Trustees (including a vacancy created by an increase in the number of Trustees) may be filled by a majority of the remaining Trustees or, if the remaining Trustees fail to act or there is no remaining Trustee, by the vote of holders of at least a majority of the Common Shares entitled to vote thereon and present in person or by proxy at any meeting of the shareholders called for that purpose. It shall not be necessary to list in the Declaration of Trust the names and addresses of any Trustees hereinafter elected.

Class I Trustees shall hold office initially for a term expiring at the annual meeting of shareholders in 2000, Class II Trustees shall hold office initially for a term expiring at the annual meeting of shareholders in 2001 and Class III Trustees shall hold office initially for a term expiring at the annual meeting of shareholders in 2002, with the Trustees of each class to hold office until their successors are duly elected and qualify. At each annual meeting of shareholders, the successors to the class of Trustees whose term expires at such meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election and until their successors are duly elected and qualify.

Section 5.3 Resignation or Removal. Any Trustee may resign by written notice to the Board, effective upon execution and delivery to the Trust of such written notice or upon any future date specified in the notice. Subject to the rights of holders of one or more classes or series of Preferred Shares to elect or remove one or more Trustees, a Trustee may be removed at any time, (i) with or without cause, at any meeting of the shareholders called for the purpose, either by the affirmative vote of the holders of not less than two-thirds of the Shares then outstanding and entitled to vote thereon if such removal is approved or recommended by a vote of not less than two-thirds of the Trustees or by the affirmative vote of the holders of not less than eighty percent of the Shares then outstanding and entitled to vote thereon if such removal is not approved or recommended by a vote of at least two-thirds of the Trustees, or (ii) with cause, by the vote of all the other Trustees. For purposes of this Declaration, "cause", with respect to the removal of any Trustee, shall mean only (i) conviction of a felony, (ii) declaration of unsound mind by order of a court, (iii) gross dereliction of duty, (iv) conviction of any crime involving moral turpitude, (v) commission of an act that constitutes intentional misconduct or a knowing violation of law if such action in either event results both in an improper substantial personal benefit to such Trustee and a material injury to the Trust or (vi) a unanimous determination by the remaining Trustees that "cause" exists for the removal of the Trustee.

ARTICLE VI

SHARES OF BENEFICIAL INTEREST

Section 6.1 Authorized Shares. The beneficial interest of the Trust shall be divided into shares of beneficial interest (the “Shares”). The Trust has authority to issue 100,000,000 common shares of beneficial interest, \$.01 par value per share (“Common Shares”), and 15,000,000 preferred shares of beneficial interest, \$.01 par value per share (“Preferred Shares”), of which 4,000,000 shares are Series A Cumulative Redeemable Preferred Shares (the “Series A Preferred Shares”). If shares of one class are classified or reclassified into shares of another class of shares pursuant to this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of beneficial interest of all classes that the Trust has authority to issue shall not be more than the total number of shares of beneficial interest set forth in the second sentence of this paragraph. The Board of Trustees, without any action by the shareholders of the Trust, may amend the Declaration of Trust from time to time to increase or decrease the aggregate number of Shares or the number of Shares of any class or series that the Trust has authority to issue.

Section 6.2 Common Shares. Subject to the provisions of Article VII, each Common Share entitles the holder thereof to one vote on each matter upon which holders of Common Shares are entitled to vote. The Board of Trustees may reclassify any unissued Common Shares from time to time in one or more classes or series of Shares.

Section 6.3 Preferred Shares. The Board of Trustees may classify any unissued Preferred Shares and reclassify any previously classified but unissued Preferred Shares of any series from time to time, in one or more series of Shares.

Section 6.4 Series A Preferred Shares.

Section 6.4.1 Number of Shares. The number of shares of Series A Preferred Shares is 4,000,000.

Section 6.4.2 Definitions. In this Section 6.4, the following terms shall have the following meanings herein:

- (a) “Board of Trustees” shall mean the Board of Trustees of the Trust or any committee authorized by the Board of Trustees to perform any of its responsibilities with respect to the Series A Preferred Shares.
- (b) “Business Day” shall mean any day other than a Saturday, Sunday or day on which state or federally chartered banking institutions in New York City, New York are not required to be open.
- (c) “Call Date” shall have the meaning set forth in Section 6.4.6(b).
- (d) “Capital Gains Amount” shall have the meaning set forth in Section 6.4.3(d).

- (e) "Dividend Payment Date" shall mean the last calendar day (or, if such day is not a Business Day, the next Business Day thereafter) of each January, April, July and October, commencing on October 31, 1997.
- (f) "Dividend Periods" shall mean quarterly dividend periods commencing on February 1, May 1, August 1 and November 1 of each year and ending on and including the day of the next succeeding Dividend Payment Date (other than the initial Dividend Period, which shall commence on the Issue Date, and other than the Dividend Period during which any Series A Preferred Shares shall be redeemed pursuant to Section 6.4.6, which shall end on and include the Call Date with respect to the Series A Preferred Shares being redeemed).
- (g) "Fully Junior Shares" shall mean the Common Shares and any other class or series of shares of beneficial interest of the Trust now or hereafter issued and outstanding over which the Series A Preferred Shares has preference or priority in both (i) the payment of dividends and (ii) the distribution of assets on any liquidation, dissolution or winding up of the Trust.
- (h) "Issue Date" shall mean the first date on which the pertinent Series A Preferred Shares are issued and sold.
- (i) "Junior Shares" shall mean the Common Shares and any other class or series of shares of beneficial interest of the Trust now or hereafter issued and outstanding over which the Series A Preferred Shares has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Trust.
- (j) "Parity Shares" shall have the meaning set forth in Section 6.4.8(b).
- (k) "Preferred Shares" shall mean the preferred shares of the Trust, \$.01 par value per share.
- (l) "Series A Preferred Shares" shall have the meaning set forth in Section 6.1.
- (m) "Set apart for payment" shall be deemed to include, without any action other than the following, the recording by the Trust in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Trustees, the allocation of funds to be so paid on any series or class of shares of beneficial interest of the Trust; provided, however, that if any funds for any class or series of Junior Shares or Fully Junior Shares or any class or series of shares of beneficial interest ranking on a parity with the Series A Preferred Shares as to the payment of dividends are placed in a separate account of the Trust or delivered to a disbursing, paying or other similar agent, then "set apart for payment" with respect to the Series A Preferred Shares shall mean placing such funds in such separate account or delivering such funds to a disbursing, paying or other similar agent.
- (n) "Total Dividends" shall have the meaning set forth in Section 6.4.3(d).
- (o) "Transfer Agent" means American Stock Transfer & Trust Company, or such other agent or agents of the Trust as may be designated by the Board of Trustees or their designee as the transfer agent, registrar and dividend disbursing agent for the Series A Preferred Shares.

Section 6.4.3 Dividends.

(a) The holders of Series A Preferred Shares shall be entitled to receive, when, as and if authorized by the Board of Trustees out of funds legally available for that purpose, cumulative, preferential dividends payable in cash at the rate of \$1.9875 per annum per share. Such dividend shall begin to accrue and shall be fully cumulative from the Issue Date, whether or not in any Dividend Period or Periods there shall be funds of the Trust legally available for the payment of such dividends, and shall be payable quarterly, when, as and if authorized by the Board of Trustees, in arrears on Dividend Payment Dates, commencing on the first Dividend Payment Date after the Issue Date. Such dividends shall be payable in arrears to the holders of record of Series A Preferred Shares, as they appear on the stock records of the Trust at the close of business on the record date, not more than 50 nor less than 10 days preceding the relevant Dividend Payment Date, as shall be fixed by the Board of Trustees. Accrued and unpaid dividends for any past Dividend Periods may be declared and paid on any date and for such interim periods, without reference to any regular Dividend Payment Date, to holders of record on such date, not exceeding 50 days preceding the payment date thereof, as may be fixed by the Board of Trustees. Any dividend payment made on the Series A Preferred Shares shall first be credited against the earliest accrued but unpaid dividend due with respect to the Series A Preferred Shares which remains payable.

(b) The amount of dividends referred to in Section 6.4.3(a) payable for each full Dividend Period for the Series A Preferred Shares shall be computed by dividing the annual dividend rate by four, except that the amount of dividends payable for the initial Dividend Period, and for any Dividend Period shorter than a full Dividend Period, for the Series A Preferred Shares shall be computed on the basis of the actual number of days in such Dividend Period. Holders of Series A Preferred Shares shall not be entitled to any dividends, whether payable in cash, property or shares of stock, in excess of cumulative dividends, as herein provided, on the Series A Preferred Shares. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Shares that may be in arrears.

(c) Dividends on Series A Preferred Shares will accrue whether or not the Trust has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared.

(d) If, for any taxable year, the Trust elects to designate as "capital gain dividends" (as defined in Section 857 of the Code) any portion (the "Capital Gains Amount") of the total dividends (within the meaning of the Code) paid or made available for the year to holders of all classes of shares of beneficial interest (the "Total Dividends"), then the portion of the Capital Gains Amount that shall be allocated to holders of Series A Preferred Shares shall be in the same portion that the Total Dividends paid or made available to the holders of Series A Preferred Shares for the year bears to the Total Dividends.

(e) So long as any Series A Preferred Shares are outstanding, no dividends, except as described in the immediately following sentence, shall be declared or paid or set apart for payment on any class or series of Parity Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series A Preferred Shares for all Dividend Periods terminating on or prior to the dividend payment date for such class or series of Parity Shares.

When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon Series A Preferred Shares and all dividends declared upon any other class or series of Parity Shares shall be declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Series A Preferred Shares and accumulated and unpaid on such Parity Shares.

(f) So long as any Series A Preferred Shares are outstanding, no dividends (other than dividends or distributions paid solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Fully Junior Shares) shall be declared or paid or set apart for payment or other distribution declared or made upon Junior Shares or Fully Junior Shares, nor shall any Junior Shares or Fully Junior Shares be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Common Shares made for purposes of any employee incentive or benefit plan of the Trust or any subsidiary) for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Trust, directly or indirectly (except by conversion into or exchange for shares of Fully Junior Shares), unless in each case (i) the full cumulative dividends on all outstanding Series A Preferred Shares and any other Parity Shares of the Trust shall have been or contemporaneously are declared and paid or declared and set apart for payment for all past Dividend Periods with respect to the Series A Preferred Shares and all past dividend periods with respect to such Parity Shares and (ii) sufficient funds shall have been or contemporaneously are declared and paid or declared and set apart for the payment of the dividend for the current Dividend Period with respect to the Series A Preferred Shares and the current dividend period with respect to such Parity Shares.

(g) No dividends on Series A Preferred Shares shall be authorized by the Board of Trustees or paid or set apart for payment by the Trust at such time as the terms and provisions of any agreement of the Trust, including any agreement relating to its indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such authorization or payment shall be restricted or prohibited by law.

Section 6.4.4 Liquidation Rights.

(a) In the event of any liquidation, dissolution or winding up of the Trust, whether voluntary or involuntary, before any payment or distribution of the assets of the Trust (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, the holders of the Series A Preferred Shares shall be entitled to receive Twenty Five Dollars (\$25.00) per share of Series A Preferred Shares plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders; but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Trust, the assets of the Trust, or proceeds thereof, distributable among the holders of the Series A Preferred Shares shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Shares, then such assets, or the proceeds thereof, shall be distributed among the holders of the Series A Preferred Shares and any such other Parity Shares ratably in accordance with the respective amounts that would be payable on such Series A Preferred Shares and any such other Parity Shares if all amounts payable thereon were paid in full. For the purposes of this Section 6.4.4, (i) a consolidation or merger of the Trust with one or more corporations, real estate investment trusts, or other entities,

(ii) a sale, lease or transfer of all or substantially all of the Trust's assets, or (iii) a statutory share exchange shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Trust.

(b) Subject to the rights of the holders of shares of any series or class of beneficial interest ranking on a parity with or prior to the Series A Preferred Shares upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Trust, after payment shall have been made in full to the holders of the Series A Preferred Shares, as provided in this Section 6.4.4, any other series or class of Junior Shares or Fully Junior Shares shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series A Preferred Shares shall not be entitled to share therein.

Section 6.4.5 Conversion. The Series A Preferred Shares are not convertible or exchangeable for any other property or securities of the Trust.

Section 6.4.6 Redemption at the Option of the Trust.

(a) The Series A Preferred Shares shall not be redeemable by the Trust prior to October 6, 2002. On and after October 6, 2002, the Trust, at its option, may redeem the Series A Preferred Shares, in whole or in part at any time or from time to time, at a redemption price of Twenty-Five Dollars (\$25.00) per share of Series A Preferred Shares, plus the amounts indicated in Section (b).

(b) Upon any redemption of the Series A Preferred Shares pursuant to this Section 6.4.6, the Trust shall pay all accrued and unpaid dividends, if any, thereon ending on or prior to the date of such redemption (the "Call Date"), without interest. If the Call Date falls after a dividend payment record date and prior to the corresponding Dividend Payment Date, then each holder of Series A Preferred Shares at the close of business on such dividend payment record date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date. Except as provided above, the Trust shall make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of Series A Preferred Shares called for redemption.

(c) If full cumulative dividends on the Series A Preferred Shares and any other class or series of Parity Shares of the Trust have not been declared and paid or declared and set apart for payment, the Series A Preferred Shares or Parity Shares may not be redeemed under this Section 6.4.6 in part and the Trust may not purchase or acquire the Series A Preferred Shares or any Parity Shares, otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of Series A Preferred Shares or Parity Shares, as the case may be.

(d) Notice of the redemption of any Series A Preferred Shares under this Section 6.4.6 shall be mailed by first-class mail to each holder of record of Series A Preferred Shares to be redeemed at the address of each such holder as shown on the Trust's records, not less than 30 nor more than 90 days prior to the Call Date. Neither the failure to mail any notice required by this Section 6.4.6(d), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice which was mailed in the manner herein provided shall be conclusively

presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed notice shall state, as appropriate: (1) the Call Date; (2) the number of shares of Series A Preferred Shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the redemption price per share; (4) the place or places at which certificates for such shares are to be surrendered; and (5) that dividends on the shares to be redeemed shall cease to accrue on such Call Date except as otherwise provided herein. Notice having been mailed as aforesaid, from and after the Call Date (unless the Trust shall fail to make available an amount of cash necessary to effect such redemption), (i) except as otherwise provided herein, dividends on the Series A Preferred Shares so called for redemption shall cease to accrue, (ii) shares of such Series A Preferred Shares shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series A Preferred Shares of the Trust shall cease (except the right to receive cash payable under such redemption, without interest thereon, upon surrender and endorsement of their certificates if so required and to receive any dividends payable thereon). The Trust's obligation to provide cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Call Date, the Trust shall deposit with a bank or trust company (which may be an affiliate of the Trust) that has an office in Maryland and that has, or is an affiliate of a bank or trust company that has, capital and surplus of at least \$50,000,000, the amount of cash necessary for such redemption, in trust, with irrevocable instructions that such cash be applied to the redemption of the Series A Preferred Shares so called for redemption. No interest shall accrue for the benefit of the holders of Series A Preferred Shares to be redeemed on any cash so set aside by the Trust. Subject to applicable escheat laws, any such cash unclaimed at the end of two years from the Call Date shall revert to the general funds of the Trust, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Trust for the payment of such cash.

