

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO THE SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number: 1-07533

FEDERAL REALTY INVESTMENT TRUST

(Exact Name of Registrant as Specified in its Declaration of Trust)

Maryland
(State of Organization)

52-0782497
(IRS Employer Identification No.)

1626 East Jefferson Street, Rockville, Maryland
(Address of Principal Executive Offices)

20852
(Zip Code)

(301) 998-8100
(Registrant's Telephone Number, Including Area Code)

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

The number of Registrant's common shares outstanding on July 30, 2007 was 56,394,014.

FEDERAL REALTY INVESTMENT TRUST

QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED JUNE 30, 2007

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PART 1—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following balance sheet as of December 31, 2006, which has been derived from audited financial statements, and the unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been omitted pursuant to those rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the company's latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the six and three months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year.

Federal Realty Investment Trust
Consolidated Balance Sheets

	June 30, 2007	December 31, 2006
	(In thousands, except share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating	\$ 3,316,513	\$ 3,025,210
Construction-in-progress	109,215	99,774
Assets held for sale (discontinued operations)	15,987	79,274
	<u>3,441,715</u>	<u>3,204,258</u>
Less accumulated depreciation and amortization	(785,291)	(740,507)
Net real estate	2,656,424	2,463,751
Cash and cash equivalents	11,718	11,495
Accounts and notes receivable	52,753	47,493
Mortgage notes receivable	40,775	40,756
Investment in real estate partnership	30,191	10,322
Prepaid expenses and other assets	101,399	106,172
Debt issuance costs, net of accumulated amortization of \$8,350 and \$7,474, respectively	7,895	8,617
TOTAL ASSETS	<u><u>\$ 2,901,155</u></u>	<u><u>\$ 2,688,606</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable	\$ 377,189	\$ 311,037
Obligations under capital leases	150,813	149,361
Notes payable, including revolving credit facility	157,925	109,024
Senior notes and debentures	1,127,548	1,127,508
Accounts payable and accrued expenses	91,646	97,727
Dividends payable	32,878	31,809
Security deposits payable	11,060	10,126
Other liabilities and deferred credits	49,109	45,745
Total liabilities	1,998,168	1,882,337
Minority interests	38,033	22,191
Commitments and contingencies (Note E)		
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, \$.01 par:		
5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896 and 0 shares, respectively, issued and outstanding	9,997	—
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 57,873,340 and 56,805,816 issued, respectively	579	568
Additional paid-in capital	1,366,480	1,281,217
Accumulated dividends in excess of net income	(482,492)	(467,369)
Treasury shares at cost, 1,486,803 and 1,485,279 shares, respectively	(28,807)	(28,807)
Notes receivable from issuance of common shares	(803)	(1,531)
Total shareholders' equity	864,954	784,078
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 2,901,155</u></u>	<u><u>\$ 2,688,606</u></u>

The accompanying notes are integral part of these consolidated statements.

Federal Realty Investment Trust
Consolidated Statements of Operations
(Unaudited)

	Six Months Ended June 30,	
	2007	2006
(In thousands, except per share data)		
REVENUE		
Rental income	\$ 237,096	\$ 210,302
Other property income	4,995	3,960
Mortgage interest income	2,257	2,671
Total revenue	244,348	216,933
EXPENSES		
Rental	49,498	42,473
Real estate taxes	23,335	21,049
General and administrative	11,640	9,483
Depreciation and amortization	52,472	48,087
Total operating expense	136,945	121,092
OPERATING INCOME		
	107,403	95,841
Other interest income	680	593
Interest expense	(59,044)	(49,034)
Income from real estate partnership	647	338
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS		
	49,686	47,738
Minority interests	(2,681)	(2,397)
INCOME FROM CONTINUING OPERATIONS		
	47,005	45,341
DISCONTINUED OPERATIONS		
Income from discontinued operations	1,000	175
Gain on sale of real estate from discontinued operations	1,849	16,330
Results from discontinued operations	2,849	16,505
INCOME BEFORE GAIN ON SALE OF REAL ESTATE		
	49,854	61,846
Gain on sale of real estate	—	7,441
NET INCOME		
	49,854	69,287
Dividends on preferred stock	(171)	(5,738)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS		
	\$ 49,683	\$ 63,549
EARNINGS PER COMMON SHARE, BASIC		
Continuing operations	\$ 0.84	\$ 0.75
Discontinued operations	0.05	0.31
Gain on sale of real estate	—	0.14
	\$ 0.89	\$ 1.20
EARNINGS PER COMMON SHARE, DILUTED		
Continuing operations	\$ 0.83	\$ 0.74
Discontinued operations	0.05	0.31
Gain on sale of real estate	—	0.14
	\$ 0.88	\$ 1.19

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,	
	2007	2006
(In thousands, except per share data)		
REVENUE		
Rental income	\$ 119,920	\$ 105,329
Other property income	2,557	1,866
Mortgage interest income	1,127	1,349
Total revenue	123,604	108,544
EXPENSES		
Rental	24,370	20,305
Real estate taxes	11,991	10,503
General and administrative	6,036	4,981
Depreciation and amortization	26,526	24,176
Total operating expense	68,923	59,965
OPERATING INCOME	54,681	48,579
Other interest income	330	331
Interest expense	(29,728)	(24,754)
Income from real estate partnership	363	190
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	25,646	24,346
Minority interests	(1,384)	(1,324)
INCOME FROM CONTINUING OPERATIONS	24,262	23,022
DISCONTINUED OPERATIONS		
Income from discontinued operations	607	200
Gain on sale of real estate from discontinued operations	1,849	7,593
Results from discontinued operations	2,456	7,793
INCOME BEFORE GAIN ON SALE OF REAL ESTATE	26,718	30,815
Gain on sale of real estate	—	7,441
NET INCOME	26,718	38,256
Dividends on preferred stock	(135)	(2,869)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	\$ 26,583	\$ 35,387
EARNINGS PER COMMON SHARE, BASIC		
Continuing operations	\$ 0.43	\$ 0.38
Discontinued operations	0.04	0.15
Gain on sale of real estate	—	0.14
	\$ 0.47	\$ 0.67
EARNINGS PER COMMON SHARE, DILUTED		
Continuing operations	\$ 0.43	\$ 0.38
Discontinued operations	0.04	0.14
Gain on sale of real estate	—	0.14
	\$ 0.47	\$ 0.66

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

Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity
(Unaudited)

	For the Six Months Ended June 30, 2007									
	Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Dividends In Excess of Net Income	Treasury Shares		Notes Receivable from Issuance of Common Shares	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount		
	(In thousands, except share data)									
BALANCE AT DECEMBER 31, 2006	—	\$ —	56,805,816	\$ 568	\$1,281,217	\$ (467,369)	(1,485,279)	\$(28,807)	\$ (1,531)	\$ 784,078
Net income	—	—	—	—	—	49,854	—	—	—	49,854
Dividends declared to common shareholders	—	—	—	—	—	(64,806)	—	—	—	(64,806)
Dividends declared to preferred shareholders	—	—	—	—	—	(171)	—	—	—	(171)
Exercise of stock options	—	—	59,752	1	2,573	—	—	—	—	2,574
Shares issued under dividend reinvestment plan	—	—	16,230	—	1,430	—	—	—	—	1,430
Share-based compensation expense	—	—	107,476	1	3,592	—	—	—	—	3,593
Conversions and cash redemptions of downREIT operating partnership units	—	—	—	—	(275)	—	—	—	—	(275)
Common shares issued	—	—	884,066	9	77,943	—	—	—	—	77,952
Preferred shares issued	399,896	9,997	—	—	—	—	—	—	—	9,997
Unvested shares forfeited	—	—	—	—	—	—	(1,524)	—	—	—
Loans paid	—	—	—	—	—	—	—	—	728	728
BALANCE AT JUNE 30, 2007	<u>399,896</u>	<u>\$9,997</u>	<u>57,873,340</u>	<u>\$ 579</u>	<u>\$1,366,480</u>	<u>\$ (482,492)</u>	<u>(1,486,803)</u>	<u>\$(28,807)</u>	<u>\$ (803)</u>	<u>\$ 864,954</u>

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,	
	2007	2006
(In thousands)		
OPERATING ACTIVITIES		
Net income	\$ 49,854	\$ 69,287
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization, including discontinued operations	53,385	48,339
Gain on sale of real estate	(1,849)	(23,771)
Equity in income from real estate partnership	(647)	(338)
Minority interests	2,681	2,397
Other, net	(1,853)	203
Changes in assets and liabilities net of effects of acquisitions and dispositions:		
Decrease in accounts receivable	176	2,547
Decrease in prepaid expenses and other assets	9,439	1,266
Increase (decrease) in accounts payable, security deposits and prepaid rent	2,012	(1,518)
Decrease in accrued expenses	(2,967)	(4,614)
Net cash provided by operating activities	110,231	93,798
INVESTING ACTIVITIES		
Acquisition of real estate	(49,498)	(33,291)
Capital expenditures—development and redevelopment	(63,009)	(42,244)
Capital expenditures—other	(7,106)	(8,805)
Proceeds from sale of real estate	51,857	75,748
Investment in real estate partnership	(20,414)	(4,930)
Distribution from real estate partnership in excess of earnings	408	—
Leasing costs	(5,238)	(3,834)
Repayment (issuance) of mortgage and other notes receivable, net	253	(519)
Net cash used in investing activities	(92,747)	(17,875)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility, net of costs	49,000	46,500
Repayment of senior debentures	—	(40,500)
Repayment of mortgages, capital leases and notes payable	(3,656)	(2,660)
Issuance of common shares	4,732	3,533
Dividends paid to common and preferred shareholders	(64,229)	(75,131)
Distributions to minority interests	(3,108)	(2,262)
Net cash used in financing activities	(17,261)	(70,520)
Increase in cash and cash equivalents	223	5,403
Cash and cash equivalents at beginning of year	11,495	8,639
Cash and cash equivalents at end of period	<u>\$ 11,718</u>	<u>\$ 14,042</u>

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

Federal Realty Investment Trust
Notes to Consolidated Financial Statements
June 30, 2007
(Unaudited)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

Federal Realty Investment Trust (the “Trust”) is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, as well as in California.

We operate in a manner intended to enable us to qualify as a real estate investment trust (or REIT) for federal income tax purposes. A REIT that distributes at least 90% of its taxable income to its shareholders each year and meets certain other conditions is not taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, federal income taxes on our REIT taxable income have been and are generally expected to be immaterial. We are obligated to pay state taxes, generally consisting of franchise or gross receipts taxes in certain states. Such state taxes also have not been material.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, each of which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Internal Revenue Code of 1986, as amended (the “Code”). A TRS is subject to federal and state income taxes. The sales of condominiums at Santana Row, which went from August 2005 through August 2006, and the sales of Bath Shopping Center, Key Road Plaza and Riverside Plaza in 2007 were conducted through a TRS. Other than these sales, our TRS activities have not been material.

Basis of Presentation

Our consolidated financial statements include the accounts of the Trust, its corporate subsidiaries, and all entities in which the Trust has a controlling interest or has been determined to be the primary beneficiary of a variable interest entity. The equity interests of other investors are reflected as minority interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures, which we do not control, using the equity method of accounting. Certain amounts in the 2006 consolidated financial statements have been reclassified to conform to current period presentation.

In June 2006, we sold Greenlawn Plaza to our unconsolidated real estate partnership resulting in a gain of \$7.4 million. In our 2006 Form 10-K, the operations of the property prior to June 2006 and the gain on sale of real estate were included in discontinued operations. However, due to our continuing involvement in the property, Greenlawn Plaza does not qualify for discontinued operations classification under SFAS No.144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. Accordingly, we have reclassified the results of operations through the date of sale to continuing operations and reclassified the gain on sale from “gain on sale of real estate from discontinued operations” to “gain on sale of real estate”. This reclassification does not impact net income.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as “GAAP,” requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management’s best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management’s assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. We make estimates of the collectibility of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue or income. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a certain portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the non-recognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At June 30, 2007 and December 31, 2006, accounts receivable include approximately \$29.4 million and \$24.8 million, respectively, related to straight-line rents. At June 30, 2007 and December 31, 2006, our allowance for doubtful accounts was \$6.8 million and \$6.2 million, respectively.

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Consolidated Statements of Cash Flows—Supplemental Disclosures

The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows:

	Six Months Ended June 30,	
	2007	2006
(In thousands)		
SUPPLEMENTAL DISCLOSURES:		
Total interest costs incurred	\$ 63,130	\$ 50,357
Interest capitalized	(4,086)	(1,323)
Interest expense	\$ 59,044	\$ 49,034
Cash paid for interest	\$ 62,512	\$ 49,161
Cash paid for income taxes	\$ 770	\$ 3,030(1)
NON-CASH TRANSACTIONS:		
Mortgage loans assumed with acquisition	\$ 79,987	\$ —
Common shares issued with acquisition	\$ 77,957	\$ —
Preferred shares issued with acquisition	\$ 9,997	\$ —
DownREIT operating partnership units issued with acquisition	\$ 16,358	\$ —

- (1) Cash paid for income taxes for the six months ended June 30, 2006 includes \$2.8 million related to the sales of condominiums at Santana Row which were conducted through a TRS.

Accounting for Income Taxes

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes”—an interpretation of FASB Statement No. 109, “Accounting for Income Taxes.” FIN 48 was issued to reduce the diversity in practice associated with certain aspects of recognition, disclosure and measurement related to accounting for uncertain income tax positions. We adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial position, results of operation, or cash flows. We recognize penalties and interest accrued related to unrecognized tax benefits as income tax expense. With few exceptions, we are no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2003. As of June 30, 2007, we had no material unrecognized tax benefits.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurement” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments under SFAS No. 123(R). We are required to adopt SFAS No. 157 effective January 1, 2008. We do not believe the adoption of SFAS No. 157 will have a material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115” (“SFAS No. 159”). This standard permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. We do not expect SFAS No. 159 to have a material impact on our financial statements.

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NOTE B—REAL ESTATE

The following table provides a summary of significant acquisitions made by us and our consolidated affiliates during the six months ended June 30, 2007:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (In millions)</u>
February 28, 2007	Crow Canyon Crest	San Ramon, CA	17,000	\$ 10.9(1)
March 8, 2007	The White Marsh Portfolio: (2)	White Marsh, MD		189.4(3)(4)
	THE AVENUE at White Marsh		296,000	
	White Marsh Plaza		79,000	
	The Shoppes at Nottingham Square		186,000	
	White Marsh Other		53,000	
May 30, 2007	Shoppers' World	Charlottesville, VA	169,000	27.2(4)(5)
	Total		<u>800,000</u>	<u>\$ 227.5</u>

- (1) As part of the preliminary purchase price allocation, approximately \$0.4 million and \$1.8 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively.
- (2) The White Marsh Portfolio was purchased using \$11.5 million of cash plus a combination of common stock and convertible preferred stock, downREIT operating partnership units, and the assumption of mortgage loans through a merger with Nottingham Properties, Inc. The acquisition also included ground leases covering 50,000 square feet of office space and a hotel which are not included in gross leasable area.
- (3) As part of the preliminary purchase price allocation, approximately \$8.5 million and \$7.0 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively.
- (4) A preliminary allocation of the purchase price has been made and will be finalized after various valuation studies are complete.
- (5) On May 30, 2007, we entered into a Section 1031 like-kind exchange agreement with a third party intermediary related to the acquisition of Shoppers' World. The exchange agreement is for a maximum of 180 days and allows us to defer gains on sale of other properties sold within this period. We have identified the properties we intend to sell during this period to complete the Section 1031 exchange. Until the earlier of termination of this exchange agreement or November 26, 2007, the third party intermediary is the legal owner of the property, although we control the property and retain all of the economic benefits and risks associated with the property. This property is held in a variable interest entity for which we are the primary beneficiary. Accordingly, as of June 30, 2007, we consolidate the property and its operations.

The following table provides a summary of significant dispositions made by us and our consolidated affiliates during the six months ended June 30, 2007. All three properties were acquired in August 2006 by a TRS as part of a larger portfolio. The properties are classified as held for sale and their operations are included in discontinued operations for all periods presented.

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Sales Price (In millions)</u>	<u>Gain</u>
April 5, 2007	Bath Shopping Center	Bath, ME	101,000	\$ 21.8	\$0.6(1)
June 20, 2007	Key Road Plaza	Keene, NH	76,000	15.3	0.4(2)
June 20, 2007	Riverside Plaza	Keene, NH	218,000	25.9	0.5(3)
	Total		<u>395,000</u>	<u>\$ 63.0</u>	<u>\$1.5</u>

- (1) Gain of \$0.6 million is net of \$0.3 million in taxes.
- (2) Gain of \$0.4 million is net of \$0.1 million in taxes.
- (3) Gain of \$0.5 million is net of \$0.1 million in taxes.

