

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FORM 10-K

For Fiscal Year Ended: December 31, 1998 Commission File No.17533

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

District of Columbia 52-0782497

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) identification No.)

1626 East Jefferson Street, Rockville, Maryland 20852

(Address of principal executive offices) (Zip Code)

(301) 998-8100

(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange
7.95% Series A Cumulative Redeemable Preferred Shares	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	
6 5/8% Senior Notes	6.74% Medium-Term Notes
7.48% Senior Debentures	6.99% Medium-Term Notes
8 7/8% Senior Notes	6.82% Medium-Term Notes
8% Senior Notes	

Subordinated Debt Securities*

* None issued, registered pursuant to a shelf registration

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 X No .

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

At March 12, 1999, the aggregate market value of Common Shares of Beneficial Interest of Federal Realty Investment Trust held by nonaffiliates was \$883.6 million based upon the closing price of such Shares on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuers' classes of common stock.

Class	Outstanding at March 12, 1999
Common Shares of Beneficial Interest	40,165,744

DOCUMENTS INCORPORATED BY REFERENCE

PART III

Portions of the Trust's Proxy Statement in connection with its Annual Meeting to be held on May 5, 1999 (hereinafter called "1999 Proxy Statement"). Specifically, the Sections entitled "Summary Compensation Table", "Employment Agreements; Termination of Employment and Change in Control Arrangements", "Aggregated Option Exercises in 1998 and December 31, 1998 Option Values", "Retirement and Disability Plans", and "Compensation Committee Interlocks and Insider Participation", "Ownership of Shares by Trustees and Officers", "Certain Transactions" and "Section 16(a) Beneficial Ownership Reporting Compliance" appearing in the 1999 Proxy Statement are incorporated herein by reference.

The Exhibit Index for this report is found on page 32.
This report, including Exhibits, contains 188 pages.

Item 1. Business

Federal Realty Investment Trust (the "Trust") is engaged in the ownership, management, development and redevelopment of prime retail properties. Founded in 1962 as a District of Columbia business trust of unlimited duration, the Trust is a self-administered equity real estate investment trust. The Trust consolidates the financial statements of various entities which it controls. At December 31, 1998 the Trust owned 120 retail properties and one apartment complex.

The Trust operates in a manner intended to enable it to qualify as a real estate investment trust (REIT) under Sections 856- 860 of the Internal Revenue Code. Under those sections, a REIT which distributes at least 95% of its real estate investment trust taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, no provision for Federal income taxes is required.

An important part of the Trust's strategy is to acquire older, well-located properties in prime, densely populated and affluent areas and to enhance their operating performance through a program of renovation, expansion, reconfiguration and retenanting. The Trust's traditional focus has been on community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. Late in 1994 the Trust expanded this strategy to include retail buildings and shopping centers in prime established main street shopping areas. In addition, the Trust has various land parcels under its control for the purpose of developing multi-use projects that center around the retail component. The Trust believes that development is an important source of growth in the future.

The Trust continually evaluates its properties for renovation, retenanting and expansion opportunities. Similarly, the Trust regularly reviews its portfolio and from time to time considers selling certain of its properties.

The Trust's portfolio of properties has grown from 49 as of January 1, 1994 to 121 at December 31, 1998. During this five year period the Trust acquired 77 retail properties for approximately \$798 million. During this same period five shopping centers were sold. Also during this period the Trust spent over \$297 million to develop, renovate, expand, improve and retenant its properties. Although the Trust usually purchases a 100% fee interest in its acquisitions, on occasion, it has entered into leases as a means of acquiring properties. In addition, the Trust has purchased certain properties in partnership with others. Certain of the partnerships, known as "downreits", are a means of allowing property owners to make a tax deferred contribution of their property in exchange for partnership units, which receive the same distributions as Trust common shares and may be convertible into common shares of the

Trust. The majority of acquisitions are funded with cash, but, on occasion, usually in connection with the partnerships, debt financing is used. Since a significant portion of cash provided by operating activities is distributed to common and preferred shareholders, capital outlays for acquisitions, developments and redevelopments require debt or equity funding.