As promptly as practicable after the surrender in accordance with said notice of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Trust shall so require and if the notice shall so state), such shares shall be exchanged for any cash (without interest thereon) for which such shares have been redeemed. If fewer than all the outstanding Series A Preferred Shares are to be redeemed, shares to be redeemed shall be selected by the Trust from outstanding Series A Preferred Shares not previously called for redemption by lot or pro rata (as nearly as may be) or by any other method determined by the Trust in its sole discretion to be equitable. If fewer than all the Series A Preferred Shares represented by any certificate are redeemed, then new certificates representing the unredeemed shares shall be issued without cost to the holder thereof.

Section 6.4.7 Shares to be Retired. All Series A Preferred Shares which shall have been issued and reacquired in any manner by the Trust shall be restored to the status of authorized but unissued Preferred Shares, without designation as to class or series.

Section 6.4.8 Ranking. Any class or series of shares of beneficial interest of the Trust shall be deemed to rank:

(a) prior to the Series A Preferred Shares, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series A Preferred Shares;

(b) on a parity with the Series A Preferred Shares, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series A Preferred Shares, if the holders of such class or series of shares and the Series A Preferred Shares shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other ("Parity Shares");

(c) junior to the Series A Preferred Shares, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such shares shall be Junior Shares; and

(d) junior to the Series A Preferred Shares, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, if such shares shall be Fully Junior Shares.

Section 6.4.9 Voting. If and whenever six consecutive quarterly dividends payable on the Series A Preferred Shares or any series or class of Parity Shares shall be in arrears (which shall, with respect to any such quarterly dividend, mean that any such dividend has not been paid in full), whether or not declared, the number of trustees then constituting the Board of Trustees shall be increased by two, and the holders of Series A Preferred Shares, together with the holders of shares of every other series of Parity Shares, voting as a single class regardless of series, shall be entitled to elect the two additional trustees to serve on the Board of Trustees at any annual meeting of shareholders or special meeting held in place thereof, or at a special meeting of the holders of the Series A Preferred Shares and the Parity Shares called as hereinafter provided. Whenever all arrears in dividends on the Series A Preferred Shares and the Parity Shares then outstanding shall have been paid and dividends thereon for the current quarterly dividend period shall have been paid or declared and set apart for payment, then the right of the holders of the Series A Preferred Shares and the Parity Shares to elect such additional two trustees shall immediately cease (but subject always to the same provision for the vesting of such voting rights in the case of any similar future arrearages in six consecutive quarterly dividends), and the terms of office of all persons elected as trustees by the holders of the Series A Preferred Shares and the Parity Shares shall immediately terminate and the number of the Board of Trustees shall be reduced accordingly. At any time after such voting rights shall have been so vested in the holders of Series A Preferred Shares and the Parity Shares, the secretary of the Trust may, and upon the written request of any holder of Series A Preferred Shares (addressed to the secretary at the principal office of the Trust) shall, call a special meeting of the holders of the Series A Preferred Shares and of the Parity Shares for the election of the two trustees to be elected by them as herein provided, such call to be made by notice similar to that provided in the Bylaws of the Trust for a special meeting of the shareholders or as required by law. If any such special meeting required to be called as above provided shall not be called by the secretary within 20 days after

receipt of any such request, then any holder of Series A Preferred Shares may call such meeting, upon the notice above provided, and for that purpose shall have access to the share records of the Trust. The trustees elected at any such special meeting shall hold office until the next annual meeting of the shareholders or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. If any vacancy shall occur among the trustees elected by the holders of the Series A Preferred Shares and the Parity Shares, a successor shall be elected by the Board of Trustees, upon the nomination of the then remaining trustee elected by the holders of the Series A Preferred Shares and the Parity Shares or the successor of such remaining trustee, to serve until the next annual meeting of the shareholders or special meeting held in place thereof if such office shall not have previously terminated as provided above.

So long as any Series A Preferred Shares are outstanding, in addition to any other vote or consent of shareholders required by law or by the Declaration, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series A Preferred Shares and the Parity Shares, at the time outstanding, acting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(a) Any amendment, alteration or repeal of any of the provisions of the Declaration that materially and adversely affects the voting powers, rights or preferences of the holders of the Series A Preferred Shares or the Parity Shares; provided, however, that the amendment of the provisions of the Declaration so as to authorize or create or to increase the authorized amount of shares of any class of any Fully Junior Shares or Junior Shares that are not senior in any respect to the Series A Preferred Shares, or any shares of any class ranking on a parity with the Series A Preferred Shares or the Parity Shares, shall not be deemed to materially adversely affect the voting powers, rights or preferences of the holders of Series A Preferred Shares; and provided further, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series A Preferred Shares or another series of Parity Shares that are not enjoyed by some or all of the other series otherwise entitled to vote in accordance herewith, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all series similarly affected, similarly given, shall be required in lieu of the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Series A Preferred Shares and the Parity Shares otherwise entitled to vote in accordance herewith; or

(b) A share exchange that affects the Series A Preferred Shares, a consolidation with or merger of the Trust into another entity, or a consolidation with or merger of another entity into the Trust, unless in each such case each share of Series A Preferred Shares (i) shall remain outstanding without a material and adverse change to its terms and rights or (ii) shall be converted into or exchanged for preferred stock of the surviving entity having preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms or conditions of redemption thereof identical to that of a share of Series A Preferred Shares (except for changes that do not materially and adversely affect the holders of the Series A Preferred Shares); or

(c) The authorization or creation of, or the increase in the authorized amount of, any shares of any class, or any security convertible into shares of any class, ranking prior to the Series A Preferred Shares in the distribution of assets on any liquidation, dissolution or winding up of the Trust or in the payment of dividends; provided, however, that no such vote of the holders of Series A Preferred Shares shall be required if, at or prior to the time when such amendment, alteration or repeal is to take effect, or when the issuance of any such shares or convertible securities is to be made, as the case may be, provision is made for the redemption of all Series A Preferred Shares at the time outstanding.

For purposes of the foregoing provisions of this Section 6.4.9, each share of Series A Preferred Shares shall have one vote per share, except that when shares of any other series of Preferred Shares shall have the right to vote with the Series A Preferred Shares as a single class on any matter, then the Series A Preferred Shares and such other series shall have with respect to such matters one vote per \$25.00 of stated liquidation preference. Except as otherwise required by applicable law or as set forth herein, the Series A Preferred Shares shall not have any relative, participating, optional or other special voting rights and powers, and the consent of the holders thereof shall not be required for the taking of any corporate action.

Section 6.4.10 Record Holders. The Trust and the Transfer Agent may deem and treat the record holder of any Series A Preferred Shares as the true and lawful owner thereof for all purposes, and neither the Trust nor the Transfer Agent shall be affected by any notice to the contrary.

Section 6.4.11 Sinking Fund. The Series A Preferred Shares shall not be entitled to the benefits of any retirement or sinking fund.

Section 6.5 Classified or Reclassified Shares. Prior to issuance of classified or reclassified Shares of any class or series, the Board of Trustees by resolution shall (a) designate that class or series to distinguish it from all other classes and series of Shares; (b) specify the number of Shares to be included in the class or series; (c) set, subject to the provisions of Article VII and subject to the express terms of any class or series of Shares outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Trust to file articles supplementary with the State Department of Assessments and Taxation of Maryland (the "SDAT"). Any of the terms of any class or series of Shares set pursuant to clause (c) of this Section 6.5 may be made dependent upon facts ascertainable outside the Declaration of Trust (including the occurrence of any event, including a determination or action by the Trust or any other person or body) and may vary among holders thereof, provided that the manner in which such facts or variations shall operate upon the terms of such class or series of Shares is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 6.6 Authorization by Board of Share Issuance. The Board of Trustees may authorize the issuance from time to time of Shares of any class or series, whether now or hereafter authorized, or securities or rights convertible into Shares of any class or series, whether now or hereafter authorized, for such consideration (whether in cash, property, past or future services, obligation for future payment or otherwise) as the Board of Trustees may deem advisable (or without consideration in the case of a Share split or Share dividend), subject to such restrictions or limitations, if any, as may be set forth in the Declaration of Trust or the Bylaws of the Trust.

Section 6.7 Dividends and Distributions. The Trust may pay any dividend or make any other distribution to the shareholders as authorized in the Declaration or by the Board of Trustees if, after giving effect to the dividend or distribution, the Trust would be able to pay its debts as they become due in the usual course of its business. The Board of Trustees may from time to time authorize the Trust to pay to shareholders such dividends or distributions in cash or other assets of the Trust or in securities of the Trust or from any other source as the Board of Trustees in its discretion shall determine. The Board of Trustees shall endeavor to authorize the Trust to pay such dividends and distributions as shall be necessary for the Trust to qualify as a real estate investment trust under the Code; however, shareholders shall have no right to any dividend or distribution unless and until authorized by the Board of Trustees and declared by the Trust. The exercise of the powers and rights of the Board of Trustees pursuant to this Section 6.7 shall be subject to the provisions of any class or series of Shares at the time outstanding. Notwithstanding any other provision in the Declaration of Trust, no determination shall be made by the Board of Trustees nor shall any transaction be entered into by the Trust which would cause any Shares or other beneficial interest in the Trust not to constitute “transferable shares” or “transferable certificates of beneficial interest” under Section 856(a)(2) of the Code or which would cause any distribution to constitute a preferential dividend as described in Section 562(c) of the Code.

Section 6.8 General Nature of Shares. All Shares shall be personal property entitling the shareholders only to those rights provided in the Declaration of Trust. The shareholders shall have no interest in the property of the Trust and shall have no right to compel any partition, division, dividend or distribution of the Trust or of the property of the Trust. The death of a shareholder shall not terminate the Trust. The Trust is entitled to treat as shareholders only those persons in whose names Shares are registered as holders of Shares on the beneficial interest ledger of the Trust.

Section 6.9 Fractional Shares. The Trust may, without the consent or approval of any shareholder, issue fractional Shares, eliminate a fraction of a Share by rounding up or down to a full Share, arrange for the disposition of a fraction of a Share by the person entitled to it, or pay cash for the fair value of a fraction of a Share.

Section 6.10 Declaration and Bylaws. All shareholders are subject to the provisions of the Declaration of Trust and the Bylaws of the Trust.

Section 6.11 Divisions and Combinations of Shares. Subject to an express provision to the contrary in the terms of any class or series of beneficial interest hereafter authorized, the Board of Trustees shall have the power to divide or combine the outstanding Shares of any class or series of beneficial interest, without a vote of shareholders, so long as the number of Shares combined into one Share in any such combination or series of combinations within any period of twelve months is not greater than five.

ARTICLE VII

RESTRICTION ON TRANSFER AND OWNERSHIP OF SHARES

Section 7.1 Definitions. For the purpose of this Article VII, the following terms shall have the following meanings:

Aggregate Share Ownership Limit. The term “Aggregate Share Ownership Limit” shall mean not more than 9.8 percent in value of the aggregate of the outstanding Equity Shares. The value of the outstanding Equity Shares shall be determined by the Board of Trustees in good faith, which determination shall be conclusive for all purposes hereof.

Beneficial Ownership. The term “Beneficial Ownership” shall mean ownership of Equity Shares by a Person, whether the interest in Equity Shares is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms “Beneficial Owner,” “Beneficially Owns” and “Beneficially Owned” shall have the correlative meanings.

Business Day. The term “Business Day” shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in New York City are authorized or required by law, regulation or executive order to close.

Charitable Beneficiary. The term “Charitable Beneficiary” shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 7.3.6, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Charitable Trust. The term “Charitable Trust” shall mean any trust provided for in Section 7.3.1.

Common Share Ownership Limit. The term “Common Share Ownership Limit” shall mean not more than 9.8 percent (in value or in number of shares, whichever is more restrictive) of the aggregate number of the outstanding Common Shares. The number and value of outstanding Common Shares shall be determined by the Board of Trustees in good faith, which determination shall be conclusive for all purposes hereof.

Constructive Ownership. The term “Constructive Ownership” shall mean ownership of Equity Shares by a Person, whether the interest in Equity Shares is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns” and “Constructively Owned” shall have the correlative meanings.

Declaration of Trust. The term “Declaration of Trust” shall mean this Declaration of Trust as accepted for record by the SDAT, and any amendments thereto.

Equity Shares. The term “Equity Shares” shall mean Shares of all classes or series, including, without limitation, Common Shares and Preferred Shares.

Excepted Holder. The term “Excepted Holder” shall mean a shareholder of the Trust for whom an Excepted Holder Limit is created by this Article VII or by the Board of Trustees pursuant to Section 7.2.7.

Excepted Holder Limit. The term “Excepted Holder Limit” shall mean, provided that the affected Excepted Holder agrees to comply with the requirements established by the Board of Trustees pursuant to Section 7.2.7, and subject to adjustment pursuant to Section 7.2.8, the percentage limit established by the Board of Trustees pursuant to Section 7.2.7.

Initial Date. The term “Initial Date” shall mean the date upon which this Declaration of Trust containing this Article VII is accepted for record by the SDAT.

Market Price. The term “Market Price” on any date shall mean, with respect to any class or series of outstanding Equity Shares, the Closing Price for such Equity Shares on such date. The “Closing Price” on any date shall mean the last sale price for such Equity Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Equity Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such Equity Shares are not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Equity Shares are listed or admitted to trading or, if such Equity Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Equity Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Equity Shares selected by the Board of Trustees or, in the event that no trading price is available for such Equity Shares, the fair market value of Equity Shares, as determined in good faith by the Board of Trustees, which determination shall be conclusive for all purposes hereof.

NYSE. The term “NYSE” shall mean the New York Stock Exchange.

Person. The term “Person” shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and a group to which an Excepted Holder Limit applies.

Prohibited Owner. The term “Prohibited Owner” shall mean, with respect to any purported Transfer, any Person who, but for the provisions of Section 7.2.1, would Beneficially Own or Constructively Own Equity Shares, and if appropriate in the context, shall also mean any Person who would have been the record owner of Equity Shares that the Prohibited Owner would have so owned.

REIT. The term “REIT” shall mean a real estate investment trust within the meaning of Section 856 of the Code.

Restriction Termination Date. The term “Restriction Termination Date” shall mean the first day after the Initial Date on which the Board of Trustees determines that it is no longer in the best interests of the Trust to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of Equity Shares set forth herein is no longer required in order for the Trust to qualify as a REIT.

SDAT. The term “SDAT” shall mean the State Department of Assessments and Taxation of Maryland.

Transfer. The term “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Beneficial Ownership or Constructive Ownership, or any agreement to take any such actions or cause any such events, of Equity Shares or the right to vote or receive dividends on Equity Shares, including (a) the granting or exercise of any option (or any disposition of any option), (b) any disposition of any securities or rights convertible into or exchangeable for Equity Shares or any interest in Equity Shares or any exercise of any such conversion or exchange right and (c) Transfers of interests in other entities that result in changes in Beneficial or Constructive Ownership of Equity Shares; in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned and whether by operation of law or otherwise. The terms “Transferring” and “Transferred” shall have the correlative meanings.