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Two properties located in the East region are currently under contract for sale and closing is projected to occur in 2007. The properties are classified as held for sale and their operations are included in discontinued operations for all periods presented. The revenues from all properties included in discontinued operations were \$3.7 million and \$1.1 million for the six months ended June 30, 2007 and 2006, respectively, and \$1.4 million and \$0.5 million for the three months ended June 30, 2007 and 2006, respectively.

NOTE C—REAL ESTATE PARTNERSHIP

We have 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%. We and Clarion both hold a 0.1% general partner interest in the Partnership, and our remaining interests in the Partnership are held in the form of limited partner interests. We are the manager of the Partnership and its properties, earning fees for acquisitions, dispositions, 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.

The following tables provide summarized operating results and the financial position of the Partnership:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
(In thousands)				
OPERATING RESULTS				
Revenue	\$7,968	\$4,350	\$ 4,437	\$ 2,342
Expenses				
Depreciation and amortization	2,137	1,105	1,162	557
Other operating expenses	1,946	1,149	1,041	568
Interest expense	2,206	1,357	1,132	742
Total expenses	6,289	3,611	3,335	1,867
Net income	\$1,679	\$ 739	\$ 1,102	\$ 475
Our share of net income from real estate partnership	\$ 647	\$ 338	\$ 363	\$ 190

	June 30,	December 31,
	2007	2006
(In thousands)		
BALANCE SHEETS		
Real estate, net	\$ 193,817	\$ 123,478
Cash	3,244	2,116
Other assets	6,055	4,064
Total assets	\$ 203,116	\$ 129,658
Mortgages payable	\$ 81,610	\$ 77,425
Other liabilities	9,378	6,716
Partners’ capital	112,128	45,517
Total liabilities and partners’ capital	\$ 203,116	\$ 129,658
Our share of unconsolidated debt	\$ 24,483	\$ 23,228
Our investment in real estate partnership	\$ 30,191	\$ 10,322

For mortgages payable totaling \$36.7 million that are secured by three properties owned by subsidiaries of the Partnership, we are the guarantor for the obligations of the joint venture which are commonly referred to as “non-recourse carve-outs.” The guaranties do not have a finite term; however, once the lenders have been repaid in accordance with the loan documents, the only likely basis for a claim on the guaranty is for loss to the lender as a result of potential future environmental liability at the properties to which the loans relate. We are not guaranteeing repayment of the debt itself. The Partnership indemnifies us for any loss we incur under these guarantees.

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The following table provides a summary of acquisitions made by the Partnership, during the six months ended June 30, 2007:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (In millions)</u>
February 15, 2007	Free State Shopping Center	Bowie, MD	278,000	\$ 64.1
February 20, 2007	Lake Barcroft Shopping Center(1)	Falls Church, VA	9,000	6.0
	Total		287,000	\$ 70.1

(1) The property acquired is adjacent to and operated as part of Barcroft Plaza.

On April 10, 2007, the Partnership entered into a mortgage note for approximately \$4.2 million. The mortgage note is secured by the Lake Barcroft property. The note matures on July 1, 2016, bears interest at 5.71% per annum and requires monthly payments of interest only.

NOTE D—DEBT

In connection with the acquisition of the White Marsh portfolio and Shoppers' World, we assumed five mortgage notes as follows:

<u>Property</u>	<u>Fair Value (1) (In millions)</u>	<u>Maturity Date</u>	<u>Stated Annual Interest Rate</u>
THE AVENUE at White Marsh	\$ 61.9	January 1, 2015	5.46%
White Marsh Plaza	\$ 6.4	April 1, 2013	5.96%
White Marsh Plaza	\$ 4.5	April 1, 2013	6.18%
White Marsh Other	\$ 1.2	December 31, 2008	6.06%
Shoppers' World	\$ 6.0	January 31, 2021	5.91%

(1) The aggregate face amount of the mortgage notes is \$79.7 million. However, in accordance with GAAP, these mortgage notes were recorded at their fair value of \$80.0 million.

With the exception of one of the mortgage notes on White Marsh Plaza, all of the mortgage notes assumed require monthly payments of principal and interest. The \$4.5 million mortgage note on White Marsh Plaza is interest only through the maturity date.

During the six months ended June 30, 2007, the maximum amount of borrowings outstanding under our \$300 million revolving credit facility was \$203 million. The weighted average amount of borrowings outstanding was \$152.1 million and \$167.2 million for the six months and three months ended June 30, 2007, respectively. Our revolving credit facility had a weighted average interest rate, before amortization of debt fees, of 5.7% for the six months and three months ended June 30, 2007.

Our credit facility and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholder's equity and debt coverage ratios and a maximum ratio of debt to net worth. At June 30, 2007, we were in compliance with all loan covenants.

NOTE E—COMMITMENTS AND CONTINGENCIES

We are currently a party to various legal proceedings. Other than as described below, we do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us (1) as owner of the properties due to certain matters relating to the operation of the properties by the tenant, and (2) where appropriate, due to certain matters relating to the ownership of the properties prior to their acquisition by us.

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We are also involved in a litigation matter relating to a shopping center in New Jersey where a former tenant has alleged that we, through our management agent, engaged in fraud by failing to disclose a condemnation action at the property that was pending when the lease was signed. A trial as to liability only has been concluded and post-trial briefs have been filed but no decision is expected to be rendered for 30-90 days. If we are found liable, a trial will be held to determine the amount of damages. Based on the evidence and information available to us, we believe there is a reasonable possibility that we will be successful in the litigation and found to have no liability, however, if a verdict is rendered against us, we will seek indemnification from the third party management company that negotiated the lease on our behalf. We cannot assess with any certainty at this time the potential damages for which we would be liable if a verdict is rendered against us or the potential amounts we would recover against the third party management company; however, if a verdict is rendered against us, there may be a material adverse impact on our net income in the period during which our indemnification claim is pending.

We also have one litigation matter filed against us in May 2003 which alleges that a one page document entitled "Final Proposal," which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave the plaintiff the option to require that we acquire the property at a price determined in accordance with a formula included in the "Final Proposal." The plaintiff is seeking an unspecified amount of monetary damages. A trial as to liability only was held on June 27, 2006 and a jury rendered a verdict against us. A trial date on the issue of damages has been set for March 2008. The complaint did not specify the amount of damages claimed however, we now understand that the plaintiff is claiming damages of \$18 million. We cannot make a reasonable estimate of potential damages until experts are retained, additional discovery is completed on the damages issue and the court rules on various legal issues impacting the calculation of damages. The additional discovery on the damage claim has now commenced. We intend to appeal the jury verdict; however, no appeal of the judgment can be taken until the trial on damages has been completed. If we are not successful in overturning the jury verdict, we will be liable for damages and, based on our analysis with information available to date, we believe those damages could be de minimis. However, it is possible, there could be a material adverse impact on our net income in the period in which it is both probable that we will have to pay the damages and such damages can be reasonably estimated. In any event, management does not believe it will have a material impact on our financial position.

NOTE F—SHAREHOLDERS' EQUITY

On March 8, 2007, as part of the consideration to acquire the White Marsh portfolio, we issued (i) 884,066 common shares at \$88.18 per share, par value \$0.01 per share, (ii) 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares ("Series 1 Preferred Shares") at the liquidation preference of \$25 per share, par value \$0.01 per share, and (iii) 185,504 downREIT operating partnership units at \$88.18 per share. The Series 1 Preferred Shares will accrue dividends at a rate of 5.417% per year and are convertible at any time by the holders to our common shares at a conversion rate of \$104.69 per share. The Series 1 Preferred Shares are also convertible under certain circumstances at our election. The holders of the Series 1 Preferred Shares have no voting rights.

The following table provides a summary of dividends declared and paid per share:

	Six months ended June 30,			
	2007		2006	
	Declared	Paid	Declared	Paid
	(In thousands)			
Common shares	\$ 1.150	\$ 1.150	\$ 1.310(1)	\$ 1.310(1)
5.417% Series 1 Cumulative Convertible Preferred	\$ 0.429(2)	\$ 0.090(2)	\$ —	\$ —
8.5% Series B Cumulative Preferred (3)	\$ —	\$ —	\$ 1.063	\$ 1.063

- (1) Includes regular dividend declared and paid of \$1.110 and special dividend of \$0.200 resulting from the sales of condominiums at Santana Row.
- (2) The Series 1 Preferred Shares were issued on March 8, 2007. The dividend declared on the Series 1 Preferred Shares is for the period from March 8, 2007 through and including June 30, 2007; the dividend paid is for the period March 8, 2007 through and including March 31, 2007.
- (3) On November 27, 2006, the Trust redeemed all 5,400,000 outstanding shares of its Series B Cumulative Redeemable Preferred Shares. Dividends on the Series B Preferred Shares ceased to accrue on November 27, 2006.

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NOTE G—COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Minimum rents				
Retail and commercial	\$ 177,610	\$ 158,955	\$ 90,875	\$ 80,054
Residential	7,342	5,614	3,733	3,120
Cost reimbursement	45,668	39,834	22,121	19,429
Percentage rent	3,652	3,150	1,700	1,216
Other	2,824	2,749	1,491	1,510
Total rental income	<u>\$ 237,096</u>	<u>\$ 210,302</u>	<u>\$ 119,920</u>	<u>\$ 105,329</u>

Minimum rents include \$4.7 million and \$3.1 million for the six months ended June 30, 2007 and 2006, respectively, and \$2.7 million and \$1.7 million for the three months ended June 30, 2007 and 2006, respectively, to recognize minimum rents on a straight-line basis. In addition, minimum rents include \$1.2 million and \$1.0 million for the six months ended June 30, 2007 and 2006, respectively, and \$0.4 million and \$0.5 million for the three months ended June 30, 2007 and 2006, respectively, to recognize income from the amortization of in-place leases in accordance with SFAS No. 141. Residential minimum rents consist of the entire rental amounts at Rollingwood Apartments, the Crest at Congressional Plaza Apartments and residential units at Santana Row, excluding those units sold as condominiums and included in discontinued operations.

NOTE H—SHARE-BASED COMPENSATION PLANS

A summary of share-based compensation expense included in net income is as follows:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
	(In thousands)			
Share-based compensation incurred				
Common shares	\$3,042	\$2,381	\$ 1,468	\$ 1,160
Options	551	508	302	277
	3,593	2,889	1,770	1,437
Capitalized share-based compensation	(409)	(308)	(207)	(156)
Share-based compensation expensed	<u>\$3,184</u>	<u>\$2,581</u>	<u>\$ 1,563</u>	<u>\$ 1,281</u>

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NOTE I—EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted earnings per share:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
(In thousands, except per share data)				
NUMERATOR				
Income from continuing operations	\$47,005	\$45,341	\$24,262	\$23,022
Preferred stock dividends	(171)	(5,738)	(135)	(2,869)
Income from continuing operations available for common shareholders	46,834	39,603	24,127	20,153
Results from discontinued operations	2,849	16,505	2,456	7,793
Gain on sale of real estate	—	7,441	—	7,441
Net income available for common shareholders, basic and dilutive	<u>\$49,683</u>	<u>\$63,549</u>	<u>\$26,583</u>	<u>\$35,387</u>
DENOMINATOR				
Weighted average common shares outstanding—basic	55,797	52,789	56,168	52,842
Effect of dilutive securities:				
Stock options	390	403	374	392
Unvested stock	71	95	49	81
Weighted average common shares outstanding—dilutive (1)	<u>56,258</u>	<u>53,287</u>	<u>56,591</u>	<u>53,315</u>
EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	\$ 0.84	\$ 0.75	\$ 0.43	\$ 0.38
Discontinued operations	0.05	0.31	0.04	0.15
Gain on sale of real estate	—	0.14	—	0.14
	<u>\$ 0.89</u>	<u>\$ 1.20</u>	<u>\$ 0.47</u>	<u>\$ 0.67</u>
EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	\$ 0.83	\$ 0.74	\$ 0.43	\$ 0.38
Discontinued operations	0.05	0.31	0.04	0.14
Gain on sale of real estate	—	0.14	—	0.14
	<u>\$ 0.88</u>	<u>\$ 1.19</u>	<u>\$ 0.47</u>	<u>\$ 0.66</u>

- (1) The conversion of downREIT operating partnership units and Series 1 Preferred Stock are anti-dilutive for all periods presented. Accordingly, downREIT operating partnership units and Series 1 Preferred Stock have been excluded from the weighted average common shares used to compute diluted earnings per share.

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NOTE J—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.”

A summary of our operations by geographic region is presented below:

	Six Months Ended June 30, 2007			Total
	East	West	Other	
	(In thousands)			
Rental income	\$ 185,521	\$ 51,575	\$ —	\$ 237,096
Other property income	3,439	1,556	—	4,995
Mortgage interest income	1,475	782	—	2,257
Rental expenses	(35,476)	(14,022)	—	(49,498)
Real estate taxes	(18,996)	(4,339)	—	(23,335)
Property operating income	135,963	35,552	—	171,515
General and administrative expense	—	—	(11,640)	(11,640)
Depreciation and amortization	(37,107)	(15,163)	(202)	(52,472)
Other interest income	601	79	—	680
Interest expense	—	—	(59,044)	(59,044)
Income from real estate partnership	—	—	647	647
Income from continuing operations before minority interests	99,457	20,468	(70,239)	49,686
Minority interests	—	—	(2,681)	(2,681)
Income from discontinued operations	—	—	1,000	1,000
Gain on sale of real estate from discontinued operations	—	—	1,849	1,849
Net income	<u>\$ 99,457</u>	<u>\$ 20,468</u>	<u>\$ (70,071)</u>	<u>\$ 49,854</u>
Total assets at end of period	<u>\$1,916,468</u>	<u>\$878,443</u>	<u>\$106,244</u>	<u>\$2,901,155</u>

	Six Months Ended June 30, 2006			Total
	East	West	Other	
	(In thousands)			
Rental income	\$ 162,823	\$ 47,479	\$ —	\$ 210,302
Other property income	2,293	1,667	—	3,960
Mortgage interest income	1,506	1,165	—	2,671
Rental expenses	(29,530)	(12,943)	—	(42,473)
Real estate taxes	(16,830)	(4,219)	—	(21,049)
Property operating income	120,262	33,149	—	153,411
General and administrative expense	—	—	(9,483)	(9,483)
Depreciation and amortization	(33,218)	(14,417)	(452)	(48,087)
Other interest income	531	62	—	593
Interest expense	—	—	(49,034)	(49,034)
Income from real estate partnership	—	—	338	338
Income from continuing operations before minority interests	87,575	18,794	(58,631)	47,738
Minority interests	—	—	(2,397)	(2,397)
Income from discontinued operations	—	—	175	175
Gain on sale of real estate from discontinued operations	—	—	16,330	16,330
Gain on sale of real estate	—	—	7,441	7,441
Net income	<u>\$ 87,575</u>	<u>\$ 18,794</u>	<u>\$ (37,082)</u>	<u>\$ 69,287</u>
Total assets at end of period	<u>\$1,393,298</u>	<u>\$877,499</u>	<u>\$ 77,672</u>	<u>\$2,348,469</u>

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	Three Months Ended June 30, 2007			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 93,844	\$ 26,076	\$ —	\$ 119,920
Other property income	1,811	746	—	2,557
Mortgage interest income	738	389	—	1,127
Rental expenses	(17,091)	(7,279)	—	(24,370)
Real estate taxes	(9,777)	(2,214)	—	(11,991)
Property operating income	69,525	17,718	—	87,243
General and administrative expense	—	—	(6,036)	(6,036)
Depreciation and amortization	(18,722)	(7,560)	(244)	(26,526)
Other interest income	292	38	—	330
Interest expense	—	—	(29,728)	(29,728)
Income from real estate partnership	—	—	363	363
Income from continuing operations before minority interests	51,095	10,196	(35,645)	25,646
Minority interests	—	—	(1,384)	(1,384)
Income from discontinued operations	—	—	607	607
Gain on sale of real estate from discontinued operations	—	—	1,849	1,849
Net income	\$ 51,095	\$ 10,196	\$ (34,573)	\$ 26,718
Total assets at end of period	\$1,916,468	\$878,443	\$ 106,244	\$2,901,155

	Three Months Ended June 30, 2006			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 81,584	\$ 23,745	\$ —	\$ 105,329
Other property income	1,031	835	—	1,866
Mortgage interest income	793	556	—	1,349
Rental expenses	(14,021)	(6,284)	—	(20,305)
Real estate taxes	(8,400)	(2,103)	—	(10,503)
Property operating income	60,987	16,749	—	77,736
General and administrative expense	—	—	(4,981)	(4,981)
Depreciation and amortization	(16,753)	(7,188)	(235)	(24,176)
Other interest income	294	37	—	331
Interest expense	—	—	(24,754)	(24,754)
Income from real estate partnership	—	—	190	190
Income from continuing operations before minority interests	44,528	9,598	(29,780)	24,346
Minority interests	—	—	(1,324)	(1,324)
Income from discontinued operations	—	—	200	200
Gain on sale of real estate from discontinued operations	—	—	7,593	7,593
Gain on sale of real estate	—	—	7,441	7,441
Net income	\$ 44,528	\$ 9,598	\$ (15,870)	\$ 38,256
Total assets at end of period	\$1,393,298	\$877,499	\$ 77,672	\$2,348,469

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Forward-Looking Statements**

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 Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission on March 1, 2007.