The Trust's 120 retail properties are located in 16 states and the District of Columbia. Twenty-four of the properties are located in the Washington, D.C. metropolitan area; twenty-two are in California; fourteen are in Connecticut; eleven are in Pennsylvania, primarily in the Philadelphia area; ten are in New Jersey; ten are in Texas; seven are in Illinois; three are in Virginia; four are in Massachusetts; seven are in New York; two are in Florida; two are in Arizona; and there is one in each of the following states: Georgia, Michigan, North Carolina and Oregon. No single property accounts for over 10% of the Trust's revenues.

The Trust has traditionally operated its business as a single business segment. During the fourth quarter of 1998, however, the Trust completed a comprehensive restructuring program which, among other things, changed the Trust's operating structure from a functional hierarchy to an asset management model, where small, focused teams are responsible for a portfolio of assets. As a result the Trust has divided its portfolio of properties into three operating regions: the Northeast, Mid-Atlantic and West. Each region is operated under the direction of a chief operating officer, with dedicated leasing, property management and financial staff and operates largely autonomously with respect to day to day operating decisions. (See "Segment Results" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of the segments and their results.)

The Trust has approximately 2,290 tenants, ranging from sole proprietors to major national retailers; no one tenant or corporate group of tenants accounts for 3% or more of revenue. The Trust's leases with these tenants are classified as operating leases and typically are structured to include minimum rents, percentage rents based on tenants' sales volumes and reimbursement of certain operating expenses and real estate taxes.

The Trust continues to seek older, well-located shopping centers and retail buildings to acquire, renovate, retenant and remerchandise, thereby enhancing their revenue potential. The Trust also continues to identify and secure additional sites for new development. During each of the years ended December 31, 1998, 1997 and 1996, retail properties have contributed 96% of the Trust's total revenue. The extent to which the Trust might mortgage or otherwise finance investments varies with the investment involved and the economic climate.

The success of the Trust depends upon, among other factors, the trends of the economy, including interest rates, construction costs, retailing trends, income tax laws, increases or decreases in operating expenses, governmental regulations, population

trends, zoning laws, legislation and the ability of the Trust to keep its properties leased at profitable levels. The Trust competes for tenants with other real estate owners and the Trust's properties account for only a small fraction of the retail space available for lease. The Trust competes for investment opportunities and debt and equity capital with individuals, partnerships, corporations, financial institutions, life insurance companies, pension funds, trust funds and other real estate investment trusts.

Investments in real property create a potential for environmental liability on the part of the current and previous owners of, or any mortgage lender on, such real property. If hazardous substances are discovered on or emanating from any property, the owner or operator of the property may be held liable for costs and liabilities relating to such hazardous substances. The Trust has environmental insurance on many of its properties. Subject to certain exclusions and deductibles, the insurance provides coverage for unidentified, pre-existing conditions and for future contamination caused by tenants and third parties.

The Trust's current policy is to require an environmental study on each property it seeks to acquire. On recent acquisitions, any substances identified prior to closing which are required, by applicable laws, to be remediated have been or are in the process of investigation and remediation. Costs related to the abatement of asbestos which increase the value of Trust properties are capitalized. Other costs are expensed. In 1998 and 1997 approximately \$616,000 and \$1.3 million, respectively, of which \$453,000 and \$732,000, respectively, was capitalized abatement costs, was spent on environmental matters. The Trust has budgeted approximately \$800,000 for 1999 for environmental matters, a majority of which is projected for asbestos abatement.

Current Developments

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In 1998 the Trust acquired real estate at a cost of \$120.4 million, consisting primarily of four shopping centers and fifteen street retail properties. The Trust spent another \$73.0 million in improvements to its properties, including \$25.0 million on its predevelopment and development projects in Bethesda, Maryland; Los Gatos, California; San Jose, California; and Arlington, Virginia. The Trust invested \$21.4 million in mortgage notes receivable with an average weighted stated interest rate of 10%. Mortgages on six properties, totaling \$53.3 million, were paid upon their maturity in 1998.

The Trust utilized its unsecured line of credit to fund these acquisitions, capital expenditures and balloon debt repayments. Repayments on the line of credit were made from the issuance in December 1998 of a \$125 million four year loan from five institutional lenders and from the issuance of \$80.0 million of Medium-Term Notes in March 1998.