Trustee. The term “Trustee” shall mean the Person unaffiliated with the Trust and a Prohibited Owner, that is appointed by the Trust to serve as trustee of the Charitable Trust.

Section 7.2 Equity Shares.

Section 7.2.1 Ownership Limitations. During the period commencing on the Initial Date and prior to the Restriction Termination Date:

(a) Basic Restrictions.

- (i) (1) No Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own Equity Shares in excess of the Aggregate Share Ownership Limit, (2) no Person, other than an Excepted Holder, shall Beneficially Own or Constructively Own Common Shares in excess of the Common Share Ownership Limit and (3) no Excepted Holder shall Beneficially Own or Constructively Own Equity Shares in excess of the Excepted Holder Limit for such Excepted Holder.
- (ii) No Person shall Beneficially or Constructively Own Equity Shares to the extent that such Beneficial or Constructive Ownership of Equity Shares would result in the Trust being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or otherwise failing to qualify as a REIT (including, but not limited to, Beneficial or Constructive Ownership that would result in the Trust owning (actually or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Trust from such tenant would cause the Trust to fail to satisfy any of the gross income requirements of Section 856(c) of the Code).

(iii) Notwithstanding any other provisions contained herein (but subject to Section 7.4), any Transfer of Equity Shares (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) that, if effective, would result in Equity Shares being beneficially owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such Equity Shares.

(b) Transfer in Trust. If any Transfer of Equity Shares (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Shares in violation of Section 7.2.1(a)(i) or (ii),

(i) then that number of Equity Shares the Beneficial or Constructive Ownership of which otherwise would cause such Person to violate Section 7.2.1(a)(i) or (ii) (rounded to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 7.3, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such Equity Shares; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 7.2.1(a)(i) or (ii), then the Transfer of that number of Equity Shares that otherwise would cause any Person to violate Section 7.2.1(a)(i) or (ii) shall be void ab initio, and the intended transferee shall acquire no rights in such Equity Shares.

Section 7.2.2 Remedies for Breach. If the Board of Trustees or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 7.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial or Constructive Ownership of any Equity Shares in violation of Section 7.2.1 (whether or not such violation is intended), the Board of Trustees or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Trust to redeem Equity Shares, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfers or attempted Transfers or other events in violation of Section 7.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable, such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Trustees or a committee thereof.

Section 7.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of Equity Shares that will or may violate Section 7.2.1(a), or any Person who would have owned Equity Shares that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 7.2.1(b), shall immediately give written notice to the Trust of such event, or in the case of such a proposed or attempted

transaction, give at least 15 days prior written notice, and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such Transfer on the Trust's status as a REIT.

Section 7.2.4 Owners Required To Provide Information. From the Initial Date and prior to the Restriction Termination Date:

(a) every owner of more than five percent (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Equity Shares, within 30 days after the end of each taxable year, shall give written notice to the Trust stating the name and address of such owner, the number of Equity Shares and other Equity Shares Beneficially Owned and a description of the manner in which such shares are held. Each such owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership on the Trust's status as a REIT and to ensure compliance with the Aggregate Share Ownership Limit.

(b) each Person who is a Beneficial or Constructive Owner of Equity Shares and each Person (including the shareholder of record) who is holding Equity Shares for a Beneficial or Constructive Owner shall provide to the Trust such information as the Trust may request, in good faith, in order to determine the Trust's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 7.2.5 Remedies Not Limited. Subject to Section 5.1 of the Declaration of Trust, nothing contained in this Section 7.2 shall limit the authority of the Board of Trustees to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders in preserving the Trust's status as a REIT.

Section 7.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7.2, Section 7.3 or any definition contained in Section 7.1, the Board of Trustees shall have the power to determine the application of the provisions of this Section 7.2 or Section 7.3 with respect to any situation based on the facts known to it. In the event Section 7.2 or 7.3 requires an action by the Board of Trustees and the Declaration of Trust fails to provide specific guidance with respect to such action, the Board of Trustees shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 7.1, 7.2 or 7.3.

Section 7.2.7 Exceptions.

(a) Subject to Section 7.2.1(a)(ii), the Board of Trustees, in its sole discretion, may exempt a Person from the Aggregate Share Ownership Limit and the Common Share Ownership Limit, as the case may be, and may establish or increase an Excepted Holder Limit for such Person if:

(i) the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial or Constructive Ownership of such Equity Shares will violate Section 7.2.1(a)(ii);

(ii) such Person does not and represents that it will not own, actually or Constructively, an interest in a tenant of the Trust (or a tenant of any entity owned or controlled by the Trust) that would cause the Trust to own, actually or Constructively, more than a 9.8% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant and the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain this fact (for this purpose, a tenant from whom the Trust (or an entity owned or controlled by the Trust) derives (and is expected to continue to derive) a sufficiently small amount of revenue such that, in the opinion of the Board of Trustees, rent from such tenant would not adversely affect the Trust's ability to qualify as a REIT, shall not be treated as a tenant of the Trust); and

(iii) such Person agrees that any violation or attempted violation of such representations or undertakings (or other action which is contrary to the restrictions contained in Sections 7.2.1 through 7.2.6) will result in such Equity Shares being automatically transferred to a Charitable Trust in accordance with Sections 7.2.1(b) and 7.3.

(b) Prior to granting any exception pursuant to Section 7.2.7(a), the Board of Trustees may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Trustees in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Trust's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Trustees may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

(c) Subject to Section 7.2.1(a)(ii), an underwriter which participates in a public offering or a private placement of Equity Shares (or securities convertible into or exchangeable for Equity Shares) may Beneficially Own or Constructively Own Equity Shares (or securities convertible into or exchangeable for Equity Shares) in excess of the Aggregate Share Ownership Limit, the Common Share Ownership Limit or both such limits, but only to the extent necessary to facilitate such public offering or private placement.

(d) The Board of Trustees may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time, or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Common Share Ownership Limit.

Section 7.2.8 Increase in Aggregate Share Ownership and Common Share Ownership Limits. The Board of Trustees may from time to time increase the Common Share Ownership Limit and the Aggregate Share Ownership Limit.

Section 7.2.9 Legend. Each certificate for Equity Shares issued after the effective date of this Declaration as accepted for record by the SDAT shall bear substantially the following legend:

The shares represented by this certificate are subject to restrictions on Beneficial and Constructive Ownership and Transfer for the purpose of the Trust's maintenance of its status as a Real Estate Investment Trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the

Trust's Declaration of Trust, (i) no Person may Beneficially or Constructively Own Common Shares of the Trust in excess of 9.8 percent (in value or number of shares) of the outstanding Common Shares of the Trust unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (ii) no Person may Beneficially or Constructively Own Equity Shares of the Trust in excess of 9.8 percent of the value of the total outstanding Equity Shares of the Trust, unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable); (iii) no Person may Beneficially or Constructively Own Equity Shares that would result in the Trust being "closely held" under Section 856(h) of the Code or otherwise cause the Trust to fail to qualify as a REIT; and (iv) no Person may Transfer Equity Shares if such Transfer would result in Equity Shares of the Trust being owned by fewer than 100 Persons. Any Person who Beneficially or Constructively Owns or attempts to Beneficially or Constructively Own Equity Shares which cause or will cause a Person to Beneficially or Constructively Own Equity Shares in excess or in violation of the above limitations must immediately notify the Trust. If any of the restrictions on transfer or ownership are violated, the Equity Shares represented hereby will be automatically transferred to a Trustee of a Charitable Trust for the benefit of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. All capitalized terms in this legend have the meanings defined in the Trust's Declaration of Trust, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Equity Shares of the Trust on request and without charge.

Instead of the foregoing legend, the certificate may state that the Trust will furnish a full statement about certain restrictions on transferability to a shareholder on request and without charge.

Section 7.3 Transfer of Equity Shares in Trust.

Section 7.3.1 Ownership in Trust. Upon any purported Transfer or other event described in Section 7.2.1(b) that would result in a transfer of Equity Shares to a Charitable Trust, such Equity Shares shall be deemed to have been transferred to the Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Charitable Trust pursuant to Section 7.2.1(b). The Trustee shall be appointed by the Trust and shall be a Person unaffiliated with the Trust and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Trust as provided in Section 7.3.6.

Section 7.3.2 Status of Shares Held by the Trustee. Equity Shares held by the Trustee shall be issued and outstanding Equity Shares of the Trust. The Prohibited Owner shall have no rights in the shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends or other distributions and shall not possess any rights to vote or other rights attributable to the shares held in the Charitable Trust.

Section 7.3.3 Dividend and Voting Rights. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to Equity Shares held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or

other distribution paid prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee shall be paid with respect to such Equity Shares to the Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Trustee. Any dividends or distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares held in the Charitable Trust and, subject to Maryland law, effective as of the date that Equity Shares have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Trust has already taken irreversible trust action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding the provisions of this Article VII, until the Trust has received notification that Equity Shares have been transferred into a Charitable Trust, the Trust shall be entitled to rely on its share transfer and other shareholder records for purposes of preparing lists of shareholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of shareholders.

Section 7.3.4 Sale of Shares by Trustee. Within 20 days of receiving notice from the Trust that Equity Shares have been transferred to the Charitable Trust, the Trustee of the Charitable Trust shall sell the shares held in the Charitable Trust to a person, designated by the Trustee, whose ownership of the shares will not violate the ownership limitations set forth in Section 7.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 7.3.4. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the Charitable Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the shares on the day of the event causing the shares to be held in the Charitable Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Trust that Equity Shares have been transferred to the Trustee, such shares are sold by a Prohibited Owner, then (i) such shares shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 7.3.4, such excess shall be paid to the Trustee upon demand.

Section 7.3.5 Purchase Right in Shares Transferred to the Trustee. Equity Shares transferred to the Trustee shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise or gift, the Market Price at the time of such devise or gift) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer until the Trustee has sold the shares held in the Charitable Trust pursuant to Section 7.3.4. Upon such a sale to the Trust, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 7.3.6 Designation of Charitable Beneficiaries. By written notice to the Trustee, the Trust shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) Equity Shares held in the Charitable Trust would not violate the restrictions set forth in Section 7.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Section 7.4 NYSE Transactions. Nothing in this Article VII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article VII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VII.

Section 7.5 Enforcement. The Trust is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VII.

Section 7.6 Non-Waiver. No delay or failure on the part of the Trust or the Board of Trustees in exercising any right hereunder shall operate as a waiver of any right of the Trust or the Board of Trustees, as the case may be, except to the extent specifically waived in writing.

ARTICLE VIII SHAREHOLDERS

Section 8.1 Meetings. There shall be an annual meeting of the shareholders, to be held on proper notice at such time (after the delivery of the annual report) and convenient location as shall be determined by or in the manner prescribed in the Bylaws, for the election of the Trustees, if required, and for the transaction of any other business within the powers of the Trust. Except as otherwise provided in the Declaration of Trust, special meetings of shareholders may be called in the manner provided in the Bylaws. If there are no Trustees, the officers of the Trust shall promptly call a special meeting of the shareholders entitled to vote for the election of successor Trustees. Any meeting may be adjourned and reconvened as the Trustees determine or as provided in the Bylaws.

Section 8.2 Voting Rights. Subject to the provisions of any class or series of Shares then outstanding, the shareholders shall be entitled to vote only on the following matters: (a) election of Trustees as provided in Section 5.2 and the removal of Trustees as provided in Section 5.3; (b) amendment of the Declaration of Trust as provided in Article X; (c) termination of the Trust as provided in Section 12.2; (d) to the extent required by Title 8, merger or consolidation of the Trust, or the sale or disposition of substantially all of the property of the Trust, as provided in Article XI; and (e) such other matters with respect to which the Board of Trustees has adopted a resolution declaring that a proposed action is advisable and directing that the matter be submitted to the shareholders for approval or ratification. Except with respect to the foregoing matters, no action taken by the shareholders at any meeting shall in any way bind the Board of Trustees.

Section 8.3 Preemptive and Appraisal Rights. Except as may be provided by the Board of Trustees in setting the terms of classified or reclassified Shares pursuant to Section 6.5, or as may otherwise be provided by contract, no holder of Shares shall, as such holder, (a) have any preemptive right to purchase or subscribe for any additional Shares of the Trust or any other security of the Trust which it may issue or sell or (b), except as expressly required by Title 8, have any right to require the Trust to pay him the fair value of his Shares in an appraisal or similar proceeding.

Section 8.4 Extraordinary Actions. Except as specifically provided in Section 5.3 (relating to removal of Trustees) and in Section 10.3, notwithstanding any provision of law permitting or requiring any action to be taken or authorized by the affirmative vote of the holders of a greater number of votes, any such action shall be effective and valid if taken or approved by the affirmative vote of holders of Shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 8.5 Board Approval. The submission of any action to the shareholders for their consideration shall first be approved by the Board of Trustees.

Section 8.6 Action By Shareholders without a Meeting. Any action by Shareholders may be taken without a meeting, if a majority of Shares entitled to vote on the matter (or such larger proportion of Shares as shall be required to take such action) consent to the action in writing and the written consents are filed with the records of the meetings of Shareholders.

ARTICLE IX

LIABILITY LIMITATION, INDEMNIFICATION AND TRANSACTIONS WITH THE TRUST

Section 9.1 Limitation of Shareholder Liability. No shareholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Trust by reason of his being a shareholder, nor shall any shareholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the property or the affairs of the Trust by reason of his being a shareholder.

Section 9.2 Limitation of Trustee and Officer Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of trustees and officers of a real estate investment trust, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages. Neither the amendment nor repeal of this Section 9.2, nor the adoption or amendment of any other provision of the Declaration of Trust inconsistent with this Section 9.2, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption. In the absence of any Maryland statute limiting the liability of trustees and officers of a Maryland real estate investment trust for money damages in a suit by or on behalf of the Trust or by any shareholder, no Trustee or officer of the Trust shall be liable to the Trust or to any shareholder for money damages except to the extent that (a) the Trustee or officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received; or (b) a judgment or other final adjudication adverse to the Trustee or officer is entered in a proceeding based on a finding in the proceeding that the Trustee's or officer's action or failure to act was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Section 9.3 Indemnification. The Trust shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former shareholder, Trustee or officer of the Trust or (b) any individual who, while a Trustee of the Trust and at the request of the Trust, serves or has served as a director, officer, partner, trustee, employee or agent of another real estate investment trust, corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of such status. The Trust shall have the power, with the approval of its Board of Trustees, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Trust in any of the capacities described in (a) or (b) above and to any employee or agent of the Trust or a predecessor of the Trust.

Section 9.4 Transactions Between the Trust and its Trustees, Officers, Employees and Agents. Subject to any express restrictions in the Declaration of Trust or adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated with a Trustee, officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

ARTICLE X

AMENDMENTS

Section 10.1 General. The Trust reserves the right from time to time to make any amendment to the Declaration of Trust, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the Declaration of Trust, of any Shares. All rights and powers conferred by the Declaration of Trust on shareholders, Trustees and officers are granted subject to this reservation. An amendment to the Declaration of Trust (a) shall be signed and acknowledged by at least a majority of the Trustees, or an officer duly authorized by at least a majority of the Trustees, (b) shall be filed for record as provided in Section 13.5 and (c) shall become effective as of the later of the time the SDAT accepts the amendment for record or the time established in the amendment, not to exceed 30 days after the amendment is accepted for record. All references to the Declaration of Trust shall include all amendments thereto.