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." Forward-looking statements are not historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

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 Annual Report on Form 10-K for the year ended December 31, 2006, before making any investments in us.

Overview

We are an equity real estate investment trust ("REIT") specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. As of June 30, 2007, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 88 predominantly retail real estate projects comprising approximately 19.5 million square feet, located primarily in densely populated and affluent communities in strategic metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as in California. In total, the real estate projects were 96.1% leased at June 30, 2007. A joint venture in which we own a 30% interest owned six retail real estate projects totaling approximately 0.9 million square feet as of June 30, 2007. In total, the joint venture properties in which we own an interest were 98.7% leased at June 30, 2007. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 39 consecutive years.

2007 Property Acquisitions and Dispositions

The following table provides a summary of significant acquisitions made by us and our consolidated affiliates during the six months ended June 30, 2007:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (In millions)</u>
February 28, 2007	Crow Canyon Crest	San Ramon, CA	17,000	\$ 10.9
March 8, 2007	The White Marsh Portfolio: (1)	White Marsh, MD		189.4
	THE AVENUE at White Marsh		296,000	
	White Marsh Plaza		79,000	
	The Shoppes at Nottingham Square		186,000	
	White Marsh Other		53,000	
May 30, 2007	Shoppers' World	Charlottesville, VA	169,000	27.2 (2)
	Total		<u>800,000</u>	<u>\$ 227.5</u>

- (1) The White Marsh Portfolio was purchased using \$11.5 million of cash plus a combination of common stock and convertible preferred stock, downREIT operating partnership units, and the assumption of mortgage loans through a merger with Nottingham Properties, Inc. The acquisition also included ground leases covering 50,000 square feet of office space and a hotel which are not included in gross leasable area.

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- (2) On May 30, 2007, we entered into a Section 1031 like-kind exchange agreement with a third party intermediary related to the acquisition of Shoppers' World. The exchange agreement is for a maximum of 180 days and allows us to defer gains on sale of other properties sold within this period. We have identified the properties we intend to sell during this period to complete the Section 1031 exchange. Until the earlier of termination of this exchange agreement or November 26, 2007, the third party intermediary is the legal owner of the property, although we control the property and retain all of the economic benefits and risks associated with the property. This property is held in a variable interest entity for which we are the primary beneficiary. Accordingly, as of June 30, 2007, we consolidate the property and its operations.

The following table provides a summary of significant dispositions made by us and our consolidated affiliates during the six months ended June 30, 2007. All three properties were acquired in August 2006 by a TRS as part of a larger portfolio. The properties are classified as held for sale and their operations are included in discontinued operations for all periods presented.

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Sales Price (In millions)</u>	<u>Gain</u>
April 5, 2007	Bath Shopping Center	Bath, ME	101,000	\$ 21.8	\$0.6(1)
June 20, 2007	Key Road Plaza	Keene, NH	76,000	15.3	0.4(2)
June 20, 2007	Riverside Plaza	Keene, NH	218,000	25.9	0.5(3)
	Total		<u>395,000</u>	<u>\$ 63.0</u>	<u>\$1.5</u>

- (1) Gain of \$0.6 million is net of \$0.3 million in taxes.
(2) Gain of \$0.4 million is net of \$0.1 million in taxes.
(3) Gain of \$0.5 million is net of \$0.1 million in taxes.

Two properties located in the East region are currently under contract for sale and closing is projected to occur in 2007. The properties are classified as held for sale and their operations are included in discontinued operations for all periods presented. The revenues from all properties included in discontinued operations were \$3.7 million and \$1.1 million for the six months ended June 30, 2007 and 2006, respectively, and \$1.4 million and \$0.5 million for the three months ended June 30, 2007 and 2006, respectively.

The following table provides a summary of acquisitions made by our unconsolidated real estate partnership during the six months ended June 30, 2007:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (In millions)</u>
February 15, 2007	Free State Shopping Center	Bowie, MD	278,000	\$ 64.1
February 20, 2007	Lake Barcroft Shopping Center(1)	Falls Church, VA	9,000	6.0
	Total		<u>287,000</u>	<u>\$ 70.1</u>

- (1) The property acquired is adjacent to and operated as part of Barcroft Plaza.

2007 Significant Debt, Equity and Other Transactions

In connection with the acquisition of the White Marsh portfolio and Shoppers' World, we assumed five mortgage notes as follows:

<u>Property</u>	<u>Fair Value (1) (In millions)</u>	<u>Maturity Date</u>	<u>Stated Annual Interest Rate</u>
THE AVENUE at White Marsh	\$ 61.9	January 1, 2015	5.46%
White Marsh Plaza	\$ 6.4	April 1, 2013	5.96%
White Marsh Plaza	\$ 4.5	April 1, 2013	6.18%
White Marsh Other	\$ 1.2	December 31, 2008	6.06%
Shoppers' World	\$ 6.0	January 31, 2021	5.91%

- (1) The aggregate face amount of the mortgage notes is \$79.7 million. However, in accordance with GAAP, these mortgage notes were recorded at their fair value of \$80.0 million.

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On March 8, 2007, as part of the consideration to acquire the White Marsh portfolio, we issued (i) 884,066 common shares at \$88.18 per share, par value \$0.01 per share, (ii) 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares (“Series 1 Preferred Shares”) at the liquidation preference of \$25 per share, par value \$0.01 per share, and (iii) 185,504 downREIT operating partnership units at \$88.18 per share. The Series 1 Preferred Shares will accrue dividends at a rate of 5.417% per year and are convertible at any time by the holders to our common shares at a conversion rate of \$104.69 per share. The Series 1 Preferred Shares are also convertible under certain circumstances at our election. The holders of the Series 1 Preferred Shares have no voting rights.

On April 10, 2007, our unconsolidated real estate partnership entered into a mortgage note for approximately \$4.2 million. The mortgage note is secured by the Lake Barcroft property which was acquired in February 2007 and is adjacent to and operated as part of Barcroft Plaza. The note matures on July 1, 2016, bears interest at 5.71% per annum and requires monthly payments of interest only.

Outlook

General

We anticipate our 2007 income from continuing operations to grow in comparison to our 2006 income from continuing operations. We expect this income growth primarily to be generated by a combination of the following:

- increased earnings in our same-center portfolio and from properties under redevelopment; and
- increased earnings as we expand our portfolio through property acquisitions.

On May 2, 2007, we announced a regular quarterly cash dividend of \$0.575 per share on our common shares, resulting in an indicated annual rate of \$2.30 per share. The regular common dividend was payable on July 16, 2007, to common shareholders of record as of June 22, 2007.

We continue to see a positive impact on our income as a result of the redevelopment of our shopping centers and higher rental rates on existing spaces as leases on these spaces expire. We anticipate investments in redevelopment projects of approximately \$110 million and \$97 million to stabilize in 2007 and 2008, respectively. As redevelopment properties are completed, spaces that were out of service begin generating revenue; in addition, spaces that were not out of service and that have expiring leases may generate higher revenue because we generally receive higher rent on new leases. For example, many of the leases with rents commencing in 2007 were signed in 2006 or earlier, and leases signed in 2005, 2006 and year-to-date 2007 on spaces for which there was a previous tenant have on average been renewed at double digit cash basis base rent increases. On spaces where the tenant leases are expiring later in 2007, our analysis of current market rents as compared to rents on the existing leases leads us to expect that the base rents on new leases will have double-digit weighted average increases over the cash basis base rents currently in place.

At June 30, 2007, the leasable square feet in our shopping centers was 94.7% occupied and 96.1% leased. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant bankruptcies.

Acquisitions

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

Same-Center

Throughout this section, we have provided certain information on a “same-center” basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant development, redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations.

[Table of Contents](#)**RESULTS OF OPERATIONS—SIX MONTHS ENDED JUNE 30, 2007 AND 2006**

	2007	2006	Change	
			Dollars	%
			(Dollar amounts in thousands)	
Rental income	\$ 237,096	\$ 210,302	\$ 26,794	12.7%
Other property income	4,995	3,960	1,035	26.1%
Mortgage interest income	2,257	2,671	(414)	-15.5%
Total property revenue	244,348	216,933	27,415	12.6%
Rental expenses	49,498	42,473	7,025	16.5%
Real estate taxes	23,335	21,049	2,286	10.9%
Total property expenses	72,833	63,522	9,311	14.7%
Property operating income	171,515	153,411	18,104	11.8%
Other interest income	680	593	87	14.7%
Income from real estate partnership	647	338	309	91.4%
Interest expense	(59,044)	(49,034)	(10,010)	20.4%
General and administrative expense	(11,640)	(9,483)	(2,157)	22.7%
Depreciation and amortization	(52,472)	(48,087)	(4,385)	9.1%
Total other, net	(121,829)	(105,673)	(16,156)	15.3%
Income from continuing operations before minority interests	49,686	47,738	1,948	4.1%
Minority interests	(2,681)	(2,397)	(284)	11.8%
Income from discontinued operations	1,000	175	825	471.4%
Gain on sale of real estate from discontinued operations	1,849	16,330	(14,481)	-88.7%
Gain on sale of real estate	—	7,441	(7,441)	-100.0%
Net income	\$ 49,854	\$ 69,287	\$ (19,433)	-28.0%

Property Revenues

Total property revenue increased \$27.4 million, or 12.6%, to \$244.3 million in the six months ended June 30, 2007 compared to \$216.9 million in the six months ended June 30, 2006. The percentage leased at our shopping centers decreased slightly to 96.1% at June 30, 2007 compared to 96.7% at June 30, 2006 due primarily to vacancies caused by the Chapter 7 liquidation of Tower Records and Storehouse Furniture during the fourth quarter of 2006. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost recoveries from tenants and percentage rent. Rental income increased \$26.8 million, or 12.7%, to \$237.1 million in the six months ended June 30, 2007 compared to \$210.3 million in the six months ended June 30, 2006 due primarily to the following:

- an increase of \$14.2 million attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- an increase of \$8.2 million at same-center properties due to increased rental rates on new leases and increased cost recoveries,
- an increase of \$3.6 million at redevelopment properties due to increased occupancy, increased rental rates on new leases and increased cost recoveries,
- an increase of \$1.7 million at Santana Row residential due primarily to leasing of residential units throughout 2006,

offset by

- a decrease of \$0.9 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

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Other Property Income

Other property income increased \$1.0 million, or 26.1%, to \$5.0 million in the six months ended June 30, 2007 compared to \$4.0 million in the six months ended June 30, 2006. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is due primarily to an increase in lease termination fees at same-center properties.

Mortgage Interest Income

Mortgage interest income decreased \$0.4 million, or 15.5%, to \$2.3 million in the six months ended June 30, 2007 compared to \$2.7 million in the six months ended June 30, 2006. This decrease is primarily due to an amendment of our \$17.7 million secondary mortgage note receivable secured by a hotel at our Santana Row project in San Jose, California which was executed on August 4, 2006 and decreased the interest rate from 14% per annum to 9% per annum.

Property Expenses

Total property expenses increased \$9.3 million, or 14.7%, to \$72.8 million in the six months ended June 30, 2007 compared to \$63.5 million in the six months ended June 30, 2006. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$7.0 million, or 16.5%, to \$49.5 million in the six months ended June 30, 2007 compared to \$42.5 million in the six months ended June 30, 2006. This increase is due primarily to the following:

- an increase of \$2.5 million in repairs and maintenance at same-center and redevelopment properties due primarily to higher snow removal and maintenance costs,
- an increase of \$2.4 million attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- an increase of \$1.0 million in utilities at same-center and redevelopment properties, and
- an increase of \$0.7 million in legal fees related to the litigation at a shopping center in New Jersey.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income increased to 20.4% in the six months ended June 30, 2007 from 19.8% in the six months ended June 30, 2006.

Real Estate Taxes

Real estate tax expense increased \$2.3 million, or 10.9%, to \$23.3 million in the six months ended June 30, 2007 compared to \$21.0 million in the six months ended June 30, 2006. This increase is due primarily to increased taxes of \$1.3 million related to properties acquired in 2007 and 2006 and Assembly Square Mall and \$1.1 million related to higher assessments at our same-center, redevelopment and Santana Row residential properties.

Property Operating Income

Property operating income increased \$18.1 million, or 11.8%, to \$171.5 million in the six months ended June 30, 2007 compared to \$153.4 million in the six months ended June 30, 2006. This increase is due primarily to the following:

- earnings attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- growth in same-center earnings,
- growth in earnings at redevelopment properties, and
- growth in earnings at Santana Row residential.

Other

Interest Expense

Interest expense increased \$10.0 million, or 20.4%, to \$59.0 million in the six months ended June 30, 2007 compared to \$49.0 million in the six months ended June 30, 2006. This increase is due primarily to the following:

- an increase of \$13.8 million due to higher borrowings to finance our acquisitions,

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offset by

- an increase of \$2.8 million in capitalized interest,
- a decrease of \$0.7 million due to a lower overall weighted average borrowing rate, and
- a decrease of \$0.3 million due to lower participation on certain capital leases.

Gross interest costs were \$63.1 million and \$50.4 million in the six months ended June 30, 2007 and 2006, respectively. Capitalized interest amounted to \$4.1 million and \$1.3 million in the six months ended June 30, 2007 and 2006, respectively. Capitalized interest increased due primarily to development at Linden Square which was acquired in August 2006 and redevelopment at Arlington East.

General and Administrative Expense

General and administrative expense increased \$2.2 million, or 22.7%, to \$11.6 million in the six months ended June 30, 2007 compared to \$9.5 million in the six months ended June 30, 2006. This is primarily due to an increase in wages and bonuses and increased share-based compensation expense.

Depreciation and Amortization

Depreciation and amortization expense increased \$4.4 million, or 9.1%, to \$52.5 million in the six months ended June 30, 2007 from \$48.1 million in the six months ended June 30, 2006. This increase is due primarily to acquisitions and improvements at same-center properties.

Minority Interests

Income to minority partners increased \$0.3 million, or 11.8%, to \$2.7 million in the six months ended June 30, 2007 compared to \$2.4 million in the six months ended June 30, 2006. This increase is due primarily to an increase in earnings at properties held in non-wholly owned partnerships and an increase in operating partnership units issued to acquire the White Marsh portfolio in March 2007.

Income from Discontinued Operations

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported operating income of \$1.0 million and \$0.2 million for the six months ended June 30, 2007 and 2006, respectively, represents the operating income for the period during which we owned properties sold or to be sold in 2007 and 2006.

Gain on Sale of Real Estate From Discontinued Operations

The gain on sale of real estate from discontinued operations decreased \$14.5 million to \$1.8 million in the six months ended June 30, 2007 compared to \$16.3 million in the six months ended June 30, 2006. All of the properties sold in 2007 (Bath Shopping Center, Key Road Plaza, and Riverside Plaza) and 2006 (condominiums at Santana Row) resulted in gains.

Gain on Sale of Real Estate

The gain on sale of real estate includes properties which we maintained continuing involvement through our unconsolidated real estate partnership. No properties were sold in 2007 for which we maintained continuing involvement. One property, Greenlawn Plaza, was sold in 2006 to our unconsolidated real estate partnership, which resulted in a \$7.4 million 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.

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The following table provides selected key segment data for the six months ended June 30, 2007 and 2006. The results of properties classified as discontinued operations have been excluded for rental income, total revenue and property operating income from the following table.