In September 1998 the Trust filed a \$500 million shelf registration statement with the Securities and Exchange

Commission which allows for the issuance of debt securities, preferred shares and common shares.

At December 31, 1998 the Trust had 225 full-time employees.

The Trust, in its 1999 Proxy Statement, has proposed for shareholder consideration the reorganization of the Trust under the laws of the State of Maryland through an amendment and restatement of its declaration of trust.

Item 2. Properties

Retail Properties

The following table sets forth information concerning each retail property in which the Trust owns an equity interest or has a leasehold interest as of December 31, 1998. Except as otherwise noted, retail properties are 100% owned in fee by the Trust.

NORTHEAST	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres	Occupancy (1) Overall / Economic
Allwood Clifton, NJ 07013 (3)	1958	1988	52,000	8	5	100% / 100%
Andorra Philadelphia, PA 19128 (4)	1953	1988	259,000	43	23	98% / 97%
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	279,000	28	22	98% / 98%
Blue Star Watchung, NJ 07060 (3)	1959	1988	392,000	30	55	89% / 89%
Brick Plaza Brick Township, NJ 08723 (3)	1958	1989	404,000	34	42	99% / 99%
Bristol Bristol, CT 06010	1959	1995	296,000	34	22	90% / 90%
Brunswick North Brunswick, NJ 08902 (3)	1957	1988	261,000	21	22	100% / 96%
Clifton Clifton, NJ 07013 (3)	1959	1988	80,000	13	8	96% / 96%
Dedham Dedham, MA 02026	1959	1993	250,000	32	18	92% / 90%
Ellisburg Circle Cherry Hill, NJ 08034	1959	1992	255,000	35	27	97% / 97%
Feasterville Feasterville, PA 19047	1958	1980	116,000	9	12	90% / 90%

Principal Tenants

Allwood Clifton, NJ 07013 (3)	Grand Union Mandee Shop
Andorra Philadelphia, PA 19128 (4)	Acme Markets Andorra Theater Kohl's
Bala Cynwyd Bala Cynwyd, PA 19004	Lord & Taylor Acme Markets
Blue Star Watchung, NJ 07060 (3)	Caldor Shop Rite Toys R Us
Brick Plaza Brick Township, NJ 08723 (3)	A&P Supermarket Loews Theatre Steinbach's
Bristol Bristol, CT 06010	Bradlees Super Stop & Shop TJ Maxx
Brunswick North Brunswick, NJ 08902 (3)	Caldor Grand Union Schwartz Furniture
Clifton Clifton, NJ 07013 (3)	Acme Markets
Dedham Dedham, MA 02026	Ames Cherry & Webb
Ellisburg Circle Cherry Hill, NJ 08034	Bed, Bath & Beyond Ross Dress For Le Shop Rite
Feasterville	Office Max

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres	Occupancy (1) Overall / Economic
Flourtown Flourtown, PA 19031	1957	1980	191,000	20	15	100% /100%
Fresh Meadows Queens, NY 11365	1949	1997	411,000	68	147	96% / 96%
Hamilton Hamilton, NJ 08690 (3)	1961	1988	190,000	13	18	100% / 97%
Hauppauge Hauppauge, NY 11788	1963	1998	131,000	21	15	100% / 100%
Huntington Huntington, NY 11746 (3)	1962	1988	274,000	12	21	99% / 99%
Lancaster Lancaster, PA 17601 (3)	1958	1980	107,000	16	11	97% /97%
Langhorne Square Levittown, PA 19056	1966	1985	200,000	28	21	100% / 77%
Lawrence Park Broomall, PA 19008	1972	1980	340,000	40	28	79% / 79%
Northeast Philadelphia, PA 19114	1959	1983	296,000	34	19	92% / 92%
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	11	18	100% / 100%
Rutgers Franklin, N.J. 08873 (3)	1973	1988	216,000	19	27	99% / 99%
Saugus Plaza Saugus, MA 01906	1976	1996	171,000	7	19	100% / 100%
Troy Parsippany-Troy, NJ 07054	1966	1980	202,000	21	19	100% /100%
Willow Grove Willow Grove, PA 19090	1953	1984	213,000	27	14	100% / 100%