Section 10.2 By Trustees. The Trustees may amend the Declaration of Trust from time to time, in the manner provided by Title 8, without any action by the shareholders, to qualify as a real estate investment trust under the Code or under Title 8 and as otherwise provided in the Declaration of Trust.

Section 10.3 By Shareholders.

(a) Except as otherwise provided in the Declaration of Trust and in subsection (b) of this Section 10.3, any amendment to the Declaration of Trust shall be valid only if approved by the affirmative vote of two-thirds of all votes entitled to be cast on the matter.

(b) Any amendment to the Declaration of Trust which has been unanimously approved by the Board of Trustees shall require only the affirmative vote of a majority of all votes entitled to be cast on the matter.

ARTICLE XI

MERGER, CONSOLIDATION OR SALE OF TRUST PROPERTY

Subject to the provisions of any class or series of Shares at the time outstanding, the Trust may (a) merge the Trust with or into another entity or merge another entity into the Trust, (b) consolidate the Trust with one or more other entities into a new entity or (c) sell, lease, exchange or otherwise transfer all or substantially all of the property of the Trust. Any such action must be approved by the Board of Trustees and, after notice to all shareholders entitled to vote on the matter, by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter.

ARTICLE XII

DURATION AND TERMINATION OF TRUST

Section 12.1 Duration. The Trust shall continue perpetually unless terminated pursuant to Section 12.2 or pursuant to any applicable provision of Title 8.

Section 12.2 Termination.

(a) Subject to the provisions of any class or series of Shares at the time outstanding, after approval by a majority of the entire Board of Trustees, the Trust may be terminated at any meeting of shareholders, by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter. Upon the termination of the Trust:

(i) The Trust shall carry on no business except for the purpose of winding up its affairs.

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under the Declaration of Trust shall continue, including the powers to fulfill or discharge the Trust's contracts, collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining property of the Trust to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities and do all other acts appropriate to liquidate its business.

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and agreements as they deem necessary for their protection, the Trust may distribute the remaining property of the Trust among the shareholders so that after payment in full or the setting apart for payment of such preferential amounts, if any, to which the holders of any Shares at the time outstanding shall be entitled, the remaining property of the Trust shall, subject to any participating or similar rights of Shares at the time outstanding, be distributed ratably among the holders of Common Shares at the time outstanding.

(b) After termination of the Trust, the liquidation of its business and the distribution to the shareholders as herein provided, a majority of the Trustees shall execute and file with the Trust's records a document certifying that the Trust has been duly terminated, and the Trustees shall be discharged from all liabilities and duties hereunder, and the rights and interests of all shareholders shall cease.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Governing Law. The Declaration of Trust is executed by the undersigned Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

Section 13.2 Reliance by Third Parties. Any certificate shall be final and conclusive as to any person dealing with the Trust if executed by the Secretary or an Assistant Secretary of the Trust, or any executive officer of the Trust, or a Trustee, and if certifying to: (a) the number or identity of Trustees, officers of the Trust or shareholders; (b) the due authorization of the execution of any document; (c) the action or vote taken, and the existence of a quorum, at a meeting of the Board of Trustees or shareholders; (d) a copy of the Declaration of Trust or of the Bylaws as a true and complete copy as then in force; (e) an amendment to the Declaration of Trust; (f) the termination of the Trust; or (g) the existence of any fact relating to the affairs of the Trust. No purchaser, lender, transfer agent or other person shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trust on its behalf or by any officer, employee or agent of the Trust.

Section 13.3 Severability.

(a) The provisions of the Declaration of Trust are severable, and if the Board of Trustees shall determine, with the advice of counsel, that any one or more of such provisions (the "Conflicting Provisions") are in conflict with the Code, Title 8 or other applicable federal or state laws, the Conflicting Provisions, to the extent of the conflict, shall be deemed never to have constituted a part of the Declaration of Trust, even without any amendment of the Declaration of Trust pursuant to Article X and without affecting or impairing any of the remaining provisions of the Declaration of Trust or rendering invalid or improper any action taken or omitted prior to such determination. No Trustee shall be liable for making or failing to make such a determination. In the event of any such determination by the Board of Trustees, the Board shall amend the Declaration of Trust in the manner provided in Section 10.2.

(b) If any provision of the Declaration of Trust shall be held invalid or unenforceable in any jurisdiction, such holding shall apply only to the extent of any such invalidity or unenforceability and shall not in any manner affect, impair or render invalid or unenforceable such provision in any other jurisdiction or any other provision of the Declaration of Trust in any jurisdiction.

Section 13.4 Construction. In the Declaration of Trust, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of the Declaration of Trust. In defining or interpreting the powers and duties of the Trust and its Trustees and officers, reference may be made by the Trustees or officers, to the extent appropriate and not inconsistent with the Code or Title 8, to Titles 1 through 3 of the Corporations and Associations Article of the Annotated Code of Maryland. In furtherance and not in limitation of the foregoing, in accordance with the provisions of Title 3, Subtitles 6 and 7, of the Corporations and Associations Article of the Annotated Code of Maryland, the Trust shall be included within the definition of “corporation” for purposes of such provisions.

Section 13.5 Recordation. The Trust was formerly governed by the laws of the District of Columbia pursuant to a declaration of trust first made May 25, 1962, filed in the office of, and recorded by, the Recorder of Deeds, Washington, D.C., as subsequently amended. This Declaration of Trust has been filed with and accepted for record by the SDAT whereupon the Trust, as formerly existing as a common law business trust under the laws of the District of Columbia, shall cease to be governed by the laws of the District of Columbia and shall thereupon be subject to Title 8. Any amendment hereto shall be filed with and accepted for record with the SDAT and may also be filed or recorded in such other places as the Trustees deem appropriate, but failure to file for record this Declaration of Trust or any amendment hereto in any office other than the office of the SDAT shall not affect or impair the validity or effectiveness of the Declaration of Trust or any amendment hereto. A restated declaration of trust shall, upon filing, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of the original Declaration of Trust and the various amendments thereto.

Section 13.6 Shares, Share Certificates and Rights. All issued and outstanding Common Shares of beneficial interest, no par value, of the Trust, as existing as a common law business trust under the laws of the District of Columbia immediately prior to the acceptance for record of this Declaration of Trust by the SDAT, shall upon the acceptance for record of this Declaration of Trust by the SDAT, without further action, be reclassified and continue to exist as Common Shares (as herein defined) of the Trust as existing under Title 8 and the laws of Maryland; and all issued and outstanding Series A Cumulative Redeemable Preferred Shares of beneficial interest, no par value, of the Trust, as existing as a common law business trust under the laws of the District of Columbia immediately prior to the acceptance for record of this Declaration of Trust by the SDAT, shall upon acceptance for record of this Declaration of Trust by the SDAT, and without further action, be reclassified and continue to exist as Series A Preferred Shares (as herein defined) of the Trust as existing under Title 8 and the laws of the State of Maryland. Certificates for Common Shares of beneficial interest, and certificates for Series A Cumulative Redeemable Preferred Shares of beneficial interest, respectively, each no par value, of the Trust as existing as a common law business trust under the laws of the District of Columbia immediately prior to the acceptance for record of this Declaration of Trust by the SDAT, shall, upon acceptance for record of this Declaration of Trust by the SDAT, and thereafter, represent Common Shares and Series A Preferred Shares of the Trust as existing under Title 8 and the laws of the State of Maryland. All options, rights, warrants to purchase or subscribe for Common Shares of beneficial interest, no par value, of the Trust, as existing as a common law business trust under the laws of the District of Columbia immediately prior to the filing of this Declaration of Trust with the SDAT, shall upon acceptance for record of this Declaration of Trust by the

SDAT, without any further action, entitle the holders thereof to purchase or subscribe for a like number of Common Shares of the Trust as existing under Title 8 and the laws of the State of Maryland, on the same terms.

Section 13.7 Unsolicited Takeovers. The Trust shall not elect to be subject to any provision of Subtitle 8 (“Corporations and Real Estate Investment Trusts — Unsolicited Takeovers”) of Title 3 of the Corporations and Associations Article of the Annotated Code of Maryland.

This Declaration of Trust is executed by the Trustees and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.

IN WITNESS WHEREOF, this Declaration of Trust has been executed on this 5th day of May, 1999 by the undersigned Trustees, who acknowledge that this document is their act, that to the best of their knowledge, information, and belief, the matters and facts set forth herein are true in all material respects and that this statement is made under the penalties for perjury.

Steven J. Guttman

A. Cornet De Ways Ruart

Mark S. Ordan

Walter F. Loeb

Kenneth D. Brody

Dennis L. Berman

Kristin Gamble

**ARTICLES OF AMENDMENT OF
DECLARATION OF TRUST OF
FEDERAL REALTY INVESTMENT TRUST**

The undersigned, having been authorized by the Board of Trustees (the "Board") of Federal Realty Investment Trust, a Maryland real estate investment trust (the "Trust"), does hereby certify pursuant to the provisions of Article X of the Declaration of Trust of the Trust (the "Declaration of Trust") filed with the Maryland State Department of Assessments and Taxation on May 21, 1999, and in accordance with the applicable provisions of Maryland law that:

A. The Board has adopted resolutions to amend the Declaration of Trust as hereinafter set forth and has declared that such amendment is advisable.

B. Pursuant to Section 10.3(b) of the Declaration of Trust, the amendment to the Declaration of Trust set forth below shall be approved by the shareholders of the Trust by the affirmative vote of at least a majority of all the votes entitled to be cast on the matter.

C. The amendment has been approved by the shareholders of the Trust by the affirmative vote of at least a majority of the shareholders entitled to notice of, and to vote at, the Annual Meeting of the shareholders of the Trust held on May 5, 2004.

Therefore, the Declaration of Trust is hereby amended as follows.

1. Section 5.2 is hereby amended by deleting the proviso at the end of the first sentence thereof and replacing it with the following: "provided, however, that the total number of Trustees shall be at least three (3) and not more than ten (10)."

2. Section 5.3 is hereby amended by deleting the second sentence in its entirety and inserting in its place, as the second sentence thereof, the following: Subject to the rights of holders of one or more classes or series of Preferred Shares to elect or remove one or more Trustees, a Trustee may be removed at any time, (i) with or without cause, at any meeting of the shareholders called for the purpose, by the affirmative vote of the holders of not less than two-thirds of the Shares then outstanding and entitled to vote thereon, or (ii) with cause, by the vote of all the other Trustees.

IN WITNESS WHEREOF, the Trust has caused these Articles of Amendment to be signed and executed in its corporate name by Donald C. Wood, its President and Chief Executive Officer, attested by Dawn M. Becker, its Secretary, and its corporate seal to be hereunto affixed on this 6th day of May, 2004.

ATTEST:

FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust

By: _____

Dawn M. Becker
Senior Vice President – General Counsel and Secretary

By: _____

Donald C. Wood
President and Chief Executive Officer

[Corporate Seal]

I, Donald C. Wood, the President and Chief Executive Officer of the Trust, acknowledge: (a) that I have been authorized by the Board of Trustees of the Trust to file these Articles of Amendment with the Maryland State Department of Assessments and Taxation; (b) that these Articles of Amendment are the act of the Trust; and (c) that, as to all matters or facts required to be verified under oath, these matters and facts are, to the best of my knowledge, information and belief, true in all material respects and that this statement is made under the penalties of perjury.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 6th day of May, 2004.

FEDERAL REALTY INVESTMENT TRUST

By: _____

Donald C. Wood
President and Chief Executive Officer

**CERTIFICATE OF CORRECTION
OF
ARTICLES OF AMENDMENT OF
DECLARATION OF TRUST OF
FEDERAL REALTY INVESTMENT TRUST**

The undersigned, having been authorized by the Board of Trustees (the "Board") of Federal Realty Investment Trust, a Maryland real estate investment trust (the "Trust"), does hereby certify pursuant to the provisions of Article X of the Declaration of Trust of the Trust (the "Declaration of Trust") filed with the Maryland State Department of Assessments and Taxation on May 21, 1999, and in accordance with the applicable provisions of Maryland law that:

A. Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust (the "Articles of Amendment") were filed with the Maryland State Department of Assessments and Taxation on May 7, 2004.

B. Paragraph 1 of the Articles of Amendment as filed on May 7, 2004 amended Section 5.2 of the Declaration of Trust by deleting the proviso at the end of the first sentence thereof and replacing it with the following: "provided, however, that the total number of Trustees shall be at least three (3) and not more than ten (10)."

C. Paragraph 1 of the Articles of Amendment as filed on May 7, 2004 contained a typographical error.

Therefore, the Articles of Amendment are hereby corrected as follows.

1. Section 5.2 of the Declaration of Trust is hereby amended by deleting the proviso at the end of the first sentence thereof and replacing it with the following: "provided, however, that the total number of Trustees shall be at least five (5) and not more than ten (10)."

IN WITNESS WHEREOF, the Trust has caused this Certificate of Correction of the Articles of Amendment to be signed and executed in its corporate name by Donald C. Wood, its President and Chief Executive Officer, attested by Dawn M. Becker, its Secretary, and its corporate seal to be hereunto affixed on this 17th day of June, 2004.

ATTEST:

FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust

By: _____

By: _____

Dawn M. Becker
Senior Vice President – General Counsel and Secretary

Donald C. Wood
President and Chief Executive Officer

[Corporate Seal]

I, Donald C. Wood, the President and Chief Executive Officer of the Trust, acknowledge: (a) that I have been authorized by the Board of Trustees of the Trust to file this Certificate of Correction of Articles of Amendment with the Maryland State Department of Assessments and Taxation; (b) that this Certificate of Correction of Articles of Amendment are the act of the Trust; and (c) that, as to all matters or facts required to be verified under oath, these matters and facts are, to the best of my knowledge, information and belief, true in all material respects and that this statement is made under the penalties of perjury.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand as of the 17th day of June, 2004.

FEDERAL REALTY INVESTMENT TRUST

By: _____

Donald C. Wood
President and Chief Executive Officer

**Federal Realty Investment Trust
Amended and Restated Bylaws
(February 12, 2003)**

**ARTICLE I
OFFICES**

Section 1. PRINCIPAL OFFICE. The principal office of the Trust shall be located at such place or places as the Board of Trustees may designate.