	Six months ended June 30,	
	2007	2006
(In thousands)		
East		
Rental income	\$ 185,521	\$ 162,823
Total revenue	\$ 190,435	\$ 166,622
Property operating income (1)	\$ 135,963	\$ 120,262
Property operating income as a percent of total revenue	71.4%	72.2%
Total assets	\$1,916,468	\$1,393,298
Gross leasable area (square feet)	16,842	15,074
West		
Rental income	\$ 51,575	\$ 47,479
Total revenue	\$ 53,913	\$ 50,311
Property operating income (1)	\$ 35,552	\$ 33,149
Property operating income as a percent of total revenue	65.9%	65.9%
Total assets	\$ 878,443	\$ 877,499
Gross leasable area (square feet)	2,626	2,608

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

East

Rental income for the East region increased \$22.7 million to \$185.5 million in the six months ended June 30, 2007 compared to \$162.8 million in the six months ended June 30, 2006 due primarily to the following:

- an increase of \$13.9 million attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- an increase of \$7.4 million at same-center properties due to increased rental rates on new leases and increased cost recoveries,
- an increase of \$2.3 million at redevelopment properties

offset by

- a decrease of \$0.9 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

Property operating income for the East region increased \$15.7 million due primarily to the increase in rental income discussed above partially offset by a \$5.9 million increase in rental expense due to the acquisition of properties, additional snow removal costs, repairs and maintenance costs, and additional legal costs and a \$2.2 million increase in real estate taxes due primarily to the acquisition of properties and higher assessments on our same-center and redevelopment properties. As a result of these changes, the ratio of property operating income to total revenue for the East region decreased to 71.4% in the six months ended June 30, 2007 from 72.2% in the six months ended June 30, 2006.

West

Rental income for the West region increased \$4.1 million to \$51.6 million in the six months ended June 30, 2007 from \$47.5 million in the six months ended June 30, 2006 due primarily to the following:

- an increase of \$2.5 million at Santana Row due to leasing residential units throughout 2006 and increased rental rates on new retail leases, and
- an increase of \$1.4 million at redevelopment projects.

Property operating income for the West region increased \$2.4 million due primarily to the increase in rental income discussed above partially offset by a \$1.1 million increase in rental expense primarily at Santana Row and a \$0.4 million decrease in mortgage interest income due to an amendment of our \$17.7 million mortgage note receivable secured by a hotel at our Santana Row project in San Jose, California, which was executed on August 14, 2006 and decreased the interest rate from 14% per annum to 9% per annum. As a result of these changes, the ratio of property operating income to total revenue for the West region remained consistent at 65.9% in the six months ended June 30, 2007 and 2006.

RESULTS OF OPERATIONS—THREE MONTHS ENDED JUNE 30, 2007 AND 2006

	2007	2006	Change	
			Dollars	%
			(Dollar amounts in thousands)	
Rental income	\$ 119,920	\$ 105,329	\$ 14,591	13.9%
Other property income	2,557	1,866	691	37.0%
Mortgage interest income	1,127	1,349	(222)	-16.5%
Total property revenue	123,604	108,544	15,060	13.9%
Rental expenses	24,370	20,305	4,065	20.0%
Real estate taxes	11,991	10,503	1,488	14.2%
Total property expenses	36,361	30,808	5,553	18.0%
Property operating income	87,243	77,736	9,507	12.2%
Other interest income	330	331	(1)	-0.3%
Income from real estate partnership	363	190	173	91.1%
Interest expense	(29,728)	(24,754)	(4,974)	20.1%
General and administrative expense	(6,036)	(4,981)	(1,055)	21.2%
Depreciation and amortization	(26,526)	(24,176)	(2,350)	9.7%
Total other, net	(61,597)	(53,390)	(8,207)	15.4%
Income from continuing operations before minority interests	25,646	24,346	1,300	5.3%
Minority interests	(1,384)	(1,324)	(60)	4.5%
Income from discontinued operations	607	200	407	203.5%
Gain on sale of real estate from discontinued operations	1,849	7,593	(5,744)	-75.6%
Gain on sale of real estate	—	7,441	(7,441)	-100.0%
Net income	\$ 26,718	\$ 38,256	\$ (11,538)	-30.2%

Property Revenues

Total property revenue increased \$15.1 million, or 13.9%, to \$123.6 million in the three months ended June 30, 2007 compared to \$108.5 million in the three months ended June 30, 2006. The percentage leased at our shopping centers decreased slightly to 96.1% at June 30, 2007 compared to 96.7% at June 30, 2006 due primarily to vacancies caused by the Chapter 7 liquidation of Tower Records and Storehouse Furniture during the fourth quarter of 2006. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost recoveries from tenants and percentage rent. Rental income increased \$14.6 million, or 13.9%, to \$119.9 million in the three months ended June 30, 2007 compared to \$105.3 million in the three months ended June 30, 2006 due primarily to the following:

- an increase of \$8.5 million attributable to properties acquired in 2007 and 2006,
- an increase of \$3.8 million at same-center properties due to increased rental rates on new leases and increased cost recoveries,
- an increase of \$2.1 million at redevelopment properties due to increased occupancy, increased rental rates on new leases and increased cost recoveries, and
- an increase of \$0.6 million at Santana Row residential due primarily to leasing of residential units throughout 2006,

offset by

- a decrease of \$0.4 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

Other Property Income

Other property income increased \$0.7 million, or 37.0%, to \$2.6 million in the three months ended June 30, 2007 compared to \$1.9 million in the three months ended June 30, 2006. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is due primarily to an increase in lease termination fees at same-center properties.

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Mortgage Interest Income

Mortgage interest income decreased \$0.2 million, or 16.5%, to \$1.1 million in the three months ended June 30, 2007 compared to \$1.3 million in the three months ended June 30, 2006. This decrease is primarily due to an amendment of our \$17.7 million secondary mortgage note receivable secured by a hotel at our Santana Row project in San Jose, California which was executed on August 4, 2006 and decreased the interest rate from 14% per annum to 9% per annum.

Property Expenses

Total property expenses increased \$5.6 million, or 18.0%, to \$36.4 million in the three months ended June 30, 2007 compared to \$30.8 million in the three months ended June 30, 2006. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$4.1 million, or 20.0%, to \$24.4 million in the three months ended June 30, 2007 compared to \$20.3 million in the three months ended June 30, 2006. This increase is due primarily to the following:

- an increase of \$1.5 million attributable to properties acquired in 2007 and 2006,
- an increase of \$0.8 million in utility costs at same-center and redevelopment properties,
- an increase of \$0.6 million in legal fees related to the litigation at a shopping center in New Jersey, and
- an increase of \$0.4 million in repairs and maintenance at same-center and redevelopment.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income increased to 19.9% in the three months ended June 30, 2007 from 18.9% in the three months ended June 30, 2006.

Real Estate Taxes

Real estate tax expense increased \$1.5 million, or 14.2%, to \$12.0 million in the three months ended June 30, 2007 compared to \$10.5 million in the three months ended June 30, 2006. This increase is due primarily to higher assessments of \$0.8 million at our same-center, redevelopment and Santana Row residential properties and increased taxes of \$0.7 million related to properties acquired in 2007 and 2006.

Property Operating Income

Property operating income increased \$9.5 million, or 12.2%, to \$87.2 million in the three months ended June 30, 2007 compared to \$77.7 million in the three months ended June 30, 2006. This increase is due primarily to the following:

- earnings attributable to properties acquired in 2007 and 2006,
- growth in same-center earnings, and
- growth in earnings at redevelopment properties.

Other

Interest Expense

Interest expense increased \$5.0 million, or 20.1%, to \$29.7 million in the three months ended June 30, 2007 compared to \$24.8 million in the three months ended June 30, 2006. This increase is due primarily to the following:

- an increase of \$7.6 million due to higher borrowings to finance our acquisitions,

offset by

- an increase of \$1.5 million in capitalized interest,
- a decrease of \$0.7 million due to a lower overall weighted average borrowing rate, and
- a decrease of \$0.4 million due to lower participation on certain capital leases.

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Gross interest costs were \$31.9 million and \$25.4 million in the three months ended June 30, 2007 and 2006, respectively. Capitalized interest amounted to \$2.2 million and \$0.6 million in the three months ended June 30, 2007 and 2006, respectively. Capitalized interest increased due primarily to development at Linden Square which was acquired in August 2006 and redevelopment at Arlington East.

General and Administrative Expense

General and administrative expense increased \$1.1 million, or 21.2%, to \$6.0 million in the three months ended June 30, 2007 compared to \$5.0 million in the three months ended June 30, 2006. This is primarily due to an increase in wages and bonuses and increased stock based compensation expense.

Depreciation and Amortization

Depreciation and amortization expense increased \$2.4 million, or 9.7%, to \$26.5 million in the three months ended June 30, 2007 from \$24.2 million in the three months ended June 30, 2006. This increase is due primarily to acquisitions and improvements at same-center properties.

Minority Interests

Income to minority partners increased \$0.1 million, or 4.5%, to \$1.4 million in the three months ended June 30, 2007 compared to \$1.3 million in the three months ended June 30, 2006. This increase is due primarily to an increase in operating partnership units issued to acquire the White Marsh portfolio in March 2007.

Income from Discontinued Operations

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported operating income of \$0.6 million and \$0.2 million for the three months ended June 30, 2007 and 2006, respectively, represents the operating income for the period during which we owned properties sold or to be sold in 2007 and 2006.

Gain on Sale of Real Estate from Discontinued Operations

The gain on sale of real estate from discontinued operations decreased \$5.7 million, or 75.6%, to \$1.8 million in the three months ended June 30, 2007, compared to \$7.6 million in the three months ended June 30, 2006. All of the properties sold in 2007 (Bath Shopping Center, Key Road Plaza, and Riverside Plaza) and 2006 (condominiums at Santana Row) resulted in gains.

Gain on Sale of Real Estate

The gain on sale of real estate includes properties which we maintained continuing involvement through our unconsolidated real estate partnership. No properties were sold in 2007 for which we maintained continuing involvement. One property, Greenlawn Plaza, was sold in 2006 to our unconsolidated real estate partnership, which resulted in a \$7.4 million 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.

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The following table provides selected key segment data for the three months ended June 30, 2007 and 2006. The results of properties classified as discontinued operations have been excluded for rental income, total revenue and property operating income from the following table.

	Three Months Ended June 30,	
	2007	2006
(In thousands)		
East		
Rental income	\$ 93,844	\$ 81,584
Total revenue	\$ 96,393	\$ 83,408
Property operating income (1)	\$ 69,525	\$ 60,987
Property operating income as a percent of total revenue	72.1%	73.1%
Total assets	\$1,916,468	\$1,393,298
Gross leasable area (square feet)	16,842	15,074
West		
Rental income	\$ 26,076	\$ 23,745
Total revenue	\$ 27,211	\$ 25,136
Property operating income (1)	\$ 17,718	\$ 16,749
Property operating income as a percent of total revenue	65.1%	66.6%
Total assets	\$ 878,443	\$ 877,499
Gross leasable area (square feet)	2,626	2,608

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

East

Rental income for the East region increased \$12.3 million to \$93.8 million in the three months ended June 30, 2007 compared to \$81.6 million in the three months ended June 30, 2006 due primarily to the following:

- an increase of \$8.2 million attributable to properties acquired in 2007 and 2006,
- an increase of \$3.2 million at same-center properties due to increased rental rates on new leases and increased cost recoveries,
- an increase of \$1.3 million at redevelopment properties

offset by

- a decrease of \$0.4 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

Property operating income for the East region increased \$8.5 million due primarily to the increase in rental income discussed above partially offset by a \$3.1 million increase in rental expense due to the acquisition of properties, additional snow removal costs, repairs and maintenance costs, and additional legal costs and a \$1.4 million increase in real estate taxes due primarily to the acquisition of properties and higher assessments on our same-center and redevelopment properties. As a result of these changes, the ratio of property operating income to total revenue for the East region decreased to 72.1% in the three months ended June 30, 2007 from 73.1% in the three months ended June 30, 2006.

West

Rental income for the West region increased \$2.3 million to \$26.1 million in the three months ended June 30, 2007 from \$23.7 million in the three months ended June 30, 2006 due primarily to an increase of \$1.2 million at Santana Row. The increase in rental income at Santana Row is due primarily to leasing residential units throughout 2006 and increased occupancy rates.

Property operating income for the West region increased \$1.0 million due primarily to the increase in rental income discussed above partially offset by a \$1.0 million increase in rental expenses and real estate taxes primarily at Santana Row and a \$0.2 million decrease in mortgage interest income due to an amendment of our \$17.7 million second mortgage note receivable secured by a hotel in our Santana Row project in San Jose, California, which was executed on August 14, 2006 and decreased

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the interest rate from 14% per annum to 9% per annum. As a result of these changes, the ratio of property operating income to total revenue for the West region decreased to 65.1% in the three months ended June 30, 2007 from 66.6% in the three months ended June 30, 2006.

New Accounting Standards Implemented

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes”—an interpretation of FASB Statement No. 109, “Accounting for Income Taxes.” FIN 48 was issued to reduce the diversity in practice associated with certain aspects of recognition, disclosure and measurement related to accounting for uncertain income tax positions. We adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial position, results of operation, or cash flows. We recognize penalties and interest accrued related to unrecognized tax benefits as income tax expense. With few exceptions, we are no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2003. As of June 30, 2007, we had no material unrecognized tax benefits.

New Accounting Standards to Be Implemented

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurement” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments under SFAS No. 123(R). We are required to adopt SFAS No. 157 effective January 1, 2008. We do not believe the adoption of SFAS No. 157 will have a material impact on our financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115” (“SFAS No. 159”). This standard permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for the first fiscal year beginning after November 15, 2007. We do not expect SFAS No. 159 to have a material impact on our financial statements.

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. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our REIT taxable income.

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 expenditures, non-recurring expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Overall capital requirements in 2007 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.

Our long-term capital requirements consist primarily of maturities under our long-term debt, development and redevelopment costs and potential acquisitions. 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 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 provided by operations that is not distributed to shareholders,
- proceeds from the issuance of new debt or equity securities, or
- proceeds from property dispositions.

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. 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

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- other debt and equity alternatives, including formation of joint ventures, in a manner consistent with our intention to operate with a conservative debt structure.

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 preferred stock equity may prohibit us from incurring debt or issuing equity under certain circumstances, 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.

Cash and cash equivalents were \$11.7 million at June 30, 2007, which is a \$0.2 million increase from the balance of cash and cash equivalents at December 31, 2006. Cash and cash equivalents are not a good indicator of our liquidity. We have a \$300.0 million unsecured revolving credit facility that matures July 27, 2010, subject to a one-year extension at our option. We intend to utilize our revolving credit facility to initially finance the acquisition of properties and meet other short-term working capital requirements.

Summary of Cash Flows

	Six months ended June 30,	
	2007	2006
	(In thousands)	
Cash provided by operating activities	\$ 110,231	\$ 93,798
Cash used in investing activities	(92,747)	(17,875)
Cash used in financing activities	(17,261)	(70,520)
Increase in cash and cash equivalents	223	5,403
Cash and cash equivalents, beginning of year	11,495	8,639
Cash and cash equivalents, end of period	<u>\$ 11,718</u>	<u>\$ 14,042</u>

Net cash provided by operating activities increased \$16.4 million to \$110.2 million during the six months ended June 30, 2007 from \$93.8 million during the six months ended June 30, 2006. The increase was primarily attributable to:

- \$11.0 million decrease in cash used for working capital due primarily to higher accounts payable and lower prepaid balances, and
- \$5.5 million higher net income before gain on sale of real estate, depreciation and amortization, minority interest, and other non-cash expenses.

Net cash used in investing activities increased \$74.9 million to \$92.7 million during the six months ended June 30, 2007 from \$17.9 million during the six months ended June 30, 2006. The increase was primarily attributable to:

- \$23.9 million decrease in proceeds from the sale of real estate,
- \$19.1 million increase in capital expenditures primarily for development and redevelopment activities,
- \$16.2 million increase in acquisitions of real estate,
- \$15.5 million increase in contributions to our unconsolidated real estate partnership due to additional acquisitions by the real estate partnership, and
- \$1.4 million increase in leasing costs

partially offset by

- \$0.8 million increase in mortgage and note receivable repayments.

Net cash used in financing activities decreased \$53.3 million to \$17.3 million during the six months ended June 30, 2007 from \$70.5 million used during the six months ended June 30, 2006. The decrease was primarily attributable to:

- \$40.5 million repayment of senior debentures in 2006,
- \$10.9 million decrease in dividends paid to shareholders due primarily to \$10.6 million of special common dividends paid in 2006 and a \$5.7 million decrease in preferred share dividends offset by an increase in the common dividend rate in 2007,

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and

- \$2.5 million increase in net borrowings on our revolving credit facility

partially offset by

- \$0.8 million increase in distributions to minority interests.

Off-Balance Sheet Arrangements

We are joint venture partners in eight restaurants at Santana Row. Our investment balance in the restaurant joint ventures was approximately \$8.2 million and \$8.6 million at June 30, 2007 and December 31, 2006, respectively. Our equity in earnings from the restaurant joint ventures was \$0.9 million for the six months ended June 30, 2007 and 2006.