Principal
Tenants

Flourtown Flourtown, PA 19031	K Mart Genuardi Markets
Fresh Meadows Queens, NY 11365	Cineplex Odeon Filene's K Mart
Hamilton Hamilton, NJ 08690 (3)	Shop Rite Steven's Furniture A.C. Moore
Hauppauge Hauppauge, NY 11788	Shop Rite Office Max
Huntington Huntington, NY 11746 (3)	Bed, Bath and Beyond Service Merchandise Toys R Us
Lancaster Lancaster, PA 17601 (3)	Giant Eagle A.C. Moore
Langhorne Square Levittown, PA 19056	Drug Emporium Marshalls
Lawrence Park Broomall, PA 19008	Acme Markets
Northeast Philadelphia, PA 19114	Burlington Coat Factory Marshalls Med Max
Queen Anne Plaza Norwell, MA 02061	TJ Maxx Star Markets
Rutgers Franklin, N.J. 08873 (3)	Edwards Super Food K Mart
Saugus Plaza Saugus, MA 01906	K Mart Super Stop & Shop

Troy
Parsippany-Troy, NJ 07054

Comp USA
Pathmark
Toys R Us

Willow Grove
Willow Grove, PA 19090

Barnes and Noble
Marshalls
Toys R Us

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres
Wynnewood Wynnewood, PA 19096	1948	1996	257,000	27	16
Retail buildings -----					
Thirteen buildings in CT	1900 - 1991	1994 -1996	232,000	81	
One building in MA	1930	1995	13,000	8	
Four buildings in NY (4)	1937 - 1987	1997	87,000	20	
One building in NJ	1940	1995	11,000	2	
MID ATLANTIC					
Barracks Road Charlottesville, VA 22905	1958	1985	479,000	82	39
Bethesda Row Bethesda, MD 20814 (3)	1945-1991	1993	275,000	69	8
Congressional Plaza Rockville, MD 20852 (5)	1965	1965	341,000	46	22
Courthouse Center Rockville, MD 20852 (6)	1970	1997	38,000	10	1
Eastgate Chapel Hill, NC 27514	1963	1986	159,000	32	17
Falls Plaza Falls Church, VA 22046	1962	1967	69,000	10	6
Falls Plaza - East Falls Church, VA 22046	1960	1972	71,000	19	5

	Occupancy (1) Overall / Economic	Principal Tenants
Wynnewood Wynnewood, PA 19096	96% / 96%	Bed, Bath and Beyond Borders Books Food Fare
Retail buildings -----		
Thirteen buildings in CT	98% / 94%	Eddie Bauer Pottery Barn
One building in MA	100% / 100%	
Four buildings in NY (4)	99% / 98%	Midway Theatre
One building in NJ	100% / 100%	Legg Mason
MID ATLANTIC		
Barracks Road Charlottesville, VA 22905	98% / 97%	Harris Teeter Kroger Superfresh
Bethesda Row Bethesda, MD 20814 (3)	100% / 98%	Barnes and Noble Giant Food Giant Pharmacy
Congressional Plaza Rockville, MD 20852 (5)	99% / 99%	Buy Buy Baby Fresh Fields Tower Records
Courthouse Center Rockville, MD 20852 (6)	88% / 88%	Rockville Interiors
Eastgate Chapel Hill, NC 27514	100% / 100%	Food Lion Southern Season
Falls Plaza Falls Church, VA 22046	100% / 77%	Giant Food
Falls Plaza - East Falls Church, VA 22046	100% / 100%	CVS Pharmacy Staples

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres
Federal Plaza Rockville, MD 20852	1970	1989	242,000	38	18
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	208,000	36	17
Governor Plaza Glen Burnie, MD 21961 (4)	1963	1985	252,000	22	26
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	16	6
Laurel Centre Laurel, MD 20707	1956	1986	384,000	54	26
Leesburg Plaza Leesburg, VA 20176 (6)	1967	1998	247,000	25	24
Loehmann's Plaza Fairfax, VA 22042 (7)	1971	1983	242,000	55	18
Magruder's Center Rockville, MD 20852 (6)	1955	1997	109,000	22	5
Mid-Pike Plaza Rockville, MD 20852 (3)	1963	1982	315,000	23	20
Northeast Plaza Atlanta, GA 30329	1952	1986	448,000	45	44
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	20	11
Pan Am Fairfax, VA 22031	1979	1993	218,000	31	25