Section 2. ADDITIONAL OFFICES. The Trust may have additional offices at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

**ARTICLE II
MEETINGS OF SHAREHOLDERS**

Section 1. PLACE. All meetings of shareholders shall be held at the principal executive office of the Trust or at such other place within the United States as shall be stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held during the month of May of each year, after the delivery of the annual report referred to in Section 12 of this Article II, at a convenient location and on proper notice, on a date and at the time set by the Trustees, beginning with the year 1999. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 3. SPECIAL MEETINGS. The Chairman of the Board, the Chief Executive Officer, the President or one-third of the Trustees may call special meetings of the shareholders. Special meetings of shareholders shall also be called by the Secretary upon the written request of the holders of shares entitled to cast not less than a twenty-five percent of all the votes entitled to be cast at such meeting. Such request shall state the purpose of such meeting and the matters proposed to be acted on at such meeting. The Secretary shall inform such shareholders of the reasonably estimated cost of preparing and mailing notice of the meeting and, upon payment by such shareholders to the Trust of such costs, the Secretary shall give notice to each shareholder entitled to notice of the meeting. Unless requested by shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting, a special meeting need not be called to consider any matter which is substantially the same as a matter voted on at any meeting of the shareholders held during the preceding twelve months.

Section 4. NOTICE. Not less than ten nor more than 90 days before each meeting of shareholders, the Secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting written or printed

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notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail or by presenting it to such shareholder personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at his post office address as it appears on the records of the Trust, with postage thereon prepaid.

Section 5. SCOPE OF NOTICE. Any business of the Trust may be transacted at an annual meeting of shareholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice.

Section 6. ORGANIZATION. The Chairman of the Board shall preside over every meeting of the shareholders. If there is no Chairman or the Chairman is not present at any meeting of the shareholders, the Chief Executive Officer shall preside. In the case of a vacancy in office or an absence of both the Chairman and the Chief Executive Officer, one of the following officers present shall conduct the meeting in the order stated: the President, the Vice Presidents (as defined in Article V, Section 8) in their order of rank and seniority, or a Chairman chosen by the shareholders entitled to cast a majority of the votes which all shareholders present in person or by proxy are entitled to cast, shall act as Chairman. The Secretary, or, in his absence, an Assistant Secretary, or in the absence of both the Secretary and Assistant Secretaries, a person appointed by the Chief Executive Officer, shall act as Secretary of the meeting.

Section 7. QUORUM. At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust for the vote necessary for the adoption of any measure. The shareholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. VOTING. A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required herein or by statute or by the Declaration of Trust. Unless otherwise provided in the Declaration of Trust, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

Section 9. PROXIES. A shareholder may cast the votes entitled to be cast by the shares owned of record by him either in person or by proxy executed by the shareholder or by his duly

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authorized agent in any manner allowed by law. Such proxy shall be filed with the Secretary of the Trust before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 10. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of the Trust registered in the name of a corporation, partnership, limited liability company, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner, a manager, a managing member or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing board of such corporation or other entity or agreement of the partners of the partnership or agreement of the members of the limited liability company presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or other fiduciary may vote shares registered in his name as such fiduciary, either in person or by proxy.

Shares of the Trust directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the share transfer books, the time after the record date or closing of the share transfer books within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Trustees consider necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares in place of the shareholder who makes the certification.

Notwithstanding any other provision contained herein or in the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition; provided, however, that this section may be repealed only with the approval of at least a majority of the shares then outstanding and entitled to vote on the matter.

Section 11. INSPECTORS. At any meeting of shareholders, the chairman of the meeting may appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

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Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 12. REPORTS TO SHAREHOLDERS. The Trustees shall submit to the shareholders at or before the annual meeting of shareholders a report of the business and operations of the Trust during such fiscal year, containing a balance sheet and a statement of income and surplus of the Trust, accompanied by the certification of an independent certified public accountant, and such further information as the Trustees may determine is required pursuant to any law or regulation to which the Trust is subject. Within the earlier of 20 days after the annual meeting of shareholders or 120 days after the end of the fiscal year of the Trust, the Trustees shall place the annual report on file at the principal office of the Trust and with any governmental agencies as may be required by law and as the Trustees may deem appropriate.

Section 13. NOMINATIONS AND PROPOSALS BY SHAREHOLDERS.**(a) Annual Meetings of Shareholders.**

(1) Nominations of persons for election to the Board of Trustees and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders: (A) pursuant to the Trust's notice of meeting; (B) by or at the direction of the Trustees; or (C) by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice provided for in this Section 13(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(a).

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (a)(1) of this Section 13, the shareholder must have given timely notice thereof in writing to the Secretary of the Trust and such other business must otherwise be a proper matter for action by shareholders. To be timely, a shareholder's notice shall be delivered to the Secretary at the principal executive offices of the Trust not later than the close of business on the 120th calendar day before the first anniversary of the date of the Trust's proxy statement released to shareholders in connection with the preceding year's annual meeting; provided, however, that in the event that the date of the current year's annual meeting has been changed by more than 30 days from the date of the preceding year's meeting or if the Trust did not hold an annual meeting the preceding year, notice by the shareholder to be timely must be so delivered within a reasonable time before the Trust begins to print and mail its proxy materials. In no event shall the public announcement of a postponement or adjournment of an annual meeting to a later date or time commence a new time period for the giving of

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a shareholder's notice as described above. Such shareholder's notice shall set forth: (A) as to each person whom the shareholder proposes to nominate for election or reelection as a Trustee all information relating to such person that is required to be disclosed in solicitations of proxies for election of Trustees in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Trustee if elected); (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made: (i) the name and address of such shareholder, as they appear on the Trust's books, and of such beneficial owner; and (ii) the number of each class of shares of the Trust which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 13 to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement by the Trust naming all of the nominees for Trustee or specifying the size of the increased Board of Trustees at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 13(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Trust not later than the close of business on the tenth day following the day on which such public announcement is first made by the Trust.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust's notice of meeting. Nominations of persons for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected: (i) pursuant to the Trust's notice of meeting; (ii) by or at the direction of the Board of Trustees; or (iii) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting, by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice provided for in this Section 13(b) and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(b). In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees to the Board of Trustees, any such shareholder may nominate a person or persons (as the case may be) for election to such position as specified in the Trust's notice of meeting, if the shareholder's notice containing the information required by paragraph (a)(2) of this Section 13 shall be delivered to the Secretary at the principal executive offices of the Trust not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the

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nominees proposed by the Trustees to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time period for the giving of a shareholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 13 shall be eligible to serve as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. The chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 13 and, if any proposed nomination or business is not in compliance with this Section 13, to declare that such nomination or proposal shall be disregarded.

(2) For purposes of this Section 13, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Trust with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 13, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 13. Nothing in this Section 13 shall be deemed to affect any rights of shareholders to request inclusion of proposals in, nor the right of the Trust to omit a proposal from, the Trust's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 14. INFORMAL ACTION BY SHAREHOLDERS.

(a) Any action by Shareholders may be taken without a meeting, if a majority of Shares entitled to vote on the matter (or such larger proportion of Shares as shall be required to take such action) consent to the action in writing and the written consents are filed with the records of the meetings of Shareholders.

(b) In order that the Trust may determine the shareholders entitled to consent to action in writing without a meeting, the Board of Trustees may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Trustees, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Trustees. Any shareholder of record seeking to have the shareholders authorize or take action by written consent shall, by written notice to the Secretary of the Trust, request the Board of Trustees to fix a record date. The Board of Trustees shall promptly, but in all events within ten (10) days of the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board

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of Trustees within ten (10) days of the date on which such a request is received and no prior action by the Board of Trustees is required by applicable law, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Trust by delivery to its registered office in the State of Maryland, its principal place of business, or an officer or agent of the Trust having custody of the book in which proceedings of shareholders meetings are recorded, in each case to the attention of the Secretary of Trust. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Trustees within ten (10) days of the date on which such a request is received and prior action by the Board of Trustees is required by applicable law, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be at the close of business on the date on which the Board of Trustees adopts the resolution taking such prior action.

Section 15. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

ARTICLE III
TRUSTEES

Section 1. GENERAL POWERS; QUALIFICATIONS; TRUSTEES HOLDING OVER. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least 21 years of age who is not under legal disability. In case of failure to elect Trustees at an annual meeting of the shareholders, the Trustees holding over shall continue to direct the management of the business and affairs of the Trust until their successors are elected and qualify. At no time shall there be more than one Trustee on the Board of Trustees that fails to satisfy the definitions for independence as established from time to time in the Securities Exchange Act of 1934, the New York Stock Exchange's Listed Company Manual and other laws, rules and regulations applicable to the Trust from time to time except during a period of no more than ninety (90) days following changed circumstances.

Section 2. NUMBER. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Trustees may establish, increase or decrease the number of Trustees; provided, however, that the total number of Trustees shall not be less than five (5) or more than ten (10).

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution.

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Section 4. SPECIAL MEETINGS. Special meetings of the Trustees may be called by or at the request of the Chairman of the Board, the Chief Executive Officer or the President or by a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

Section 5. NOTICE. Notice of any special meeting shall be given by written notice delivered personally, telegraphed, facsimile-transmitted or mailed to each Trustee at his business or residence address. Personally delivered or telegraphed notices shall be given at least two days prior to the meeting. Notice by mail shall be given at least five days prior to the meeting. Telephone or facsimile-transmission notice shall be given at least 24 hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. If given by telegram, such notice shall be deemed to be given when the telegram is delivered to the telegraph company. Telephone notice shall be deemed given when the Trustee is personally given such notice in a telephone call to which the Trustee is a party. Facsimile-transmission notice shall be deemed given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed transmission report confirming delivery. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum must also include a majority of such group.

The Trustees present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Trustees to leave less than a quorum.

Section 7. VOTING. The action of the majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by applicable statute.

Section 8. TELEPHONE MEETINGS. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 9. INFORMAL ACTION BY TRUSTEES. Any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each Trustee and such written consent is filed with the minutes of proceedings of the Trustees.

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Section 10. VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer than 3 Trustees remain). Subject to the rights of holders of one or more classes or series of preferred shares then outstanding, any vacancy on the Board of Trustees (including a vacancy created by an increase in the number of Trustees) may be filled by a majority of the remaining Trustees or, if the remaining Trustees fail to act or there is no remaining Trustee, by the vote of holders of at least a majority of the Shares entitled to vote thereon and present in person or by proxy at any meeting of the shareholders called for that purpose. Any individual so elected as Trustee shall serve for the unexpired term of the Trustee he is replacing.

Section 11. COMPENSATION; FINANCIAL ASSISTANCE.

(a) Compensation. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive compensation per year and/or per meeting and/or per visit to real property owned or to be acquired by the Trust and for any service or activity they performed or engaged in as Trustees. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Trustees or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

(b) Financial Assistance to Trustees. To the extent permitted by law, the Trust may lend money to, guarantee an obligation of or otherwise assist a Trustee or a trustee of its direct or indirect subsidiary. The loan, guarantee or other assistance may be with or without interest, unsecured, or secured in any manner that the Board of Trustees approves, including a pledge of Shares.

Section 12. REMOVAL OF TRUSTEES. The shareholders may, at any time, remove any Trustee in the manner provided in the Declaration of Trust.

Section 13. LOSS OF DEPOSITS. No Trustee shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or shares have been deposited.

Section 14. SURETY BONDS. Unless required by law, no Trustee shall be obligated to give any bond or surety or other security for the performance of any of his duties.

Section 15. RELIANCE. Each Trustee, officer, employee and agent of the Trust shall, in the performance of his duties with respect to the Trust, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel or upon reports made to the Trust by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Trustees or officers of the Trust, regardless of whether such counsel or expert may also be a Trustee.

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Section 16. INTERESTED TRUSTEE TRANSACTIONS. Section 2-419 of the Maryland General Corporation Law (the “MGCL”) shall be available for and apply to any contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm or other entity in which any of its Trustees is a trustee or director or has a material financial interest.

Section 17. CERTAIN RIGHTS OF TRUSTEES, OFFICERS, EMPLOYEES AND AGENTS. The Trustees shall have no responsibility to devote their full time to the affairs of the Trust. Any Trustee or officer, employee or agent of the Trust (other than a full-time officer, employee or agent of the Trust), in his personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar or in addition to those of or relating to the Trust, subject to any limitations imposed by applicable law or any policies adopted by the Board of Trustees.

Section 18. CHAIRMAN OF THE BOARD OF TRUSTEES. The Board of Trustees may elect from among the Trustees a Chairman of the Board of Trustees by the affirmative vote of a majority of the full Board of Trustees taken at any regular or special meeting of the Trustees. The Chairman shall preside over the meetings of shareholders and the meetings of the Trustees at which he shall be present. The Chairman may be removed at any time by the affirmative vote of a majority of the full Board of Trustees taken at any regular or special meeting of the Trustees. The Chairman may resign from the position of Chairman at any time by written notice to the Board of Trustees effective upon execution and delivery to the Trust of such written notice or upon any future date specified in such notice, provided that such notice shall not constitute written notice to resign as a Trustee unless so designated.

**ARTICLE IV
COMMITTEES**

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Trustees shall appoint from among its members an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The Trustees may appoint from among its members an Executive Committee and such other committees as they may deem necessary or appropriate. All committees so appointed shall be composed of one or more Trustees to serve at the pleasure of the Trustees; provided, however, that the following committees, to the extent they are created by the Trustees, shall always consist of two or more Trustees: (a) Audit Committee; (b) Compensation Committee; (c) Executive Committee; and (d) Nominating and Corporate Governance Committee.

Section 2. POWERS. The Trustees may delegate to committees appointed under Section 1 of this Article any of the powers of the Trustees, except as prohibited by law.

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Section 3. MEETINGS. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another Trustee to act in the place of such absent member. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees.

One-third, but not less than two, of the members of any committee shall be present in person at any meeting of such committee in order to constitute a quorum for the transaction of business at such meeting, and the act of a majority present shall be the act of such committee. The Board of Trustees may designate a chairman of any committee, and such chairman or any two members of any committee may fix the time and place of its meetings unless the Board shall otherwise provide. In the absence or disqualification of any member of any such committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another Trustee to act at the meeting in the place of such absent or disqualified members.

Each committee shall keep minutes of its proceedings and shall report the same to the Board of Trustees at the next succeeding meeting, and any action by the committee shall be subject to revision and alteration by the Board of Trustees, provided that no vested or contractual rights of third persons shall be affected by any such revision or alteration.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. INFORMAL ACTION BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee unless such committee is required to be maintained pursuant to any applicable law, rule or regulation.

ARTICLE V
OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Trust shall include a President, a Secretary and a Treasurer and may include a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. In addition: (a) the Trustees may from time to time appoint such other officers who the Trustees designate by resolution as "Executive Officers" of the Trust with such powers and duties as they shall deem necessary or desirable; and (b) the Chief

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Executive Officer (or, if there is no Chief Executive Officer, the President) may from time to time appoint any other officers with such powers and duties as the Chief Executive Officer (or the President, as applicable) shall deem necessary or desirable. The Chief Executive Officer and other Executive Officers of the Trust shall be appointed at such intervals as the Trustees may determine, and all other officers of the Trust shall be appointed at such intervals as the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) may determine. Each officer shall hold office until his successor is elected and qualifies or until the earlier of his death, resignation or removal in the manner hereinafter provided. Any two or more offices except President and Vice President may be held by the same person. The Trustees, in their discretion, or the Chief Executive Officer (or, if there is no Chief Executive Officer, the President) may leave unfilled any office except those of President, Secretary and Treasurer. Appointment of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed at any time by the affirmative vote of two-thirds of the full Board of Trustees taken at any regular or special meeting of the Trustees if in their judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. In addition, the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President) may remove any officer or agent of the Trust other than an Executive Officer at any time if, in his judgment, the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by giving written notice of his resignation to the Trustees, the Chairman of the Board, the Chief Executive Officer, the President or the Secretary. Any resignation shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein, immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 3. VACANCIES. A vacancy in any office may be filled by the Trustees for the balance of the term of office, and a vacancy in any office other than those of Chief Executive Officer, President and any other Executive Officer may be filled by the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President) for the balance of the term of office.