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%. We are the manager of the Partnership and its properties, earning 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. In total, at June 30, 2007, the Partnership had \$81.6 million of mortgages payable outstanding. For mortgages payable totaling \$36.7 million that are secured by three properties owned by subsidiaries of the Partnership, we are the guarantor for the obligations of the joint venture which are commonly referred to as “non-recourse carve-outs.” The guaranties do not have a finite term; however, once the lenders have been repaid in accordance with the loan documents, the only likely basis for a claim on the guaranty is for loss to the lender as a result of potential future environmental liability at the properties to which the loans relate. We are not guaranteeing repayment of the debt itself. The Partnership indemnifies us for any loss we incur under these guarantees.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of June 30, 2007:

Description of Debt	Original Debt Issued	Principal Balance as of June 30, 2007	Stated Interest Rate as of June 30, 2007	Maturity Date
	(Dollars in thousands)			
Mortgage Loans (1)				
<i>Secured Fixed Rate</i>				
Leesburg Plaza	\$ 9,900	\$ 9,696	6.510%	October 1, 2008
164 E. Houston Street	345	73	7.500%	October 6, 2008
White Marsh Other	Acquired	1,170	6.060%	December 31, 2008
Mercer Mall	Acquired	4,476	8.375%	April 1, 2009
Federal Plaza	36,500	33,929	6.750%	June 1, 2011
Tysons Station	7,000	6,293	7.400%	September 1, 2011
White Marsh Plaza (2)	Acquired	10,469	6.040%	April 1, 2013
Crow Canyon	Acquired	21,767	5.400%	August 11, 2013
Melville Mall	Acquired	25,403	5.250%	September 1, 2014
THE AVENUE at White Marsh	Acquired	61,524	5.460%	January 1, 2015
Barracks Road	44,300	42,307	7.950%	November 1, 2015
Hauppauge	16,700	15,949	7.950%	November 1, 2015
Lawrence Park	31,400	29,987	7.950%	November 1, 2015
Wildwood	27,600	26,358	7.950%	November 1, 2015
Wynnewood	32,000	30,560	7.950%	November 1, 2015
Brick Plaza	33,000	31,384	7.415%	November 1, 2015
Shoppers' World	Acquired	6,049	5.910%	January 31, 2021
Mount Vernon (3)	13,250	12,117	5.660%	April 15, 2028
Chelsea	Acquired	8,318	5.360%	January 15, 2031
Subtotal		377,829		
Unamortized Net Discount		(640)		
Total Mortgage Loans		377,189		
Notes Payable				
<i>Unsecured Fixed Rate</i>				
Perring Plaza Renovation	3,087	1,525	10.00%	January 31, 2013
<i>Unsecured Variable Rate</i>				
Revolving credit facilities (4)	300,000	147,000	LIBOR + 0.425%	July 27, 2010
Escondido (Municipal Bonds) (5)	9,400	9,400	3.730%	October 1, 2016
Total Notes Payable		157,925		
Senior Notes and Debentures				
<i>Unsecured Fixed Rate</i>				
6.125% Notes (6)	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
6.00% Notes	175,000	175,000	6.000%	July 15, 2012
5.40% Notes	135,000	135,000	5.400%	December 1, 2013
5.65% Notes	125,000	125,000	5.650%	June 1, 2016
6.20% Notes	200,000	200,000	6.200%	January 15, 2017
7.48% Debentures (7)	50,000	50,000	7.480%	August 15, 2026
6.82% Medium Term Notes	40,000	40,000	6.820%	August 1, 2027
Subtotal		1,125,000		
Unamortized Net Premium		2,548		
Total Senior Notes and Debentures		1,127,548		
Capital Lease Obligations				
Various		150,813	Various	Various through 2106
Total Debt and Capital Lease Obligations		\$ 1,813,475		

- Mortgage loans do not include our 30% share (\$24.5 million) of the \$81.6 million debt of the partnership with Clarion Lion Properties Fund.
- The interest rate of 6.04% represents the weighted average interest rate for two mortgage notes secured by this property. The loan balance represents an interest only note of \$4.35 million at a rate of 6.18% and the remaining balance at a rate of 5.96%.

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- 3) 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.
- 4) The maximum amount drawn under our revolving credit facility during the six and three months ended June 30, 2007 was \$203 million. The weighted average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 5.7% for the six and three months ended June 30, 2007. This credit facility is subject to a one-year extension at our option.
- 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 property is not encumbered by a lien.
- 6) 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%.
- 7) On August 15, 2008, the debentures are redeemable by the holders thereof at the original purchase price of \$1,000 per debenture.

Our credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of June 30, 2007, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt 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.

	<u>Secured</u>	<u>Capital Lease</u>	<u>Unsecured</u>	<u>Total</u>
	(In thousands)			
Reminder of 2007	\$ 2,764	\$ 739	\$ 150,105	\$ 153,608
2008	17,320	1,590	226	19,136
2009	11,232	1,794	175,250	188,276
2010	7,344	1,937	147,275(1)	156,556
2011	44,645	2,091	75,304	122,040
2012 and thereafter (2)	294,524	142,662	734,765	1,171,951
	<u>\$377,829</u>	<u>\$150,813</u>	<u>\$1,282,925</u>	<u>\$1,811,567(3)</u>

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

- 1) Includes \$147.0 million outstanding under our revolving credit facility which is subject to a one-year extension.
- 2) Includes \$10.0 million under the Mount Vernon mortgage loan that may be required to be paid on or after April 15, 2013 and \$50 million of unsecured debt that may be called by the holders on August 15, 2008.
- 3) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium on certain mortgage loans, senior notes and debentures as of June 30, 2007.

Interest Rate Hedging

We enter into interest rate swaps and treasury rate locks that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We do not purchase derivatives for speculation. Our cash flow hedges are recorded at fair value. The effective portion of changes in fair value of our cash flow hedges is recorded in other comprehensive income and reclassified to earnings when the hedged item affects earnings. The ineffective portion of changes in fair value of our cash flow hedges is recognized in earnings in the period affected. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Hedge ineffectiveness did not have a significant impact on earnings in the six months ended June 30, 2007 and 2006, and we do not anticipate it will have a significant effect in the future. We had no hedging instruments outstanding during the six months ended June 30, 2007.

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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 and losses 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 (including net capital gain) 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.

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,	
	2007	2006	2007	2006
	(In thousands, except per share data)			
Net income	\$ 49,854	\$ 69,287	\$ 26,718	\$ 38,256
Gain on sale of real estate	(1,849)	(23,771)	(1,849)	(15,034)
Depreciation and amortization of real estate assets	48,259	43,884	24,317	22,010
Amortization of initial direct costs of leases	4,177	3,564	2,107	1,825
Depreciation of joint venture real estate assets	591	315	323	151
Funds from operations	101,032	93,279	51,616	47,208
Dividends on preferred stock	(171)	(5,738)	(135)	(2,869)
Income attributable to operating partnership units	644	478	399	245
Funds from operations available for common shareholders	\$ 101,505	\$ 88,019	\$ 51,880	\$ 44,584
Weighted average number of common shares, diluted (1)	56,750	53,688	57,149	53,710
Funds from operations available for common shareholders, per diluted share	\$ 1.79	\$ 1.64	\$ 0.91	\$ 0.83

- (1) The weighted average common shares used to compute FFO per diluted common share includes operating partnership units that were excluded from the computation of diluted EPS. Conversion of these operating partnership units is dilutive in the computation of FFO per diluted common share but is anti-dilutive in the computation of diluted EPS for the periods presented.

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.

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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. We had no hedging instruments outstanding during the six months ended June 30, 2007.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our 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 might 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 2031 or through 2106 including capital lease obligations) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At June 30, 2007 we had \$1.5 billion of fixed-rate debt outstanding. If interest rates on our fixed-rate debt instruments at June 30, 2007 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$76.5 million. If interest rates on our fixed-rate debt instruments at June 30, 2007 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$78.6 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, 2007, we had \$156.4 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 \$1.6 million, and our net income and cash flows for the year would decrease by approximately \$1.6 million. Conversely, if interest rates decreased 1.0%, our annual interest expense would decrease by approximately \$1.6 million, and our net income and cash flows for the year would increase by approximately \$1.6 million.

ITEM 4. CONTROLS AND PROCEDURES

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2007. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2007 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal controls over financial reporting during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In May 2003, First National Mortgage Company filed a complaint against us in the United States District Court for the Northern District of California. The complaint alleged that a one page document entitled “Final Proposal,” which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave First National Mortgage Company the option to require that we acquire the property at a price determined in accordance with a formula included in the “Final Proposal.” The plaintiff is seeking an unspecified amount of monetary damages. A trial as to liability only was held on June 27, 2006 and a jury rendered a verdict against us. A trial date on the issue of damages has been set for March 2008. The complaint did not specify the amount of damages claimed however, we now understand that the plaintiff is claiming damages of \$18 million. We cannot make a reasonable estimate of potential damages until experts are retained, additional discovery is completed on the damages issue and the court rules on various legal issues impacting the calculation of damages. The additional discovery on the damage claim has now commenced. We intend to appeal the jury verdict; however, no appeal of the judgment can be taken until the trial on damages has been completed. If we are not successful in overturning the jury verdict, we will be liable for damages and, based on our analysis with information available to date, we believe those damages could be de minimis. However, it is possible, there could be a material adverse impact on our net income in the period in which it is both probable that we will have to pay the damages and such damages can be reasonably estimated. In any event, management does not believe it will have a material impact on our financial position.

We are also involved in a litigation matter relating to a shopping center in New Jersey where a former tenant has alleged that we, through our management agent, engaged in fraud by failing to disclose a condemnation action at the property that was pending when the lease was signed. A trial as to liability only has been concluded and post-trial briefs have been filed but no decision is expected to be rendered for 30-90 days. If we are found liable, a trial will be held to determine the amount of damages. Based on the evidence and information available to us, we believe there is a reasonable possibility that we will be successful in the litigation and found to have no liability, however, if a verdict is rendered against us, we will seek indemnification from the third party management company that negotiated the lease on our behalf. We cannot assess with any certainty at this time the potential damages for which we would be liable if a verdict is rendered against us or the potential amounts we would recover against the third party management company; however, if a verdict is rendered against us, there may be a material adverse impact on our net income in the period during which our indemnification claim is pending.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2006 filed with the Securities and Exchange Commission on March 1, 2007. These factors include, but are not limited to, 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 cost more, take more time to complete, or 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

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- risks related to our status as a real estate investment trust, commonly referred to as a 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.

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

On March 8, 2007, we acquired the White Marsh Portfolio for which part of the consideration consisted of the issuance of (i) 884,066 common shares, (ii) 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares (iii) 185,504 downREIT operating partnership units. On April 19, 2007, we registered the common shares and the shares which will be tendered on conversion by the preferred shareholders or downREIT operating partnership unit holders.

Under the terms of various operating 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. On April 6, 2007, we redeemed 4,000 operating partnership units for cash.

Item 3. Defaults Upon Senior Securities

None

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

During the fiscal quarter ended June 30, 2007, 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 March 26, 2007, and the annual meeting of shareholders was held on May 2, 2007 in Rockville, Maryland. As of the record date prior to such meeting, 56,316,447 of our common shares were outstanding. At the annual shareholders meeting on May 2, 2007, 47,511,778 shares of our common stock were presented in person or by proxy, representing 84% of our outstanding common shares. The following table sets forth the matters presented for a vote by the shareholders and the votes cast for and against such matters:

<u>Matter</u>	<u>Votes for</u>	<u>Votes against</u>	<u>Abstentions</u>
(1) Election of Mr. Jon E. Bortz as a Class II Trustee with a term serving until the 2010 Annual Meeting	47,017,082	519,120	—
(2) Election of Mr. David W. Faeder as a Class II Trustee with a term serving until the 2010 Annual Meeting	47,014,094	522,108	—
(3) Election of Ms. Kristin Gamble as a Class II Trustee with a term serving until the 2010 Annual Meeting	46,665,777	870,425	—
(4) The ratification of the appointment of Grant Thornton LLP as the Trust's independent registered public accounting firm for the year ending December 31, 2007	47,020,742	444,108	71,308
(5) The approval of our Amended and Restated 2001 Long-Term Incentive Plan, which will, among other things, increase the aggregate number of shares available under the 2001 Long-Term Incentive Plan by 1,500,000 shares	40,686,669	1,823,535	222,438

The terms of office of the following Trustees continued after the meeting: Gail P. Steinel, Joseph S. Vassaluzzo and Donald C. Wood.

Item 5. Other Information

None

Item 6. Exhibits

A list of exhibits to this Quarterly Report on Form 10-Q is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.

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 authorized.

FEDERAL REALTY INVESTMENT TRUST

August 1, 2007

/s/ DONALD C. WOOD

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

August 1, 2007

/s/ LARRY E. FINGER

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

EXHIBIT INDEX

Exhibit No.	Description
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 (previously filed as Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 1-07533) (the "2005 2Q Form 10-Q") and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004 and February 17, 2006 (previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-07533) (the "2005 Form 10-K") and incorporated herein by reference)
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 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.1 to the Trust's Current Report on Form 8 filed on March 13, 2007, (File No. 333-142231) and incorporated herein by reference)
4.3	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)
4.4	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 4.5 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)
4.5	Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (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 and incorporated herein by reference)
4.6	Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009; 6 1/8% Notes due November 15, 2007; 4.50% Notes due 2011; 5.65% Notes due 2016; 6.00% Notes due 2012; 6.20% Notes due 2017; and 5.40% Notes due 2013 (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 and incorporated herein by reference)
4.7	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)
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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<u>Exhibit No.</u>	<u>Description</u>
10.3	1991 Share Purchase 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, 1990 (File No. 1-07533) and incorporated herein by reference)
10.4	Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997 and further amended on May 6, 1998 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-07533) and incorporated herein by reference)
10.5	Fiscal Agency Agreement dated as of October 28, 1993 between the Trust and Citibank, N.A. (previously filed as an exhibit to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File No. 1-07533) and incorporated herein by reference)
10.6	Form of Severance Agreement between the Trust and Certain of its Officers dated December 31, 1994 (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-07533) and incorporated herein by reference)
10.7	Performance Share Award Agreement dated as of February 9, 2000 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the 1999 Form 10-K and incorporated herein by reference)
10.8	Restricted Share Award Agreement dated as of February 9, 2000 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the 1999 Form 10-K and incorporated herein by reference)
10.9	Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the "1999 1Q Form 10-Q") and incorporated herein by reference)
10.10	Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by reference)
10.11	Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the "2004 Form 10-K") and incorporated herein by reference)
10.12	Amendment to Restricted Share Award Agreement dated December 8, 2000 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-07533) (the "2000 Form 10-K") and incorporated herein by reference)
10.13	Split Dollar Life Insurance Agreement dated August 12, 1998 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the 2000 Form 10-K and incorporated herein by reference)
10.14	Restricted Share Award Agreement dated as of February 15, 2000 between the Trust and Jeffrey S. Berkes (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-07533) (the "2001 Form 10-K") and incorporated herein by reference)
10.15	Severance Agreement between the Trust and Jeffrey S. Berkes dated March 1, 2000 (previously filed as a portion of Exhibit 10 to the 2001 Form 10-K and incorporated herein by reference)
10.16	Amendment to Severance Agreement between Federal Realty Investment Trust and Jeffrey S. Berkes dated February 16, 2005 (previously filed as Exhibit 10.17 to the 2004 Form 10-K and incorporated herein by reference)

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<u>Exhibit No.</u>	<u>Description</u>
10.17	Severance Agreement dated March 1, 2002 between the Trust and Larry E. Finger (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-07533) (the "2002 2Q Form 10-Q") and incorporated herein by reference)
10.18	Amendment to Severance Agreement between Federal Realty Investment Trust and Larry E. Finger dated February 16, 2005 (previously filed as Exhibit 10.19 to the 2004 Form 10-K and incorporated herein by reference)
10.19	Combined Incentive and Non-Qualified Stock Option Agreement dated February 28, 2002 between the Trust and Larry E. Finger (previously filed as a portion of Exhibit 10 to the 2002 2Q Form 10-Q and incorporated herein by reference)
10.20	Performance Share Award Agreement between the Trust and Donald C. Wood dated February 28, 2002 (previously filed as a portion of Exhibit 10 to the 2002 2Q Form 10-Q and incorporated herein by reference)
10.21	Performance Share Award Agreement between the Trust and Jeffrey S. Berkes dated February 28, 2002 (previously filed as a portion of Exhibit 10 to the 2002 2Q Form 10-Q and incorporated herein by reference)
10.22	Amendment to Stock Option Agreement dated August 15, 2002 between the Trust and Dawn M. Becker (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (File No. 1-075330 (the "2002 3Q Form 10-Q") and incorporated herein by reference)
10.23	Amendment to Stock Option Agreement dated August 15, 2002 between Federal Realty Investment Trust and Jeffrey S. Berkes (previously filed as a portion of Exhibit 10 to the 2002 3Q Form 10-Q and incorporated herein by reference)
10.24	2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust's S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference)
10.25	Health Coverage Continuation Agreement between Federal Realty Investment Trust and Don Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference)
10.26	Severance Agreement between the Trust and Dawn Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust's 2005 2Q Form 10-Q and incorporated herein by reference)
10.27	Amendment to Severance Agreement between the Trust and Dawn M. Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference)
10.28	Form of Restricted Share Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.29	Form of Restricted Share Award Agreement for awards made under the Trust's Annual Incentive Bonus Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.29 to the 2004 Form 10-K and incorporated herein by reference)
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)
10.31	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)

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<u>Exhibit No.</u>	<u>Description</u>
10.32	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference)
10.33	Credit Agreement dated as of July 28, 2006, by and between the Trust, Wachovia Capital Markets LLC, Wachovia Bank, National Association and various other financial institutions (previously filed as Exhibit 10.1) to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 31, 2006 and incorporated herein by reference)
10.34	Amended and Restated 2001 Long-Term Incentive Plan (filed herewith)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer (filed herewith)

**FEDERAL REALTY INVESTMENT TRUST
AMENDED AND RESTATED
2001 LONG-TERM INCENTIVE PLAN**

Federal Realty Investment Trust, a Maryland real estate investment trust (the "Trust") wishes to recruit, reward, and retain trustees, employees, and others important to the Trust's operations. To further these objectives, the Trust hereby sets forth the Federal Realty Investment Trust Amended and Restated 2001 Long-Term Incentive Plan (the "Plan"), to provide awards of the types provided for herein. The Plan was originally adopted by the Board on February 14, 2001 (as the Federal Realty Investment Trust 2001 Long-Term Incentive Plan), and approved by the Trust's shareholders on May 2, 2001. This amendment and restatement is effective for Awards granted on and after May 2, 2007.