Section 4. CHIEF EXECUTIVE OFFICER. The Trustees may designate a Chief Executive Officer from among the elected or appointed officers. The Chief Executive Officer shall have responsibility for implementation of the policies of the Trust, as determined by the Trustees, and for the administration of the business affairs of the Trust. In the absence of the Chairman of the Board or if there is no Chairman of the Board, the Chief Executive Officer shall preside over the meetings of the shareholders and the meetings of the Trustees at which he shall be present. The Chief Executive Officer shall have the right to delegate any rights and responsibilities relating to the appointment and removal of officers to any other Executive Officer, subject to such limitations as the Chief Executive Officer shall determine.

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Section 5. CHIEF OPERATING OFFICER. The Trustees may designate a Chief Operating Officer from among the elected or appointed officers. The Chief Operating Officer shall have the responsibilities and duties as set forth by the Trustees or the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President).

Section 6. CHIEF FINANCIAL OFFICER. The Trustees may designate a Chief Financial Officer from among the elected or appointed officers. The Chief Financial Officer shall have the responsibilities and duties as set forth by the Trustees or the Chief Executive Officer (or, if there is no Chief Executive Officer at such time, the President).

Section 7. PRESIDENT. In the absence of the Chairman of the Board (or if there is no Chairman of the Board) and the absence of the Chief Executive Officer, the President shall preside over the meetings of the shareholders and meetings of the Trustees at which he shall be present. In the absence of a designation of a Chief Executive Officer by the Trustees, the President shall be the Chief Executive Officer and shall be ex officio a member of all committees that may, from time to time, be constituted by the Trustees. The President may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Trustees from time to time. The President shall have the right to delegate any rights and responsibilities relating to the appointment and removal of officers to any other Executive Officer, subject to such limitations as the President shall determine.

Section 8. VICE PRESIDENTS. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the President or by the Trustees. The Trustees may designate one or more Vice Presidents as Executive Vice Presidents, Senior Vice Presidents or Vice Presidents for particular areas of responsibility.

Section 9. SECRETARY. The Secretary shall: (a) keep the minutes of the proceedings of the shareholders, the Trustees and committees of the Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the Trust records and of the seal of the Trust; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; (f) vote, on behalf of the Trust, all of the shares of any subsidiary of the Trust, whether currently existing or created in the future, on each matter presented to shareholders of any such subsidiary for a vote; and (g) in general, perform such other duties as from time to time may be assigned to him or her by the Chief Executive Officer, the President or the Trustees.

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Section 10. TREASURER. The Treasurer shall have the custody of the funds and securities of the Trust and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Trustees.

He shall disburse the funds of the Trust in accordance with the authority granted by the Chief Executive Officer, the President or the Trustees, taking proper vouchers for such disbursements, and shall render to the President and Trustees, whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Trust.

If required by the Trustees, he shall give the Trust a bond in such sum and with such surety or sureties as shall be satisfactory to the Trustees for the faithful performance of the duties of his office and for the restoration to the Trust, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his possession or under his control belonging to the Trust.

Section 11. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the Chief Executive Officer, the President or the Trustees. The Assistant Treasurers shall, if required by the Trustees, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Trustees.

Section 12. SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by or with the approval of the Trustees and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a Trustee.

ARTICLE VI
CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document executed by one or more of the Trustees or by an authorized person shall be valid and binding upon the Trustees and upon the Trust when authorized or ratified by action of the Trustees.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as shall from time to time be determined by the Trustees.

Section 3. DEPOSITS. All funds of the Trust not otherwise employed shall be deposited from time to time to the credit of the Trust in such banks, trust companies or other depositories as the Trustees may designate. If the Trustees fail to designate a depository, the Chief Executive Officer (or if there is no Chief Executive Officer, the President) may do so.

ARTICLE VII
SHARES

Section 1. CERTIFICATES. Each shareholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of beneficial interests held by him in the Trust. Each certificate shall be signed by the Chief Executive Officer, the President or an Executive Officer and countersigned by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and may be sealed with the seal, if any, of the Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the Trust shall, from time to time, issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate representing shares which are restricted as to their transferability or voting powers, which are preferred or limited as to their dividends or as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the Trust, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the Trust may set forth upon the face or back of the certificate a statement that the Trust will furnish to any shareholder, upon request and without charge, a full statement of such information.

Section 2. TRANSFERS. Certificates shall be treated as negotiable and title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation. Upon surrender to the Trust or the transfer agent of the Trust of a share certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Trust shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Trust shall be entitled to treat the holder of record of any share or shares as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of beneficial interest of the Trust will be subject in all respects to the Declaration of Trust and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. Any officer designated by the Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Trustees may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or

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the owner's legal representative to advertise the same in such manner as the officer shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of shareholders not less than ten days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

In lieu of fixing a record date, the Trustees may provide that the share transfer books shall be closed for a stated period but not longer than 20 days. If the share transfer books are closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the share transfer books are not closed for the determination of shareholders: (a) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when: (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired; or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

Section 5. STOCK LEDGER. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

Section 6. FRACTIONAL SHARES; ISSUANCE OF UNITS. The Trustees may issue fractional shares or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

**ARTICLE VIII
ACCOUNTING YEAR**

The Trustees shall have the power, from time to time, to fix the fiscal year of the Trust by a duly adopted resolution.

**ARTICLE IX
DISTRIBUTIONS**

Section 1. AUTHORIZATION. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized and declared by the Trustees, subject to the provisions of law and the Declaration of Trust. Dividends and other distributions may be paid in cash, property or shares of the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any funds of the Trust available for dividends or other distributions such sum or sums as the Trustees may from time to time, in their absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Trust or for such other purpose as the Trustees shall determine to be in the best interest of the Trust, and the Trustees may modify or abolish any such reserve in the manner in which it was created.

**ARTICLE X
INVESTMENT POLICY**

Subject to the provisions of the Declaration of Trust, the Board of Trustees may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Trust as it shall deem appropriate in its sole discretion.

**ARTICLE XI
SEAL**

Section 1. SEAL. The Trustees may authorize the adoption of a seal by the Trust. The seal shall have inscribed thereon the name of the Trust and the year of its formation. The Trustees may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word “(SEAL)” adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE XII
INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify: (a) any Trustee, officer or shareholder or any former Trustee, officer or shareholder (including among the foregoing, for all purposes of this Article XII and without limitation, any individual who, while a Trustee, officer or shareholder and at the express request of the Trust, serves or has served another real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, shareholder, manager, member, partner or trustee of such real estate investment trust, corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise) who has been successful, on the merits or otherwise, in the defense of a proceeding to which he or she was made a party by reason of service in such capacity, against reasonable expenses incurred by him or her in connection with the proceeding; (b) any Trustee or officer or any former Trustee or officer against any claim or liability to which he or she may become subject by reason of such status unless it is established that: (i) his or her act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; (ii) he or she actually received an improper personal benefit in money, property or services; or (iii) in the case of a criminal proceeding, he or she had reasonable cause to believe that his or her act or omission was unlawful; and (c) each shareholder or former shareholder against any claim or liability to which he or she may become subject by reason of such status. In addition, the Trust shall, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee, officer or shareholder or former Trustee, officer or shareholder made a party to a proceeding by reason such status, provided that, in the case of a Trustee or officer, the Trust shall have received: (1) a written affirmation by the Trustee or officer of his or her good faith belief that he or she has met the applicable standard of conduct necessary for indemnification by the Trust as authorized by these Bylaws; and (2) a written undertaking by or on his or her behalf to repay the amount paid or reimbursed by the Trust if it shall ultimately be determined that the applicable standard of conduct was not met. The Trust may, with the approval of its Trustees, provide such indemnification or payment or reimbursement of expenses to any Trustee, officer or shareholder or any former Trustee, officer or shareholder who served a predecessor of the Trust and to any employee or agent of the Trust or a predecessor of the Trust. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Any indemnification or payment or reimbursement of the expenses permitted by these Bylaws shall be furnished in accordance with the procedures provided for indemnification or payment or reimbursement of expenses, as the case may be, under Section 2-418 of the MGCL for directors of Maryland corporations. The Trust may provide to Trustees, officers and shareholders such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by the MGCL, as in effect from time to time, for directors of Maryland corporations.

**ARTICLE XIII
WAIVER OF NOTICE**

Whenever any notice is required to be given pursuant to the Declaration of Trust or Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

**ARTICLE XIV
AMENDMENT OF BYLAWS**

Section 1. AMENDMENT BY SHAREHOLDERS. Any provision of these Bylaws may be adopted, altered or repealed by the shareholders at any meeting of shareholders called for that purpose, by the affirmative vote of holders of not less than a majority of the shares then outstanding and entitled to vote.

Section 2. AMENDMENT BY TRUSTEES. Except as otherwise provided in any Bylaws adopted pursuant to Section 1 of this Article XIV or as otherwise required pursuant to the last paragraph of Section 10 of Article II, any provision of these Bylaws may be adopted, altered or repealed by the Trustees provided that the Trustees may not repeal Section 1 of this Article XIV, or the last paragraph of Section 10 of Article II, or increase the shareholder vote required under either of such sections.

**ARTICLE XV
MISCELLANEOUS**

All references to the Declaration of Trust shall include any amendments thereto.

Amended on October 29, 2003

Amended on May 5, 2004

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this _____ day of _____, 2000 by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Employer"), and DAWN M. BECKER ("Employee").

WHEREAS, Employee serves as Employer's Vice President – Real Estate and Finance Counsel, and Employer and Employee wish to set forth the terms of a severance agreement for Employee;

NOW THEREFORE, in consideration of the foregoing, of the mutual promises herein contained and of other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Termination Without Cause. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b), Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 1; *provided, however*, in the event Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b) under circumstances described in Section 6 below, Employee shall receive such payments and benefits as are set forth in Section 6 in lieu of the payments and benefits under this Section 1:

- (a) by Employer other than with Cause (as "Cause" is defined in Section 3, hereof);
- (b) by Employer within six (6) months following the occurrence of one or more of the following events:
 - (i) the nature of Employee's duties or the scope of Employee's responsibilities or authority as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes an actual or constructive demotion of Employee; *provided, however*, that a change in the position(s) to whom Employee reports shall not by itself constitute a material modification of Employee's responsibilities; *provided, further*, that if Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a Spin-off (as defined in Section 15) of that affiliate, the nature of Employee's duties

and the scope of responsibilities and authority referred to above in this paragraph (i) shall mean those as in effect as of the first day of employment with the affiliate following the Spin-off and not those in effect with the Employer as of the date first written above;

- (ii) Employer changes the location of its principal office to outside a fifty (50) mile radius of Washington, D.C.;
 - (iii) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of the greater of (A) Employee's base salary for 2000, or (B) Employee's highest base salary during the three (3) then most recent calendar years (including the year of termination), regardless of whether such salary reduction occurs in one year or over the course of years; and
 - (iv) this Severance Agreement is not expressly assumed by any successor (directly or indirectly, whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer.
- (c) Decision by Employer to Terminate Without Cause. Employer's decision to terminate Employee's employment Without Cause shall be made by the Board of Trustees.
- (d) Severance Payment Upon Termination Without Cause. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employee will receive as severance pay an amount in cash equal to one (1) year's salary. For the purpose of calculating amounts payable pursuant to this Section 1(d), "salary" shall be an amount equal to (i) the greater of (A) Employee's highest annual base salary paid during the previous three (3) years or (B) Employee's annual base salary in the year of termination, plus (ii) the greatest annual aggregate amount of any cash and/or stock bonus paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination (it being understood and agreed that such amount shall not include compensation paid pursuant to performance share awards). For purposes of the preceding sentence: (i) a stock bonus will be considered to have been paid in respect of a particular year if (A) in the case of a bonus paid under Employer's 1999 Incentive Bonus Plan (as the same may be amended from time to time, or any

successor plan, the “Bonus Plan”), the stock bonus was awarded in respect of that year, even if it did not vest in that year, or (B) in the case of any other stock bonus, the shares vested in that year (other than as a result of the Termination Without Cause); and (ii) a stock bonus will be valued (A) in the case of a bonus paid under the Bonus Plan, at a figure equal to the number of shares awarded, multiplied by the per-share value (closing price) on the date on which the bonus was approved by the Compensation Committee of Employer’s Board of Trustees, and (B) in the case of any other stock bonus, at a figure equal to the number of shares that vested, multiplied by the per-share value (closing price) on the date on which they vested. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination.

- (e) Benefits. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employee shall receive “Full Benefits” for nine (9) months. Employer shall have satisfied its obligation to provide Full Benefits to Employee if it (i) pays premiums due in connection with COBRA continuation coverage to continue Employee’s medical and dental insurance coverage at not less than the levels of coverage immediately prior to termination of Employee’s employment; (ii) maintains at not less than Employee’s highest levels of coverage prior to Termination Without Cause individual life insurance policies and accidental death and dismemberment policies for the benefit of Employee and pays the annual premiums associated therewith; (iii) to the extent that Employer maintained a long-term disability policy that provided coverage to Employee in excess of the coverage provided under Employer’s group long-term disability policy, maintains at not less than Employee’s highest levels of coverage prior to Termination Without Cause an individual long-term disability policy for the benefit of Employee and pays the annual premiums associated therewith, subject to the limitations of the policy; and (iv) pays the annual premiums associated with Employee’s continued participation, at not less than Employee’s highest levels of coverage prior to Termination Without Cause, under Employer’s group long-term disability policy for a period of one (1) year following Termination Without Cause, subject to the limitations of the policy. Notwithstanding the foregoing, Employee shall be required to pay the premiums and any other costs of such Full Benefits in the same dollar amount that Employee was required to pay for such costs immediately prior to Termination Without Cause.

- (f) Stock Options. Notwithstanding any agreement to the contrary, in the event of any Termination Without Cause other than under circumstances described in Section 6 below, the vesting of options to purchase shares of Employer's common stock granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the twelve (12) months thereafter shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer. The terms of the stock option agreements shall determine the period during which any vested options may be exercisable.
- (g) Outplacement Services. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employer shall make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employer for a period not to exceed six (6) months from the date of Employee's termination.
- (h) Provision of Telephone/Secretary. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employer shall provide Employee for a period not to exceed six (6) months from Employee's date of termination with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone. Such benefits shall not include an office or physical access to Employer's offices and will cease upon commencement by Employee of employment with another employer.
- (i) Notice. If Employee terminates his or her employment pursuant to Section 1(b) hereof other than under circumstances described in Section 6 below and (i) Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of such termination, or (ii) if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of such termination.
- (j) Notwithstanding the foregoing provisions of this Agreement, it shall not be considered a Termination Without Cause in the event that the Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a Spin-off of that affiliate if the Employer has assigned this Agreement to the affiliate as contemplated in Section 15 and the affiliate has assumed the obligations hereunder.