1. PURPOSE

The purpose of the Plan is to enhance the Trust's ability to attract, retain, and compensate highly qualified trustees, officers, key employees, and other persons, and to motivate such officers, key employees, and other persons to serve the Trust and its Affiliates (as defined herein) and to expend maximum effort to improve the business results and earnings of the Trust, by providing to such trustees, officers, key employees and other persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Trust and with other financial incentives. To this end, the Plan provides for the grant of Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Deferred Share Awards, Share Purchase Awards, Unrestricted Share Awards, Performance Share Awards, Dividend Equivalent Rights, Performance Awards and Annual Incentive Awards in accordance with the terms hereof. Options granted under the Plan may be non-qualified share options or incentive share options, as provided herein.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1 "**Administrator**" has the meaning set forth in Section 3.1.

2.2 "**Affiliate**" means, with respect to the Trust, any company or other trade or business that controls, is controlled by or is under common control with the Trust within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary.

2.3 "**Annual Incentive Award**" means a conditional right granted to a Grantee under **Section 20.3.2** hereof to receive Shares or another Award, unless otherwise determined by the Administrator, after the end of a specified fiscal year.

2.4 "**Award**" means a grant of Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Deferred Share Awards, Share Purchase Awards, Unrestricted Share Awards, Performance Share Awards, Dividend Equivalent Rights, Performance Awards or Annual Incentive Awards under the Plan.

2.5 "**Award Agreement**" means the written agreement between the Trust and a Grantee that evidences and sets out the terms and conditions of an Award.

2.6 "**Beneficial Ownership**" means ownership within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Exchange Act.

2.7 "**Benefit Arrangement**" shall have the meaning set forth in **Section 21** hereof.

2.8 "**Board**" means the Board of Trustees of the Trust.

2.9 “**Business Day**” means any day on which the New York Stock Exchange is open for trading.

2.10 “**Cause**” means, as determined by the Administrator and unless otherwise provided in an applicable employment or other agreement with the Trust or an Affiliate, Grantee’s: (i) failure (other than failure due to disability) to substantially perform his duties with the Trust or an Affiliate, which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which the Grantee is diligently pursuing cure; (ii) willful misconduct which is demonstrably injurious to the Trust or an Affiliate, monetarily or otherwise; (iii) breach of fiduciary duty involving personal profit; or (iv) willful violation in the course of performing his duties for the Trust of any law, rule or regulation (other than traffic violations or misdemeanor offenses). Notwithstanding the foregoing, if an employment or other agreement between the Trust or an Affiliate and a Grantee contains a definition of “Cause” that is not the same as that set forth in the preceding sentence, then the definition of “Cause” contained in such employment or other agreement shall control.

2.11 “**Change in Control**” means any of the events set forth below; *provided, however*, that the Administrator, in its sole discretion, may specify a different definition of Change in Control in any Award Agreement and, in such event, the definition of Change in Control set forth in the Award Agreement shall apply to the Award granted under such Award Agreement:

(a) An acquisition in one or more transactions (other than directly from the Trust or pursuant to options granted under this Plan or otherwise by the Trust) of any Trust Voting Securities by any Person immediately after which such Person has Beneficial Ownership of 20% or more of the combined voting power of the then outstanding Trust Voting Securities; *provided, however*, in determining whether a Change in Control has occurred, Trust 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 (i) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Trust or (y) a Subsidiary, (ii) the Trust or any Subsidiary, or (iii) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(b) The individuals who, as of May 2, 2007, the date of adoption of this Plan, are members of the Trustees (the “Incumbent Trustees”), cease for any reason to constitute at least two-thirds of the Trustees; *provided, however*, that if the election, or nomination for election by the Trust’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 Plan, 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 Trustees (a “Proxy Contest”), including, without limitation, by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) Approval by shareholders of the Trust of

(1) A merger, consolidation or other reorganization involving the Trust, unless:

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

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

(iii) no Person (other than the Trust or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Trust or any Subsidiary, or any Person which, immediately prior to such merger, consolidation, or other reorganization had Beneficial Ownership of 20% or more of the then outstanding Trust Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities (A transaction described in clauses (i) through (iii) shall herein be referred to as a "Non-Control Transaction.");

(2) A complete liquidation or dissolution of the Trust; or

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

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (i) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Trust Voting Securities as a result of the acquisition of Trust Voting Securities by the Trust which, by reducing the number of Trust Voting Securities outstanding, increases the proportional number of shares 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 Trust Voting Securities by the Trust, and after such share acquisition by the Trust, the Subject Person becomes the Beneficial Owner of any additional Trust Voting Securities which increases the percentage of the then outstanding Trust Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur, or (ii) if the Trust (a) establishes a wholly-owned subsidiary ("Holding Company"), (b) causes the Holding Company to establish a wholly-owned subsidiary ("Merger Sub"), and (c) merges with Merger Sub, with the Trust as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Trust Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

Notwithstanding the foregoing, if an employment or other agreement between the Trust or an Affiliate and a Grantee contains a definition of "Change of Control" that is not the same as that set forth above, then the definition of "Change of Control" contained in such employment or other agreement shall control.

2.12 "**Code**" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.13 "**Committee**" means a committee of, and designated from time to time by resolution of, the Board, which shall consist of no fewer than two members of the Board; *provided, that*, if the Committee consists of less than the entire Board, each member shall be a "Non-Employee Director" within the meaning of Exchange Act Rule 16b-3 and to the extent necessary for any Award intended to qualify as performance-based compensation under Code Section 162(m) to so qualify, each member of the Committee, whether or not it consists of the entire Board, shall be an "outside director" within the meaning of Code Section 162(m) and the regulations and other guidance thereunder. The same requirements shall apply to any special committee of the Board to which authority or duties are delegated pursuant to Section 3.1. As of the date of this Amended and Restated Plan, the Committee is the Compensation Committee of the Board. Notwithstanding the foregoing, in the case of Awards granted to persons not required to file reports under Section 16(a) of the Exchange Act (other than persons who are Covered Employees at the time of grant, or who are likely to be Covered Employees with respect to the fiscal years in which deductions are allowed for the Awards), "Committee" may mean a committee of one member of the Board designated from time to time by resolution of the Board.

2.14 "**Covered Employee**" means a Grantee who is a Covered Employee within the meaning of Code Section 162(m)(3).

2.15 "**Deferred Share Award**" means a right, granted to a Grantee under **Section 14** hereof, to receive Shares, cash or a combination thereof at the end of a specified deferral period.

2.16 "**Disability**" means any physical or mental injury or disease which renders a Grantee incapable of meeting the requirements of the employment performed by such Grantee immediately prior to the commencement of

such disability. The determination of whether a Grantee is disabled shall be made by the Administrator in its sole discretion. Notwithstanding the foregoing, if a Grantee's employment by the Trust terminates by reason of a disability, as defined in an employment or other agreement between such Grantee and the Trust, such Grantee shall be deemed to be disabled for purposes of the Plan.

2.17 "**Dividend Equivalent Right**" shall have the meaning set forth in **Section 18** hereof.

2.18 "**Effective Date**" means the date on which the Plan is approved by the Board.

2.19 "**Exchange Act**" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.20 "**Fair Market Value**" means the value of a Share, determined as follows: if on the Grant Date or other determination date the Shares are listed on an established national or regional stock exchange, are admitted to quotation on The Nasdaq Stock Market, or are publicly traded on an established securities market, the Fair Market Value of a Share shall be the closing price of the Shares on such exchange or in such market (if there is more than one such exchange or market the Administrator shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Shares are reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Shares as determined by the Board in good faith.

2.21 "**Family Member**" means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee, any person sharing the Grantee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than fifty percent of the voting interests.

2.22 "**Good Reason**" means, as determined by the Administrator, without the Grantee's consent: (i) a material reduction in the Grantee's responsibilities, duties, authority, or title, (ii) the transfer of the Grantee to a place of employment that is more than sixty (60) miles from the Grantee's current place of employment, or (iii) a material reduction in the Grantee's salary. Notwithstanding the foregoing, if an employment or other agreement between the Trust or an Affiliate and a Grantee contains a definition of "Good Reason" or similar term that is not the same as that set forth above, then the definition of "Good Reason" or similar term contained in such employment or other agreement shall control.

2.23 "**Grant Date**" means, as determined by the Administrator, the latest to occur of (i) the date as of which the Administrator approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under **Section 6** hereof, or (iii) such other date as may be specified by the Administrator.

2.24 "**Grantee**" means a person who receives or holds an Award under the Plan.

2.25 "**Incentive Share Option**" means an "incentive stock option" within the meaning of Code Section 422, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.26 "**Involuntary Termination**" means a termination of the Grantee's Service by the Trust or its successor other than for Cause or a termination of the Grantee's Service by the Grantee for Good Reason.

2.27 "**Non-qualified Share Option**" means an Option that is not an Incentive Share Option.

2.28 "**Option**" means an Incentive Share Option or Non-qualified Share Option to purchase one or more Shares pursuant to the Plan.

2.29 “**Option Price**” means the purchase price for each Share subject to an Option.

2.30 “**Other Agreement**” shall have the meaning set forth in **Section 21** hereof.

2.31 “**Outside Trustee**” means a member of the Board who is not an officer or employee of the Trust.

2.32 “**Performance Award**” means a conditional right granted to a Grantee under **Section 20.3** hereof to receive Shares or another Award after the end of a period of up to 15 years.

2.33 “**Performance Share Award**” means an Award granted pursuant to **Section 17**.

2.34 “**Person**” means “person” as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act, including, without limitation, any individual, firm, corporation, partnership, joint venture, association, trust or other entity, or any group of Persons.

2.35 “**Plan**” means this Federal Realty Investment Trust Amended and Restated 2001 Long-Term Incentive Plan.

2.36 “**Restricted Period**” means the period during which Restricted Shares or Restricted Share Units are subject to restrictions or conditions pursuant to **Section 13.2** hereof.

2.37 “**Restricted Shares**” means Shares, awarded to a Grantee pursuant to **Section 13** hereof, that are subject to restrictions and to a risk of forfeiture.

2.38 “**Restricted Share Unit**” means a unit awarded to a Grantee pursuant to **Section 13** hereof, which represents a conditional right to receive a Share in the future, and which is subject to restrictions and to a risk of forfeiture.

2.39 “**Securities Act**” means the Securities Act of 1933, as now in effect or as hereafter amended.

2.40 “**Service**” means service as an employee, officer, Trustee or other Service Provider of the Trust or an Affiliate. A change in a Grantee’s duties or position shall not constitute a termination of Service; *provided, that*, the change of a Grantee’s status from an employee to a Service Provider shall result in a termination of Service unless the Administrator determines otherwise by so providing in the applicable Award Agreement or by making such a determination at the time the Grantee’s status changes. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Administrator, which determination shall be final, binding and conclusive.

2.41 “**Service Provider**” means a consultant or adviser to the Trust, a manager of the Trust’s properties or affairs, or other similar service provider or Affiliate, and employees of any of the foregoing, as such persons may be designated from time to time by the Board or the Committee pursuant to **Section 6** hereof.

2.42 “**Share**” means the common shares of beneficial interest, par value \$.01, of the Trust.

2.43 “**Share Appreciation Right**” or “SAR” means a right granted to a Grantee under **Section 12** hereof.

2.44 “**Share Purchase Award**” means an Award, granted in accordance with **Section 15**, of the right to acquire Shares.

2.45 “**Share Purchase Award Price**” means the number of Shares in a Grantee’s Share Purchase Award multiplied by the Share price.

2.46 “**Subsidiary**” means any “subsidiary corporation” of the Trust within the meaning of Code Section 424(f).

2.47 “**Termination Date**” means the date upon which an Option shall terminate or expire, as set forth in **Section 10.2** hereof.

2.48 “**Trust**” means Federal Realty Investment Trust.

2.49 “**Trust Voting Securities**” means the combined voting power of all outstanding voting securities of the Trust entitled to vote generally in the election of the Trustees.

2.50 “**Trustee**” means any member of the Board of Trustees.

2.52 “**Unrestricted Share Award**” means an Award granted pursuant to **Section 16** hereof.

3. ADMINISTRATION OF THE PLAN

3.1. Administrator.

The Committee will act as the Administrator of the Plan. The Board also may act under the Plan as though it were the Committee. In addition, the Board, in its discretion, may delegate to a special committee of the Board (which may consist of a single member who may or may not be an Outside Trustee) all or part of the Administrator’s authority and duties. The Board may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the delegate or delegates that were consistent with the terms of the Plan.

The Administrator is responsible for the general operation and administration of the Plan and for carrying out its provisions and has full discretion in interpreting and administering the provisions of the Plan. Subject to the express provisions of the Plan, the Administrator may exercise such powers and authority of the Board as the Administrator may find necessary or appropriate to carry out its functions. The Administrator may delegate its functions (other than those relating to granting of Awards, which may be delegated only to an executive officer of the Trust who also is a member of the Board), to officers or employees of the Trust.

The Administrator’s powers include, but are not limited to, the power to correct any defect or supply appropriate text for any omission or reconcile any inconsistency in the Plan; to establish, amend and revoke rules and regulations for its administration; and to construe and interpret the Plan and any Award or other instrument hereunder. The Administrator may act through meetings of a majority of its members or by unanimous consent.

3.2. Terms of Awards.

Subject to the other terms and conditions of the Plan, the Administrator shall have full and final authority:

(i) to designate Grantees,

(ii) to determine the type or types of Awards to be made to a Grantee,

(iii) to determine the number of Shares to be subject to an Award,

(iv) to establish the terms and conditions of each Award (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the Shares subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Share Options),

(v) to prescribe the form of each Award Agreement evidencing an Award,

(vi) to amend, modify, or supplement the terms of any outstanding Award, except to the extent that any such action would result in the imposition on a Grantee of an additional tax under Code Section 409A or cause a

Performance or Annual Incentive Award that is intended to qualify as “performance-based compensation” for purposes of Code Section 162(m) to cease to so qualify, and

(vii) in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

As a condition to any subsequent Award, the Administrator shall have the right, at its discretion, to require Grantees to return to the Trust any Awards previously made under the Plan. Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Administrator at the time the new Award is made. The Administrator shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Trust, any Affiliate, or any business entity to be acquired by the Trust or an Affiliate. The Trust may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Trust or any Affiliate thereof or any confidentiality obligation with respect to the Trust or any Affiliate thereof or otherwise in competition with the Trust or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Trust may annul an Award if the Grantee is an employee of the Trust or an Affiliate thereof and is terminated for Cause. The grant of any Award under the Plan shall be contingent on the Grantee executing the applicable Award Agreement within a reasonable time after the date of the grant of the Award, as such time is determined by the Administrator, in its sole discretion. In the event that the Grantee does not execute the applicable Award Agreement within such reasonable time, the Administrator, in its sole discretion, may revoke the grant of the applicable Award.