2. Voluntary Resignation. If Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of Employee's resignation from employment in all capacities with Employer other than under circumstances described in Section 6 below; if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of Employee's resignation from employment in all capacities with Employer other than under circumstances described in Section 6 below.

3. Severance Benefits Upon Termination With Cause. Employee shall be deemed to have been terminated with Cause in the event that the employment of Employee is terminated for any of the following reasons other than under circumstances described in Section 6 below:

- (a) failure (other than failure due to disability) to substantially perform his or her duties with Employer or an affiliate thereof; which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which Employee is diligently pursuing cure ("Failure to Perform");
- (b) willful conduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise;
- (c) breach of fiduciary duty involving personal profit; or
- (d) willful violation in the course of performing his or her duties for Employer of any law, rule or regulation (other than traffic violations or misdemeanor offenses). No act or failure to act shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of Employer.
- (e) Decision by Employer to Terminate With Cause. The decision to terminate the employment of Employee with Cause shall be made by the Board of Trustees.
- (f) Severance Payment Upon Termination with Cause. In the event of termination for Failure to Perform pursuant to Section 3(a), or termination for cause pursuant to Section 3(b), (c) or (d) above, the terms of the stock option agreements between Employer and Employee thereunder will determine the terms of the vesting of options and the exercisability of vested options.

- (i) For Cause Termination for Failure to Perform. In the event that Employee's employment is terminated with Cause pursuant to Section 3(a) above, Employee shall receive as severance pay an amount in cash equal to one (1) month's salary for every year of service to Employer in excess of five (5) years of service; such severance payment shall not exceed six (6) months' pay. The number of months for which such a payment is due shall determine the length of the for cause term ("For Cause Term"). For the purposes of this Section 3(f)(i) only, "salary" shall mean Employee's then current annual base salary and shall not include any bonus or other compensation. Payment shall also be made for accrued, but unused, vacation time. Employee shall also receive Full Benefits (as defined above) for the For Cause Term. In the event that, following Employee's termination for Failure to Perform, Employee becomes employed by or affiliated with, as a partner, consultant, contractor or otherwise, any entity which is substantially engaged in the business of property investment or management ("Competitor"), all payments specified in this Section 3(f)(i) shall cease upon the date Employee commences such employment or affiliation; *provided, however*, Employee shall continue to receive medical and dental care benefits from Employer until (i) Employee is eligible to receive medical and dental care benefits from the Competitor, or (ii) the date of expiration of Employee's For Cause Term, whichever comes first.
- (ii) Other Cause Termination. In the event that Employee's employment is terminated with Cause pursuant to Section 3(b), (c) or (d), Employee shall receive all base salary due and payable as of the date of Employee's termination of employment. No payment shall be made for bonus or other compensation. Payment also will be made for accrued, but unused vacation time.

4. Severance Benefits Upon Termination Upon Disability. Employer may terminate Employee upon thirty (30) days' prior written notice if (i) Employee's Disability has disabled Employee from rendering service to Employer for at least a six (6) month consecutive period during the term of Employee's employment, (ii) Employee's "Disability" is within the meaning of such defined term in Employer's group long-term disability policy, and (iii) Employee is covered under such policy. In the event of Employee's Termination Upon Disability, Employee shall be entitled to receive as severance pay each month for the year immediately following the date of termination an

amount in cash equal to the difference, if any, between (i) the sum of (y) the amount of payments Employee receives or will receive during that month pursuant to the disability insurance policies maintained by Employer for Employee's benefit and (z) the adjustment described in the next sentence and (ii) Employee's base monthly salary on the date of termination due to Disability. The adjustment referred to in clause (z) of the preceding sentence is the amount by which any tax-exempt payments referred to in clause (y) would need to be increased if such payments were subject to tax in order to make the after-tax proceeds of such payments equal to the actual amount of such tax-exempt payments.

- (a) Benefits. Employee shall receive Full Benefits (as defined above) for one (1) year following termination due to Disability.
- (b) Stock Options. In the event that Employee's employment is terminated due to Disability, the terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of termination due to Disability and the exercise period for any vested option.

5. Severance Benefits Upon Termination Upon Death. If Employee dies, Employee's estate shall be entitled to receive an amount in cash equal to Employee's then-current base salary through the last day of the month in which Employee's death occurs plus any bonus previously awarded but unpaid and any accrued vacation pay through the last day of the month in which Employee's death occurs. The terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of his or her death and the exercise period for any vested option.

6. Severance Benefits Upon Termination Upon Change in Control.

(a) Change in Control Defined. No benefits shall be payable under this Section 6 unless there shall have occurred a Change in Control of Employer, as defined below. For purposes of this Section 6, a "Change in Control" of Employer shall mean any of the following events:

(i) An acquisition in one or more transactions (other than directly from Employer or pursuant to options granted by Employer) of any voting securities of Employer (the "Voting Securities") by any "Person" (as the term is used for purposes of Section 13(d) or 14(d) of the Securities Act of 1934, as amended (the "Exchange Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of Employer's then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred, Voting Securities which are

acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (1) Employer or (2) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by Employer (a “Subsidiary”), (B) Employer or any Subsidiary, or (C) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(ii) The individuals who, as of the date of this Severance Agreement, are members of the Board of Trustees (the “Incumbent Trustees”), cease for any reason to constitute at least two-thirds of the Board; *provided, however*, that if the election, or nomination for election by Employer’s shareholders, of any new member was approved by a vote of at least two-thirds of the Incumbent Trustees, such new member shall, for purposes of this Severance Agreement, be considered as a member of the Incumbent Trustees; *provided, further, however*, that no individual shall be considered a member of the Incumbent Trustees if such individual initially assumed office as a result of either an actual or threatened “Election Contest” (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Trustees (a “Proxy Contest”) including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) Approval by shareholders of Employer of

(A) A merger, consolidation or reorganization involving Employer, unless:

(1) the shareholders of Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least a majority of the combined voting power of the outstanding voting securities of the Person resulting from such merger or consolidation or reorganization (the “Surviving Person”) in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,

(2) the individuals who were members of the Incumbent Trustees immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Person,

(3) no Person (other than Employer or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by Employer, or any Subsidiary, or any Person which, immediately prior to such merger,

consolidation or reorganization had Beneficial Ownership of 20% or more of the then outstanding Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities, and

(4) a transaction described in clauses (1) through (3) shall herein be referred to as a "Non-Control Transaction;"

(B) A complete liquidation or dissolution of Employer; or

(C) An agreement for the sale or other disposition of all or substantially all of the assets of Employer to any Person (other than a transfer to a Subsidiary).

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by Employer which, by reducing the number of Voting Securities outstanding, increases the proportional number of Voting Securities Beneficially Owned by the Subject Person; *provided, however*, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur; or (B) if Employer (1) establishes a wholly-owned subsidiary ("Holding Company"), (2) causes the Holding Company to establish a wholly-owned subsidiary ("Merger Sub"), and (3) merges with Merger Sub, with Employer as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

(v) Notwithstanding anything contained in this Severance Agreement to the contrary, if Employee's employment is terminated while this Severance Agreement is in effect and Employee reasonably demonstrates that such termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control and who effectuates a Change in Control (a "Third Party") or (B) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes of this Severance Agreement, the date of a Change in Control with respect to Employee shall mean the date immediately prior to the date of such termination of Employee's employment.

(b) Termination of Employment Following Change in Control. If a Change in Control of Employer occurs, Employee shall be entitled to the benefits

provided in this Section 6 upon the subsequent termination of Employee's employment with Employer for any reason, either voluntarily or involuntarily, within six (6) months of such Change of Control, unless such termination is because of Employee's death, Disability or retirement. The term "Retirement" shall mean termination of employment in accordance with (x) a qualified employee pension or profit-sharing plan maintained by Employer, or (y) Employer's retirement policy in effect immediately prior to the Change in Control. For purposes of this Section 6, Employee's employment shall be terminated by written notice delivered by either Employer or Employee to the other party. The date of Employee's termination of employment shall be the earlier of the date of Employee's or Employer's written notice terminating Employee's employment with Employer, unless such notice shall specify an effective date of termination occurring later than the date of such notice, in which event such specified effective date shall govern ("Termination Date").

(c) Payment of Benefits upon Termination. If, after a Change in Control has occurred, Employee's employment with Employer is terminated in accordance with Section 6(b) above, then Employer shall pay to Employee and provide Employee, his or her beneficiaries and estate, the following:

(i) Employer shall pay to Employee a single cash payment equal to the amount described in Section 1(d) above (without giving effect to any accelerated vesting which may have occurred as a result of the Change in Control). If Employee's employment is terminated by Employee by a written notice which specifies a Termination Date at least five (5) business days later than the date of such notice, the payment shall be made on the Termination Date. If Employee gives less than five (5) business days notice, then such payment shall be made within five (5) business days of the date of such notice;

(ii) Employee shall receive Full Benefits for one (1) year following the Termination Date;

(iii) Employer, to the extent legally permissible, shall continue to provide to Employee all other officer perquisites, allowances, accommodations of employment, and benefits on the same terms and conditions as such are from time to time made available generally to the other officers of Employer but in no event less than the highest level of the perquisites, allowances, accommodations of employment and benefits that were available to Employee during the last twelve (12) months of Employee's employment prior to the Change in Control for a period of one (1) year following the Termination Date;

(iv) For the purposes of this Section 6(c), Employee's right to receive officer perquisites, allowances and accommodations of employment is intended to include (A) Employee's right to have Employer provide Employee for a period not to

exceed six (6) months from Employee's Termination Date with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone; *provided, however*, such benefits described in this Section 6(c)(iv)(A) shall not include an office or physical access to Employer's offices and will cease upon the commencement by Employee of employment with another employer, and (B) Employee's right to have Employer make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employee for a period not to exceed six (6) months.

(v) Upon the occurrence of a Change in Control, all restrictions on the receipt of any option to acquire or grant of Voting Securities to Employee shall lapse and such option shall become immediately and fully exercisable. Notwithstanding any applicable restrictions or any agreement to the contrary, Employee may exercise any options to acquire Voting Securities as of the Change in Control by delivery to Employer of a written notice dated on or prior to the expiration of the stated term of the option.

(d) Redemption.

(i) Except as provided in subsection (ii) below, Employer shall within five (5) business days of receipt of written notice from Employee given at any time after the occurrence of a Change in Control but prior to the latest stated expiration date of any option held by Employee on the date of the Change in Control, redeem any Voting Securities held by Employee (whether acquired by exercise of any such option or grant or otherwise), at a price equal to the average closing price of Voting Securities as quoted on the New York Stock Exchange, or if such Voting Securities are not listed thereon, then the average of the closing "bid" and "ask" prices per share in the over-the-counter securities market for the fifteen (15) trading days prior to the date of such notice;

(ii) If, during the fifteen (15) day trading period, Voting Securities are not listed, quoted or reported on any publicly traded securities market for at least two-thirds (2/3) of the days included in such period, then the redemption price shall be determined as follows: (A) Employee shall designate in a written notice to Employer an appraiser to appraise the value of the Voting Securities to be redeemed; (B) within ten (10) business days of receipt of such notice Employer shall designate an appraiser to appraise the value of the Voting Securities to be redeemed, (C) such designated appraisers shall together designate, within ten (10) business days of the date the appraiser is designated by Employer, a third appraiser to appraise the value of such Voting Securities, (D) each appraiser shall value such Voting Securities within twenty (20) business days of the designation of the third appraiser using generally accepted appraisal methods for valuing such securities based upon the value of all of Employer's assets less all of its liabilities without giving effect for any costs of liquidation or distress sale, if otherwise applicable, and (E) the average of the three (3) values determined by the three (3) appraisers shall constitute the price at which Employer must redeem the Voting

Securities covered by Employee's written notice within five (5) business days of the completion of this appraisal process. All costs and expenses associated with any appraisal prepared pursuant to this Section 6(d)(ii) shall be borne entirely by Employer.

(e) Excise Tax Payments.

(i) In the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) that is provided for hereunder (other than the payment provided for in this Section 6(e)(i)) to be paid to or for the benefit of Employee (including, without limitation, the payments or benefits provided for under any provision of this Section 6) or payments or benefits under any other plan, agreements or arrangement between Employee and Employer (a "Payment" or "Payments"), be determined or alleged to be subject to an excise or similar purpose tax pursuant to Section 4999 of the Code or any successor or other comparable federal, state, or local tax laws or any interest or penalties incurred by Employee with respect to such excise or similar purpose tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax") Employer shall pay to Employee such additional compensation as is necessary (after taking into account all federal, state and local taxes (including any interest and penalties imposed with respect to such taxes), including any income or Excise Tax, payable by Employee as a result of the receipt of such additional compensation) (a "Gross-Up Payment") to place Employee in the same after-tax position (including federal, state and local taxes) Employee would have been in had no such Excise Tax been paid or incurred.

(ii) All mathematical determinations, and all determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), that are required to be made under this Section 6(e), including determinations as to whether a Gross-Up Payment is required, and the amount of such Gross-Up Payment, shall be made by an independent accounting firm selected by the Employee from among the six (6) largest accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to Employer and the Employee by no later than ten (10) days following the Termination Date, if applicable, or such earlier time as is requested by Employer or the Employee (if the Employee reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Employee, it shall furnish the Employee and Employer with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Employee has substantial authority not to report any Excise Tax on her federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Employee within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to Employer by the Accounting Firm. The cost of obtaining

the Determination shall be borne by Employer, any determination by the Accounting Firm shall be binding upon Employer and the Employee, absent manifest error. Without limiting the obligation of Employer hereunder, Employee agrees, in the event that Employer makes a Gross-Up Payment to cover any Excise Tax, to negotiate with Employer in good faith with respect to procedures reasonably requested by Employer which would afford Employer the ability to contest the imposition of such Excise Tax; *provided, however*, that Employee will not be required to afford Employer any right to contest the applicability of any such Excise Tax to the extent that Employee reasonably determines (based upon the opinion of the Accounting Firm) that such contest is inconsistent with the overall tax interest of Employee.

(iii) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred (A) upon notice (formal or informal) to Employee from any governmental taxing authority that Employee's tax liability (whether in respect of Employee's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which Employer has failed to make a sufficient Gross-Up Payment, (B) upon determination by a court, (C) by reason of determination by Employer (which shall include the position taken by Employer, together with its consolidated group, on its federal income tax return) or (D) upon the resolution of the Dispute to Employee's satisfaction. If an Underpayment occurs, Employee shall promptly notify Employer and Employer shall promptly, but in any event, at least five (5) days prior to the date on which the applicable governmental taxing authority has requested payment, pay to Employee an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of Employee's failure to file a timely tax return or pay taxes shown due on Employee's return where such failure is not due to Employer's actions or omissions) imposed on the Underpayment. An Excess Payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments (or a portion thereof) with respect to which Employee had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when Employee has received from the applicable governmental taxing authority a refund of taxes or other reduction in Employee's tax liability by reason of the Excess Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds Employee and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to Employee's applicable tax return has expired. If an Excess

Payment is determined to have been made, the amount of the Excess Payment shall be treated as a loan by Employer to Employee and Employee shall pay to Employer on demand (but not less than ten (10) days after the determination of such Excess Payment and written notice has been delivered to Employee) the amount of the Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to Employee until date of repayment of the Excess Payment to Employer.