3.3. No Liability.

No member of the Board or of the Committee or of any special committee of the Board to which authority or duties are delegated pursuant to Section 3.1, nor the Administrator, shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement.

4. SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in **Section 24** hereof, the number of Shares available for issuance under the Plan shall be Three Million Two Hundred Fifty Thousand (3,250,000). The same limit shall apply to Shares available for issuance under the Plan pursuant to Incentive Share Options. Shares issued or to be issued under the Plan shall be drawn from authorized but unissued shares. If any Shares covered by an Award are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares subject thereto, then the number of Shares counted against the aggregate number of shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination, again be available for making Awards under the Plan.

5. EFFECTIVE DATE AND TERM OF THE PLAN

5.1. Effective Date.

The original 2001 Long-Term Incentive Plan was effective as of February 14, 2001, and this Amended and Restated Plan shall be effective as of the Effective Date, subject to approval by the Trust’s shareholders within one year of the Effective Date. All Awards made under the 2001 Long-Term Incentive Plan between February 14, 2001 and the Effective Date shall be fully effective as if the shareholders of the Trust had approved the Plan on February 14, 2001. Upon approval of the Plan by the shareholders of the Trust as set forth above, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Trust had approved the Plan on the Effective Date. If the shareholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

5.2. Term.

The Plan shall terminate automatically on February 14, 2011 and may be terminated on any earlier date as provided in **Section 23**.

6. AWARD ELIGIBILITY

6.1. Trust or Subsidiary Employees; Service Providers; Other Persons.

Subject to **Section 7**, Awards may be made under the Plan to: (i) any employee of, or a Service Provider to, the Trust or of any Affiliate, including any such employee or Service Provider who is an officer or Trustee of the Trust, or of any Affiliate, as the Administrator shall determine and designate from time to time, and (ii) any Outside Trustee.

6.2. Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

7. LIMITATIONS ON GRANTS

7.1. Limitation on Shares Subject to Awards.

During any time when the Trust has a class of equity security registered under Section 12 of the Exchange Act, (i) no Grantee (other than the Chief Executive Officer of the Trust) may be granted Awards (other than Dividend Equivalent Rights) in the aggregate in respect of more than 250,000 Shares per calendar year, (ii) the Chief Executive Officer of the Trust may not be granted Awards (other than Dividend Equivalent Rights) in the aggregate in respect of more than 500,000 Shares per calendar year, (iii) no Grantee (other than the Chief Executive Officer of the Trust) may be granted Dividend Equivalent Rights with respect to more than 250,000 Shares per calendar year, and (iv) the Chief Executive Officer of the Trust may not be granted Dividend Equivalent Rights with respect to more than 500,000 Shares per calendar year. The preceding limitations in this **Section 7.1** are subject to adjustment as provided in **Section 24** hereof.

7.2. Limitations on Incentive Share Options.

An Option shall constitute an Incentive Share Option only (i) if the Grantee of such Option is an employee of the Trust or any Subsidiary of the Trust; (ii) to the extent specifically designated as such in the applicable Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the Shares with respect to which all Incentive Share Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000, or such other maximum amount as may be specified under Code Section 422(d). This limitation shall be applied by taking Options into account in the order in which they were granted.

8. AWARD AGREEMENT

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, to be executed by the Trust and by the Grantee, in such form or forms as the Administrator shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement shall provide that the Award is subject to the terms of the Plan and shall set forth all of the material terms of the Award not otherwise specified in the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Share Options or Incentive Share Options, and in the absence of such specification such Options shall be deemed Non-qualified Share Options.

9. OPTION PRICE

The Option Price of each Option shall be fixed by the Administrator and stated in the Award Agreement evidencing such Option. The Option Price shall be at least the aggregate Fair Market Value on the Grant Date of the Shares subject to the Option; *provided, however*, that in the event that a Grantee would otherwise be ineligible to receive an Incentive Share Option by reason of the provisions of Code Sections 422(b)(6) and 424(d) (relating to ownership of more than ten percent of the Trust's outstanding Shares), the Option Price of an Option granted to such Grantee that is intended to be an Incentive Share Option shall be not less than the greater of the par value of a Share or 110 percent of the Fair Market Value of a Share on the Grant Date; and provided, furthermore, that in the case of a Non-qualified Share Option, Fair Market Value shall be determined as provided in Code Section 409A and the regulations and other guidance thereunder (including Internal Revenue Service ("IRS") Notice 2006-4 and any successors thereto). In no case shall the Option Price of any Option be less than the par value of a Share.

10. VESTING, TERM AND EXERCISE OF OPTIONS

10.1. Vesting.

Subject to **Sections 10.2 and 24.3** hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Administrator and stated in the Award Agreement. For purposes of this **Section 10.1**, fractional numbers of Shares subject to an Option shall be rounded down to the next nearest whole number. The Administrator may provide, for example, in the Award Agreement for (i) accelerated exercisability of the Option in the event the Grantee's Service terminates on account of death, Disability or another event, (ii) expiration of the Option prior to its term in the event of the termination of the Grantee's Service, (iii) immediate forfeiture of the Option in the event the Grantee's Service is terminated for Cause or (iv) unvested Options to be exercised subject to the Trust's right of repurchase with respect to unvested Shares.

10.2. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase Shares thereunder shall cease, upon the expiration of ten years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Administrator and stated in the Award Agreement relating to such Option (the "Termination Date"); *provided, however*, that in the event that the Grantee would otherwise be ineligible to receive an Incentive Share Option by reason of the provisions of Code Sections 422(b)(6) and 424(d) (relating to ownership of more than ten percent of the outstanding Shares), an Option granted to such Grantee that is intended to be an Incentive Share Option shall not be exercisable after the expiration of five years from its Grant Date.

10.3. Acceleration.

Any limitation on the exercise of an Option contained in any Award Agreement may be rescinded, modified or waived by the Administrator, in its sole discretion, at any time and from time to time after the Grant Date of such Option, so as to accelerate the time at which the Option may be exercised. Notwithstanding any other provision of the Plan, no Option shall be exercisable in whole or in part prior to the date the Plan is approved by the shareholders of the Trust as provided in **Section 5.1** hereof.

10.4. Termination of Service.

Each Award Agreement shall set forth the extent to which the Grantee shall have the right to exercise the Option following termination of the Grantee's Service. Such provisions shall be determined in the sole discretion of the Administrator, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

10.5. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, prior to the date the Plan is approved by the shareholders of the Trust as provided herein, or after ten years following the Grant Date (or five years following the Grant Date in the case of an Incentive Share Option granted to a Grantee

who would otherwise be ineligible to receive an Incentive Share Option by reason of the provisions of Code Sections 422(b)(6) and 424(d)), or after the occurrence of an event referred to in **Section 24** hereof which results in termination of the Option.

10.6. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery to the Trust of written notice of exercise on any Business Day, at the Trust's principal executive office, addressed to the attention of the Secretary of the Trust or the Chief Financial Officer of the Trust. Such notice shall specify the number of Shares with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price, in accordance with **Section 10.7**, of the Shares for which the Option is being exercised. The minimum number of Shares with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of (i) 100 Shares or such lesser number set forth in the applicable Award Agreement and (ii) the maximum number of Shares available for purchase under the Option at the time of exercise.

10.7. Form of Payment.

Payment of the Option Price for the Shares purchased pursuant to the exercise of an Option shall be made (i) in cash or in cash equivalents acceptable to the Trust; (ii) through the tender (through attestation or otherwise) to the Trust of Shares, which Shares, if acquired from the Trust, shall have been held for at least six months and which shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; or (iii) by a combination of the methods described in (i), and (ii). Notwithstanding the foregoing, unless the Administrator provides otherwise in the Award Agreement, payment in full of the Option Price need not accompany the written notice of exercise provided that the notice of exercise directs that the certificate or certificates for the Shares for which the Option is exercised be delivered to a licensed broker acceptable to the Trust as the agent for the individual exercising the Option and, at the time such certificate or certificates are delivered, the broker tenders to the Trust cash (or cash equivalents acceptable to the Trust) equal to the Option Price for the Shares purchased pursuant to the exercise of the Option plus the amount (if any) of federal and/or other taxes which the Trust may in its judgment be required to withhold with respect to the exercise of the Option. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect.

10.8. Rights of Holders of Options.

Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a shareholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject Shares or to direct the voting of the subject Shares) until the Shares covered thereby are fully paid and issued to him. Except as provided in **Section 24** hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

10.9. Delivery of Share Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a share certificate or certificates evidencing his or her ownership of the Shares subject to the Option.

11. TRANSFERABILITY OF OPTIONS

11.1. Transferability of Options.

Except as provided in **Section 11.2**, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in **Section 11.2**, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

11.2. Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Share Option to any Family Member. For the purpose of this **Section 11.2**, a “not for value” transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this **Section 11.2**, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Grantee in accordance with this **Section 11.2** or by will or the laws of descent and distribution. The events of termination of Service of **Section 10.4** hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods, specified in **Section 10.4**.

12. SHARE APPRECIATION RIGHTS

The Administrator is authorized to grant SARs to Grantees on the following terms and conditions:

12.1. Right to Payment.

A SAR shall confer on the Grantee to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one Share on the date of exercise over (B) the grant price of the SAR as determined by the Administrator. The grant price of an SAR shall not be less than the Fair Market Value of a Share on the date of grant (determined as provided in Code Section 409A and the regulations and other guidance thereunder, including IRS Notice 2006-4 and any successors thereto).

12.2. Other Terms.

The Administrator shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Shares will be delivered or deemed to be delivered to Grantees, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. SARs may be either freestanding or in tandem with other Awards.

13. RESTRICTED SHARES

13.1. Grant of Restricted Shares or Restricted Share Units.

The Administrator may from time to time grant Restricted Shares or Restricted Share Units to persons eligible to receive Awards under **Section 6** hereof, subject to such restrictions, conditions and other terms as the Administrator may determine. To the extent that the Administrator determines that the vesting of a Restricted Share Award shall be subject to the satisfaction of performance criteria, the Award may be designated by the Administrator as a Performance Award in accordance with **Section 20.3**.

13.2. Restrictions.

At the time a grant of Restricted Shares or Restricted Share Units is made, the Administrator shall establish a period of time (the “Restricted Period”) applicable to such Restricted Shares or Restricted Share Units. Each Award of Restricted Shares or Restricted Share Units may be subject to a different Restricted Period. The Administrator may, in its sole discretion, at the time a grant of Restricted Shares or Restricted Share Units is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Shares or

Restricted Share Units in accordance with **Section 20.3.1** and **20.3.2**. Neither Restricted Shares nor Restricted Share Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Administrator with respect to such Restricted Shares or Restricted Share Units.

13.3. Restricted Share Certificates.

The Trust shall issue, in the name of each Grantee to whom Restricted Shares have been granted, share certificates representing the total number of Restricted Shares granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Administrator may provide in an Award Agreement that either (i) the Secretary of the Trust or the Chief Financial Officer of the Trust shall hold such certificates for the Grantee's benefit until such time as the Restricted Shares are forfeited to the Trust or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee, *provided, however*, that such certificates shall bear a legend or legends that complies with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Agreement.

13.4. Rights of Holders of Restricted Shares.

Unless the Administrator otherwise provides in an Award Agreement, holders of Restricted Shares shall have the right to vote such Shares and the right to receive any dividends declared or paid with respect to such Shares. The Administrator may provide that any dividends paid on Restricted Shares must be reinvested in Shares, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Shares. All distributions, if any, received by a Grantee with respect to Restricted Shares as a result of any share split, share dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original Grant.

13.5. Rights of Holders of Restricted Share Units.

Unless the Administrator otherwise provides in an Award Agreement, holders of Restricted Share Units shall have no rights as shareholders of the Trust. The Administrator may provide in an Award Agreement evidencing a grant of Restricted Share Units that the holder of such Restricted Share Units shall be entitled to receive, upon the Trust's payment of a cash dividend on its outstanding Shares, a cash payment for each Restricted Share Unit held equal to the per-share dividend paid on the Shares. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Share Units at a price per unit equal to the Fair Market Value of a Share on the date that such dividend is paid.

13.6. Termination of Service.

Unless the Administrator otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee's Service, any Restricted Shares or Restricted Share Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Shares or Restricted Share Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Shares or any right to receive dividends with respect to Restricted Shares or Restricted Share Units.

13.7. Delivery of Shares and Payment Therefor.

Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Administrator the restrictions applicable to Restricted Shares or Restricted Share Units shall lapse, and a share certificate for such Shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

14. DEFERRED SHARE AWARDS

14.1. Nature of Deferred Share Awards.

A Deferred Share Award is an Award of phantom share units to a Grantee, subject to such terms, restrictions and conditions (including deferral periods) as the Administrator may determine at the time of grant. Conditions may be based on continuing Service and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such agreement shall be determined by the Administrator at the time of grant, and such terms and conditions may differ among individual Awards and Grantees. At the end of the deferral period, the Deferred Share Award, to the extent vested, shall be paid to the Grantee in the form of Shares in a manner consistent with the requirements of Code Section 409A

14.2. Election to Receive Deferred Share Awards in Lieu of Compensation.

The Administrator may, in its sole discretion, and subject to the requirements of Code Section 409A, permit a Grantee to elect to receive a portion of the cash compensation or Restricted Share Award otherwise due to such Grantee in the form of a Deferred Share Award. Any such election shall be made in writing and shall be delivered to the Trust no later than the date specified by the Administrator and in accordance with rules and procedures established by the Administrator no later than the date specified by the Administrator, which date shall in no event be later than (i) December 31st of the calendar year prior to the calendar year in which the Service giving rise to the cash compensation is performed or (ii) 30 days after the Grant Date of the Restricted Share Award, provided that the election is made at least 12 months prior to the earliest date that Restricted Period applicable to the Restricted Share Award could expire. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon, consistent with the requirements of Code Section 409A, as the Administrator deems appropriate.

14.3. Rights as a Shareholder.

During the deferral period, a Grantee shall have no rights as a Shareholder; *provided, however*, that the Grantee may be credited with Dividend Equivalent Rights with respect to the phantom share units underlying his Deferred Share Award, subject to such terms and conditions as the Administrator may determine.

14.4. Restrictions on Transfer.

A Deferred Share Award may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of during the deferral period.

14.5. Termination.

Except as may otherwise be provided by the Administrator either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's right in all Deferred Share Awards that have not vested shall automatically terminate upon the Grantee's termination of Service for any reason.

15. SHARE PURCHASE AWARD

15.1. Grant of Share Purchase Award.

The Administrator, in its sole discretion, may grant Share Purchase Awards to Grantees either alone or in addition to other Awards granted under the Plan. A Share Purchase Award shall consist of the right to purchase Shares of the Trust and to pay for such Shares in cash. A Grantee shall have until 5:00 P.M. on the twentieth (20th) Business Day following his offer date to accept a Share Purchase Award and sign an Award Agreement relating to the Share Purchase Award.

16. UNRESTRICTED SHARE AWARDS

The Administrator may, in its sole discretion, grant (or sell at par value or such other higher purchase price determined by the Administrator) an Unrestricted Share Award to any Grantee pursuant to which such Grantee may receive Shares free of any restrictions ("Unrestricted Shares") under the Plan. Unrestricted Share Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of any cash compensation due to such Grantee.

17. PERFORMANCE SHARE AWARDS

17.1. Nature of Performance Share Awards.

A Performance Share Award is an Award entitling the recipient to acquire Shares upon the attainment of specified performance goals. The Administrator may make Performance Share Awards independent of or in connection with the granting of any other Award under the Plan. The Administrator in its sole discretion shall determine whether and to whom Performance Share Awards shall be made, the performance goals applicable under each such Award, the periods during which performance is to be measured, and all other limitations and conditions applicable to the Shares awarded under the Performance Share Award; *provided, however*, that the Administrator may rely on the performance goals and other standards applicable to other performance unit plans of the Trust in setting the standards for Performance Share Awards under the Plan. At any time prior to the Grantee's termination of Service, the Administrator may in its sole discretion accelerate, waive or amend any or all of the goals, restrictions or conditions imposed under any Performance Share Award.

17.2. Rights as a Shareholder.

At the sole discretion of the Administrator, Shares issued in connection with a Performance Share Award shall be deposited together with the stock powers with an escrow agent (which may be the Trust) designated by the Administrator. Except as restricted by the terms of the Award Agreement, upon delivery of the Shares to the escrow agent, the Grantee shall have, in the sole discretion of the Administrator, all of the rights of a shareholder with respect to such Shares, including, without limitation, the right to vote the Shares and to receive all dividends declared or paid with respect to the Shares. A Grantee shall be entitled to receive a share certificate evidencing the acquisition of Shares under a Performance Share Award only upon satisfaction of all conditions specified in the written instrument evidencing the Performance Share Award, in a performance plan adopted by the Board or as otherwise provided by the Administrator.