(iv) Notwithstanding anything contained in this Section 6 to the contrary, in the event that, according to the Final Determination, an Excise Tax will be imposed on any Payment or Payments, Employer shall pay to the applicable governmental taxing authorities as Excise Tax withholding, the amount of the Excise Tax that Employer has actually withheld from the Payment or Payments.

(f) No Set-Off. After a Change in Control, Employer shall have no right of set-off, reduction or counterclaim in respect of any debt or other obligation of Employee to Employer against any payment, benefit or other Employer obligation to Employee provided for in this Section 6 or pursuant to any other plan, agreement or policy.

(g) Interest on Amounts Payable. After a Change of Control, if any amounts which are required or determined to be paid or payable or reimbursed or reimbursable to Employee under this Section 6 (or under any other plan, agreement, policy or arrangement with Employer) are not so paid promptly at the times provided herein or therein, such amounts shall accrue interest, compounded daily at the annual percentage rate which is three percentage points (3%) above the interest rate which is announced by The Riggs National Bank (Washington, D.C.) from time to time as its prime lending rate, from the date such amounts were required or determined to have been paid or payable or reimbursed or reimbursable to Employee until such amounts and any interest accrued thereon are finally and fully paid; *provided, however*, that in no event shall the amount of interest contracted for, charged or received hereunder exceed the maximum non-usurious amount of interest allowed by applicable law.

(h) Disputes; Payment of Expenses. At any time after a Change of Control, all costs and expenses (including legal, accounting and other advisory fees and expenses of investigation) incurred by Employee in connection with (i) any dispute as to the validity, interpretation or application of any term or condition of this Section 6, (ii) the determination in any tax year of the tax consequences to Employee of any amounts payable (or reimbursable) under this Section 6, or (iii) the preparation of responses to an Internal Revenue Service audit of, and other defense of, Employee's personal income tax return for any year which is the subject of any such audit or an adverse determination,

administrative proceeding or civil litigation arising therefrom that is occasioned by or related to an audit of the Internal Revenue Service of Employer's income tax returns are, upon written demand by Employee, to be paid by Employer (and Employee shall be entitled, upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling Employer) promptly on a current basis (either directly or by reimbursing Employee). Under no circumstances shall Employee be obligated to pay or reimburse Employer for any attorneys' fees, costs or expenses incurred by Employer.

7. Confidentiality - Employer's Obligations. Unless Employee and Employer mutually agree on appropriate language for such purposes, in the event that Employee's employment is Terminated Without Cause pursuant to Section 1 above, With Cause pursuant to Section 3(a) above, or under circumstances described in Section 6, or Employee voluntarily resigns, Employer, except to the extent required by law, will not make or publish, without the express prior written consent of Employee, any written or oral statement concerning Employee's work related performance or the reasons or basis for the severing of Employee's employment relationship with Employer; *provided, however*, that the foregoing restriction is not applicable to information which was or became generally available to the public other than as a result of a disclosure by Employer.

8. Confidentiality - Employee's Obligations. Employee acknowledges and reaffirms that Employee will comply with the terms of the confidentiality letter executed by Employee upon commencement of Employee's employment with Employer.

9. Payments. In the event of the termination of Employee's employment under circumstances described in Section 6, the severance payment made pursuant to that section shall be made as a lump sum payment. In the event of Employee's voluntary resignation other than under circumstances described in Section 6, severance payments made pursuant to this Severance Agreement shall be made pro rata on a monthly basis. All other severance payments payable to Employee pursuant to the terms of this Severance Agreement may be made either as a lump sum payment or pro rata on a monthly basis, at Employee's option.

10. Tax Withholding. Employer may withhold from any benefits payable under this Severance Agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes (other than any excise tax imposed under Section 4999 of the Code or any similar tax to which the indemnity provisions of Section 6(e) of this Severance Agreement shall apply) as shall be required pursuant to any law or governmental regulation or ruling.

11. Arbitration.

- (a) Any controversy, claim or dispute arising out of or relating to this Severance Agreement or the breach thereof shall be settled by arbitration in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties irrevocably consent to the jurisdiction of the federal and state courts located in Maryland for this purpose. Each such arbitration proceeding shall be located in Maryland.
- (b) The arbitrator(s) may, in the course of the proceedings, order any provisional remedy or conservatory measure (including, without limitation, attachment, preliminary injunction or the deposit of specified security) that the arbitrator(s) consider to be necessary, just and equitable. The failure of a party to comply with such an interim order may, after due notice and opportunity to cure with such noncompliance, be treated by the arbitrator(s) as a default, and some or all of the claims or defenses of the defaulting party may be stricken and partial or final award entered against such party, or the arbitrator(s) may impose such lesser sanctions as the arbitrator(s) may deem appropriate. A request for interim or provisional relief by a party to a court shall not be deemed incompatible with the agreement to arbitrate or a waiver of that agreement.
- (c) The parties acknowledge that any remedy at law for breach of this Severance Agreement may be inadequate, and that, in the event of a breach by Employee of Sections 8 or 14, any remedy at law would be inadequate in that such breach would cause irreparable competitive harm to Employer. Consequently, in addition to any other relief that may be available, the arbitrator(s) also may order permanent injunctive relief, including, without limitation, specific performance, without the necessity of the prevailing party proving actual damages and without regard to the adequacy of any remedy at law.
- (d) In the event that Employee is the prevailing party in such arbitration, then Employee shall be entitled to reimbursement by Employer for all reasonable legal and other professional fees and expenses incurred by Employee in such arbitration or in enforcing the award, including reasonable attorney's fees.

(e) The parties agree that the results of any such arbitration proceeding shall be conclusive and binding upon them.

12. Continued Employment. This Severance Agreement shall not confer upon the Employee any right with respect to continuance of employment by Employer.

13. Mitigation. Employee shall not be required to mitigate the amount of any payment, benefit or other Employer obligation provided for in this Severance Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to Employee in any subsequent employment.

14. Restrictions on Competition; Solicitation; Hiring.

- (a) During the term of his or her employment by or with Employer, and for one (1) year from the date of the termination of Employee's employment with Employer (the "Post Termination Period"), Employee shall not, without the prior written consent of Employer, for himself or herself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work on or participate in the acquisition, leasing, financing, pre-development or development of any project or property which was considered and actively pursued by Employer or its affiliates for acquisition, leasing, financing, pre-development or development within one year prior to the date of termination of Employee's employment.
- (b) During the term of his or her employment by or with Employer, and thereafter during the Post Termination Period, Employee shall not, for any reason whatsoever, directly or indirectly, for himself or herself or on behalf of or in conjunction with any other Person:
 - (i) so that Employer may maintain an uninterrupted workforce, solicit and/or hire any Person who is at the time of termination of employment, or has been within six (6) months prior to the time of termination of Employee's employment, an employee of Employer or its affiliates, for the purpose or with the intent of enticing such employee away from or out of the employ of Employer or its affiliates, provided that Employee shall be permitted to call upon and hire any member of the Employee's immediate family;

- (ii) in order to protect the confidential information and proprietary rights of Employer, solicit, induce or attempt to induce any Person who or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, an actual customer, client, business partner, property owner, developer or tenant or a prospective customer, client, business partner, property owner, developer or tenant (i.e., a customer, client, business partner, property owner, developer or tenant who is party to a written proposal or letter of intent with Employer, in each case written less than six (6) months prior to termination of Employee's employment) of Employer, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates, or (B) in any way interfering with the relationship between such Person and Employer or its affiliates; or
 - (iii) solicit, induce or attempt to induce any Person who is or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, a tenant, supplier, licensee or consultant of, or provider of goods or services to Employer or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates or (B) in any way interfering with the relationship between such Person and Employer or its affiliates.
- (c) The above notwithstanding, the restrictions contained in subsections (a) and (b) above shall not apply to Employee in the Post-Termination Period in the event that Employee has ceased to be employed by Employer under circumstances described in Section 6 of this Severance Agreement.
- (d) Because of the difficulty of measuring economic losses to Employer as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to Employer for which it would have no other adequate remedy, Employee agrees that the foregoing covenants, in addition to and not in limitation of any other rights, remedies or damages available to Employer at law, in equity or under this Agreement, may be enforced by Employer in the event of the breach or threatened breach by Employee, by

injunctions and/or restraining orders. If Employer is involved in court or other legal proceedings to enforce the covenants contained in this Section 14, then in the event Employer prevails in such proceedings, Employee shall be liable for the payment of reasonable attorneys' fees, costs and ancillary expenses incurred by Employer in enforcing its rights hereunder.

- (e) It is agreed by the parties that the covenants contained in this Section 14 impose a fair and reasonable restraint on Employee in light of the activities and business of Employer on the date of the execution of this Agreement and the current plans of Employer; but it is also the intent of Employer and Employee that such covenants be construed and enforced in accordance with the changing activities, business and locations of Employer and its affiliates throughout the term of these covenants.
- (f) It is further agreed by the parties hereto that, in the event that Employee shall cease to be employed hereunder, and enters into a business or pursues other activities that, at such time, are not in competition with Employer or its affiliates or with any business or activity which Employer or its affiliates contemplated pursuing, as of the date of termination of Employee's employment, within twelve (12) months from such date of termination, or similar activities or business in locations the operation of which, under such circumstances, does not violate this Section 14 or any of Employee's obligations under this Section 14, Employee shall not be chargeable with a violation of this Section 14 if Employer or its affiliates subsequently enter the same (or a similar) competitive business, course of activities or location, as applicable.
- (g) The covenants in this Section 14 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.
- (h) All of the covenants in this Section 14 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against Employer whether predicated on this Agreement or

otherwise shall not constitute a defense to the enforcement by Employer of such covenants. It is specifically agreed that the Post Termination Period, during which the agreements and covenants of Employee made in this Section 14 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this Section 14.

- (i) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Employee shall be prohibited from engaging in any competitive activity described in Section 14 hereof, the period of time for which Employee shall be prohibited pursuant to Section 14 hereof shall be the maximum time permitted by law.

15. No Assignment. Neither this Severance Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either Employer or Employee without the prior written consent of the other party; *provided, however*, that this provision shall not preclude Employee from designating one or more beneficiaries to receive any amount that may be payable after Employee's death and shall not preclude Employee's executor or administrator from assigning any right hereunder to the person or persons entitled thereto; *provided, further*, that in connection with a voluntary transfer, the Employer may assign this Severance Agreement (and its rights, remedies, obligations, and liabilities) to an affiliate of the Employer without the consent of the Employee in connection with a spin off of such affiliate (whether by a transfer of shares of beneficial ownership, assets, or other substantially similar transaction) to all or substantially all of the shareholders of the Employer (a "Spin-off") and, upon such assignment, the affiliate shall be deemed the Employer for all purposes of this Severance Agreement. This Severance Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of Employer, or by any merger or consolidation wherein Employer is not the surviving entity, or by any transfer of all or substantially all of Employer's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Severance Agreement shall be binding upon and shall inure to the benefit of the surviving entity or to the entity to which such assets shall be transferred.

16. Amendment. This Severance Agreement may be terminated, amended, modified or supplemented only by a written instrument executed by Employee and Employer.

17. Waiver. Either party hereto may by written notice to the other: (i) extend the time for performance of any of the obligations or other actions of the other party under this Severance Agreement; (ii) waive compliance with any of the conditions or covenants of the other party contained in this Severance Agreement; (iii) waive or modify

performance of any of the obligations of the other party under this Severance Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Severance Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Severance Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach. No failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights to exercise the same any subsequent time or times hereunder.

18. Severability. In case any one or more of the provisions of this Severance Agreement shall, for any reason, be held or found by determination of the arbitrator(s) pursuant to an arbitration held in accordance with Section 11 above to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Severance Agreement, (ii) this Severance Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and (iii) if the effect of a holding or finding that any such provision is either invalid, illegal or unenforceable is to modify to Employee's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Employee intended by Employer and Employee in entering into this Severance Agreement, Employer shall promptly negotiate and enter into an agreement with Employee containing alternative provisions (reasonably acceptable to Employee), that will restore to Employee (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Employee would have enjoyed had any such provision of this Severance Agreement been upheld as legal, valid and enforceable. Failure to insist upon strict compliance with any provision of this Severance Agreement shall not be deemed a waiver of such provision or of any other provision of this Severance Agreement.

19. Governing Law. This Severance Agreement has been executed and delivered in the State of Maryland and its validity, interpretation, performance and enforcement shall be governed by the laws of said State; *provided, however*, that any arbitration under Section 11 hereof shall be conducted in accordance with the Federal Arbitration Act as then in force.

20. No Attachment. Except as required by law, no right to receive payments under this Severance Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation or the execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

21. Source of Payments. All payments provided under this Severance Agreement shall be paid in cash from the general funds of Employer, and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment.

22. Headings. The section and other headings contained in this Severance Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Severance Agreement.

23. Notices. Any notice required or permitted to be given under this Severance Agreement shall be in writing and shall be deemed to have been given when delivered in person or when deposited in the U.S. mail, registered or certified, postage prepaid, and mailed to Employee's addresses set forth herein and the business address of Employer, unless a party changes its address for receiving notices by giving notice in accordance with this Section, in which case, to the address specified in such notice.

24. Counterparts. This Severance Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

25. Entire Agreement. Except as may otherwise be provided herein, this Severance Agreement supersedes any and all prior written agreements existing between Employer and Employee with regard to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Severance Agreement to be effective as of the day and year indicated above.

Employee's Signature

Employee's Permanent Address:

FEDERAL REALTY INVESTMENT TRUST

By: _____

Name: Walter F. Loeb
Title: Chair, Compensation Committee
Address: 1626 East Jefferson Street
Rockville, Maryland 20852

CERTIFICATION

I, Donald C. Wood, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment 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 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 principals;
 - 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 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 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 trustees (or persons performing the equivalent functions):

- 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.

/s/ Donald C. Wood

Donald C. Wood, President, Chief Executive
Officer and Trustee (Principal Executive Officer)

July 28, 2005

CERTIFICATION

I, Larry E. Finger, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment 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 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 principals;
 - 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 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 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 trustees (or persons performing the equivalent functions):
 - 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.

/s/ Larry E. Finger

July 28, 2005

Larry E. Finger, Executive Vice President and Chief
Financial Officer (Principal Accounting Officer)

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2005 (the "Report"). The undersigned hereby certifies that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities 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.

/s/ Donald C. Wood

July 28, 2005

Donald C. Wood, President, Chief
Executive Officer and Trustee (Principal Executive Officer)

CERTIFICATION

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Larry E. Finger, the Executive Vice President and Chief Financial Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2005 (the "Report"). The undersigned hereby certifies that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities 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.

/s/ Larry E. Finger

July 28, 2005

Larry E. Finger, Executive Vice President and Chief
Financial Officer(Principal Accounting Officer)