17.3. Termination of Service.

Except as may otherwise be provided by the Administrator either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's rights in all Performance Share Awards shall automatically terminate upon the Grantee's termination of Service for any reason.

18. DIVIDEND EQUIVALENT RIGHTS

18.1. Dividend Equivalent Rights.

A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the Shares specified in the Dividend Equivalent Right (or other award to which it relates) if such Shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Grantee as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified at the time of grant. Dividend Equivalent Rights credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional Shares, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. The Award Agreement shall also specify the date or dates on which Dividend Equivalent Rights shall be settled, whether Dividend Equivalent Rights may be settled in cash or Shares or a combination thereof, in a single installment or installments, all determined in the sole discretion of the Administrator. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award.

18.2. Interest Equivalents.

Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the Award Agreement for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

18.3. Termination of Service.

Except as may otherwise be provided by the Administrator either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Grantee's termination of Service for any reason.

19. OUTSIDE TRUSTEE AWARDS

The Administrator shall determine from time to time appropriate Awards for the Trust's Outside Trustees.

20. CERTAIN PROVISIONS APPLICABLE TO AWARDS

20.1. Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards granted under the Plan may, in the discretion of the Administrator, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Trust, any Affiliate, or any business entity to be acquired by the Trust or an Affiliate, or any other right of a Grantee to receive payment from the Trust or any Affiliate; provided, however, that an Option or SAR may be granted in exchange for or in substitution of another stock option or stock appreciation right only if such substitution or exchange will not be treated as the grant of a new stock option of stock appreciation right for purposes of Code Section 409A. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Administrator shall require the surrender of such other Award in consideration for the grant of the new Award. In addition, subject to the all of the applicable requirements of Code Section 409A, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Trust or any Affiliate, in which the value of Shares subject to the Award is equivalent in value to the cash compensation (for example, Deferred Share Awards or Restricted Shares), or in which the purchase price of an Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Shares minus the value of the cash compensation surrendered (for example, a Share Purchase Award granted with the purchase price "discounted" by the amount of the cash compensation surrendered); *provided, however*, that in no event may the Option Price of an Option or the grant price of an SAR be less than the Fair Market Value of a Share on the Grant Date determined as provided in Sections 9 and 12.1, respectively.

20.2. Form and Timing of Payment Under Awards; Deferrals.

Subject to all of the applicable requirements of Code Section 409A, the terms of the Plan and any applicable Award Agreement, payments to be made by the Trust or an Affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Administrator shall determine, including, without limitation, cash, Shares, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Shares in connection with such settlement, in the discretion of the Administrator or upon occurrence of one or more specified events. Installment or deferred payments may be required by the Administrator or permitted at the election of the Grantee on terms and conditions established by the Administrator consistent with the requirements of Code Section 409A. Payments may include, without limitation, provisions for the payment or crediting of a reasonable interest rate on installment or deferred payments or the grant or crediting of Dividend Equivalent Rights or other amounts in respect of installment or deferred payments denominated in Shares.

20.3. Performance and Annual Incentive Awards.

20.3.1. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Administrator. The Administrator may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions, except as limited under **Sections 20.3.2** hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m). If and to the extent required under Code Section 162(m), any power or authority relating to a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m), shall be exercised by the Administrator.

20.3.2. Performance or Annual Incentive Awards Granted to Designated Covered Employees.

If and to the extent that the Administrator determines that a Performance or Annual Incentive Award to be granted to a Grantee who is designated by the Administrator as likely to be a Covered Employee should qualify as “performance-based compensation” for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance or Annual Incentive Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this **Section 20.3.2**.

(i) *Performance Goals Generally.* The performance goals for such Performance or Annual Incentive Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Administrator consistent with this **Section 20.3.2**. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder including the requirement that the level or levels of performance targeted by the Administrator result in the achievement of performance goals being “substantially uncertain.” The Administrator may determine that such Performance or Annual Incentive Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance or Annual Incentive Awards. Performance goals may differ for Performance or Annual Incentive Awards granted to any one Grantee or to different Grantees.

(ii) *Business Criteria.* One or more of the following business criteria for the Trust, on a consolidated basis, and/or specified subsidiaries or business units, geographic regions, or properties of the Trust (except with respect to the total shareholder return and earnings per share criteria), shall be used exclusively by the Administrator in establishing performance goals for such Performance or Annual Incentive Awards: (1) total shareholder return; (2) such total shareholder return as compared to total return (on a comparable basis) of a publicly available index such as, but not limited to, the Standard & Poor’s 500 Stock Index or a REIT Index; (3) net earnings; (4) pretax profits; (5) earnings before interest expense, taxes, depreciation and amortization; (6) pretax operating earnings after interest expense and before bonuses, service fees, and extraordinary or special items; (7) operating margin; (8) earnings per share; (9) return on equity; (10) return on capital; (11) return on investment; (12) operating earnings; (13) working capital; (14) ratio of debt to shareholders’ equity; (15) revenue; (16) funds from operations; (17) funds from operations per Share; (18) Share price; (19) dividends; (20) market share or market penetration; (21) attainment of acquisition, disposition, financing, refinancing, or capitalization goals; (22) value creation in the form of an increase in the net asset value of a real estate development or redevelopment project; and (23) attainment of leasing goals.

(iii) *Performance Period; Timing For Establishing Performance Goals.* Achievement of performance goals in respect of Performance Awards shall be measured over a performance period of up to fifteen years and achievement of performance goals in respect of Annual Incentive Awards shall be measured over a performance period of up to one year, as specified by the Administrator. Performance goals shall be established not later than 90 days after the beginning of any performance period applicable to such Performance or Annual Incentive Awards, or at such other date as may be required or permitted for “performance-based compensation” under Code Section 162(m).

(iv) *Performance or Annual Incentive Award Pool.* The Administrator may establish a Performance or Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring Trust performance in connection with Performance or Annual Incentive Awards.

(v) *Settlement of Performance or Annual Incentive Awards; Other Terms.* Settlement of such Performance or Annual Incentive Awards shall be in cash, Shares, other Awards or other property, in the discretion of the Administrator. The Administrator may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance or Annual Incentive Awards. The Administrator shall specify the circumstances in which such Performance or Annual Incentive Awards shall be paid or forfeited in the event of termination of Service by the Grantee prior to the end of a performance period or settlement of Performance Awards. Notwithstanding the foregoing, no settlement of a Performance or Annual Incentive Award in respect of a Grantee who is a Covered Employee may be made unless and until the Administrator certifies in writing that the applicable performance goals and other material terms of the Award have been satisfied.

20.3.3. Written Determinations.

All determinations by the Administrator as to the establishment of performance goals, the amount of any Performance Award pool or potential individual Performance Awards and as to the achievement of performance goals relating to Performance Awards, and the amount of any Annual Incentive Award pool or potential individual Annual Incentive Awards and the amount of final Annual Incentive Awards, shall be made in writing in the case of any Award intended to qualify under Code Section 162(m). To the extent required to comply with Code Section 162(m), the Administrator may delegate any responsibility relating to such Performance Awards or Annual Incentive Awards.

20.3.4. Status of Section 20.3.2 Awards Under Code Section 162(m).

It is the intent of the Trust that Performance Awards and Annual Incentive Awards under Section 20.3.2 hereof granted to persons who are designated by the Administrator as likely to be Covered Employees within the meaning of Code Section 162(m) and regulations thereunder shall, if so designated by the Administrator, constitute “qualified performance-based compensation” within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, the terms of Section 20.3.2, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, the term Covered Employee as used herein shall mean only a person designated by the Administrator, at the time of grant of Performance Awards or an Annual Incentive Award, as likely to be a Covered Employee with respect to the fiscal years in which deductions are allowed for the Awards. If any provision of the Plan or any agreement relating to such Performance Awards or Annual Incentive Awards does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

21. PARACHUTE LIMITATIONS

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Trust or any Affiliate, except (i) an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph or (ii) an employment or other agreement between the Trust and the Grantee that specifically provides for the payment of taxes due under Code Section 4999 (an “Other Agreement”), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a “Benefit Arrangement”), if the Grantee is a “disqualified individual,” as defined in Code Section 280G(c), any Option, Restricted Shares or Restricted Share Unit held by that Grantee and any right to receive any payment or other benefit under this Plan shall not become exercisable or vested (i) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under this Plan, all Other Agreements, and all Benefit Arrangements,

would cause any payment or benefit to the Grantee under this Plan to be considered a “parachute payment” within the meaning of Code Section 280G(b)(2) as then in effect (a “Parachute Payment”) and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Trust under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Grantee under any Other Agreement or any Benefit Arrangement would cause the Grantee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (ii) of the preceding sentence, then the Grantee shall have the right, in the Grantee’s sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under this Plan be deemed to be a Parachute Payment.

22. REQUIREMENTS OF LAW

22.1. General.

The Trust shall not be required to sell or issue any Shares under any Award if the sale or issuance of such Shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Trust of any provision of any law or regulation of any governmental authority, including without limitation any Federal or state securities laws or regulations. If at any time the Trust shall determine, in its discretion, that the listing, registration or qualification of any Shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of Shares hereunder, no Shares may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Trust, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any Shares underlying an Award, unless a registration statement under such Act is in effect with respect to the Shares covered by such Award, the Trust shall not be required to sell or issue such Shares unless the Administrator has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such Shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Administrator shall be final, binding, and conclusive. The Trust may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Trust shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of Shares pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the Shares covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

22.2. Rule 16b-3.

During any time when the Trust has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Trust that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Administrator does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Administrator, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Administrator may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

22.3. Section 409A.

It is the intent of the Trust that all Awards that constitute “deferred compensation” within the meaning of Code Section 409A will satisfy the requirements of that section, and that all Awards that can qualify for an exemption from the definition of “deferred compensation” under that section, including but not limited to Options, Share Appreciation Rights and Restricted Shares, will do so. Accordingly, the terms of the Plan shall be interpreted in a manner consistent with Code Section 409A and regulations thereunder.

22.4. Limitation Following a Hardship Distribution.

To the extent required to comply with Treasury Regulation Section 1.401(k)-1(d)(2)(iv)(B)(4), or any amendment or successor thereto, a Grantee’s “elective and employee contributions” (within the meaning of such Treasury Regulation) under the Plan shall be suspended for a period of six months following such Grantee’s receipt of a hardship distribution made in reliance on such Treasury Regulation from any plan containing a cash or deferred arrangement under Code Section 401(k) maintained by the Trust or a related party within the provisions of subsections (b), (c), (m) or (o) of Code Section 414.

23. AMENDMENT AND TERMINATION OF THE PLAN

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any Shares as to which Awards have not been made; *provided, however*, that the Board shall not, without approval of the Trust’s shareholders, amend the Plan such that it does not comply with (or in a manner that does not comply with) the rules of any stock exchange or national quotation system on which securities of the Trust are listed for trading or quotation, applicable federal securities laws, or the Code (including requirements necessary to qualify Options as Incentive Share Options or qualify Awards as performance-based compensation under Code Section 162(m)). Except as permitted under this **Section 23** or **Section 24** hereof, no amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, alter or impair rights or obligations under any Award theretofore awarded under the Plan. Furthermore, except as permitted under **Section 24** hereof, no adjustment to decrease the Option Price of an outstanding Option, whether by amending the Option Price or by canceling the outstanding Option and reissuing a replacement or substitute Option having a lower Option Price or any other Award, may be made without approval of the Trust’s shareholders.

24. EFFECT OF CHANGES IN CAPITALIZATION

24.1. Changes in Shares.

If the number of outstanding Shares is increased or decreased or the Shares are changed into or exchanged for a different number or kind of shares or other securities of the Trust on account of any recapitalization, reclassification, share split, reverse split, combination of shares, exchange of shares, share dividend or other distribution payable in capital shares, or other increase or decrease in such shares effected without receipt of consideration by the Trust occurring after the Effective Date, the number and kinds of shares for which grants of Options and other Awards may be made under the Plan shall be adjusted proportionately and accordingly by the Trust. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options shall not change the aggregate Option Price payable with respect to shares that are subject to the unexercised portion of an Option outstanding but shall include a corresponding proportionate adjustment in the Option Price per share. The conversion of any convertible securities of the Trust shall not be treated as an increase in shares effected without receipt of consideration.

24.2. Reorganization in Which the Trust Is the Surviving Entity and in Which No Change in Control Occurs.

Subject to **Section 24.3** hereof, if the Trust shall be the surviving entity in any reorganization, merger, or consolidation of the Trust with one or more other entities in which no Change in Control occurs, any Option theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number

of Shares subject to such Option would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Option Price per Share so that the aggregate Option Price thereafter shall be the same as the aggregate Option Price of the Shares remaining subject to the Option immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Agreement evidencing an Award, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation.

24.3. Reorganization, Sale of Assets or Sale of Shares Which Involves a Change in Control.

(a) Subject to **Section 24.3(b)**, upon any transaction that results in a Change in Control, (i) all outstanding Shares subject to Awards shall be deemed to have vested, and all restrictions and conditions applicable to such Shares subject to Awards shall be deemed to have lapsed, immediately prior to the occurrence of such event, and (ii) all Options outstanding hereunder shall become immediately exercisable for a period of fifteen days immediately prior to the scheduled consummation of the event. Any exercise of an Option during such fifteen-day period shall be conditioned upon the consummation of the event and shall be effective only immediately before the consummation of the event. Upon consummation of any such event, the Plan and all outstanding but unexercised Options shall terminate. The Administrator shall send written notice of an event that will result in such a termination to all individuals who hold Options not later than the time at which the Trust gives notice thereof to its shareholders.

(b) **Section 24.3(a)** shall not apply to the extent provision is made in writing in connection with a transaction described in **Section 24.3(a)** for the assumption of such Options and other Awards theretofore granted, or for the substitution for such Options and other Awards of new options and other Awards covering the stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kinds of shares or units and exercise prices, in which event the Plan and Options theretofore granted shall continue in the manner and under the terms so provided.

(c) Notwithstanding **Section 24.3(b)** and except as otherwise provided in the Award Agreement or other agreement between the Grantee and the Trust, if a Grantee experiences an Involuntary Termination within one year following the consummation of a Change in Control, upon such Grantee's Involuntary Termination all outstanding Shares subject to Awards held by such Grantee shall be deemed to have vested, and all restrictions and conditions applicable to such Shares subject to Awards shall be deemed to have lapsed and (ii) all Options held by such Grantee shall become immediately fully vested and exercisable to the extent the Options remain outstanding.

24.4. Adjustments.

Adjustments under this **Section 24** related to Shares or securities of the Trust shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

24.5. No Limitations on Trust.

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Trust to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

25. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Trust or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Trust either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Trust. In addition, notwithstanding anything contained in the Plan to the contrary, unless

otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a Trustee, officer, consultant or employee of the Trust or an Affiliate. The obligation of the Trust to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Trust to transfer any amounts to a third party Trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan. No Grantee shall have any of the rights of a shareholder with respect to the Shares subject to an Option except to the extent the certificates for such Shares shall have been issued upon the exercise of the Option.

26. NONEXCLUSIVITY OF THE PLAN

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Trust for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of Share options otherwise than under the Plan.

27. WITHHOLDING TAXES

The Trust or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any Federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any Shares upon the exercise of an Option or pursuant to an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Trust or the Affiliate, as the case may be, any amount that the Trust or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Trust or the Affiliate, which may be withheld by the Trust or the Affiliate, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Trust or the Affiliate to withhold Shares otherwise issuable to the Grantee or (ii) by delivering to the Trust or the Affiliate Shares already owned by the Grantee. The Shares so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the Shares used to satisfy such withholding obligation shall be determined by the Trust or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this **Section 27** may satisfy his or her withholding obligation only with Shares that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

28. CAPTIONS

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

29. OTHER PROVISIONS

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Administrator, in its sole discretion.

30. NUMBER AND GENDER

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

31. SEVERABILITY

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

32. GOVERNING LAW

The validity and construction of this Plan and the instruments evidencing the Grants awarded hereunder shall be governed by the laws of the State of Maryland other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards awarded hereunder to the substantive laws of any other jurisdiction.

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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer 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.

August 1, 2007

/s/ DONALD C. WOOD
Donald C. Wood,
President, Chief Executive Officer and Trustee
(Principal Executive Officer)

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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer 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.

August 1, 2007

/s/ LARRY E. FINGER

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, 2007 (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.

August 1, 2007

/s/ DONALD C. WOOD

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, 2007 (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.

August 1, 2007

/s/ **LARRY E. FINGER**

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