	Occupancy (1) Overall / Economic	Principal Tenants
Federal Plaza Rockville, MD 20852	98% / 98%	Comp USA TJ Maxx
Gaithersburg Square Gaithersburg, MD 20878	94% / 94%	Borders Books Bed, Bath & Beyond
Governor Plaza Glen Burnie, MD 21961 (4)	99% / 99%	Office Depot Syms
Idylwood Plaza Falls Church, VA 22030	95% / 77%	Fresh Fields
Laurel Centre Laurel, MD 20707	90% / 89%	Giant Food Marshalls Toys R Us
Leesburg Plaza Leesburg, VA 20176 (6)	97% / 97%	K Mart Giant Food Pebbles
Loehmann's Plaza Fairfax, VA 22042 (7)	98% / 98%	Loehmann's Dress Shop Linens N Things
Magruder's Center Rockville, MD 20852 (6)	97% / 97%	Magruder's Tuesday Morning
Mid-Pike Plaza Rockville, MD 20852 (3)	100% / 100%	Bally's Total Fitness Filene's Basement Toys R Us
Northeast Plaza Atlanta, GA 30329	66% / 66%	Publix Cinema 12 Mars Music
Old Keene Mill Springfield, VA 22152	100% / 98%	Fresh Fields One Stop Pet & Aquarium
Pan Am Fairfax, VA 22031	98% / 98%	Micro Center Safeway MJ Designs

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres	Occupancy (1) Overall / Economic
Park & Shop Washington, DC 20036	1930	1995	50,000	12	1	100% / 100%
Perring Plaza Baltimore, MD 21134 (4)	1963	1985	412,000	16	27	100% / 100%
Pike 7 Plaza Vienna, VA 22180	1968	1997	163,000	25	13	96% / 96%
Quince Orchard Gaithersburg, MD 20877 (8)	1975	1993	240,000	31	16	96% / 85%
Shirlington Arlington, VA 22206	1940	1995	212,000	46	16	94% / 94%
Tower Shopping Center Springfield, VA 22150	1960	1998	109,000	34	12	97% / 97%
Tysons Station Falls Church, VA 22043	1954	1978	50,000	16	4	100% / 100%
Wildwood Bethesda, MD 20814	1958	1969	85,000	35	13	100% / 100%
Williamsburg Williamsburg, VA 23187	1961	1986	251,000	33	21	100% / 100%
The Shops at Willow Lawn Richmond, VA 23230	1957	1983	450,000	104	37	91% / 91%
Development - - - - -						
Land in Bethesda, MD 20814		1997 - 1998		3	2	
Retail buildings - - - - -						
Two buildings in FL	1920	1996	28,000	10		100% / 100%
Principal Tenants -----						
Park & Shop Washington, DC 20036		Petco Pizzeria Uno				
Perring Plaza Baltimore, MD 21134 (4)		Burlington Coat Factory Home Depot Metro Foods				
Pike 7 Plaza Vienna, VA 22180		Staples TJ Maxx				
Quince Orchard Gaithersburg, MD 20877 (8)		Circuit City Dyncorp				
Shirlington Arlington, VA 22206		Carlyle Grand Cafe Cineplex Odeon				
Tower Shopping Center Springfield, VA 22150		Virginia Fine Wines Talbot's Outlet				
Tysons Station Falls Church, VA 22043		Trader Joe's				
Wildwood Bethesda, MD 20814		CVS Pharmacy Sutton Place Gourmet				
Williamsburg Williamsburg, VA 23187		Food Lion Pebbles Rose's				
The Shops at Willow Lawn Richmond, VA 23230		Cineplex Odeon Leggett Stores Hannaford Brothers				
Development - - - - -						
Land in Bethesda, MD 20814						
Retail buildings - - - - -						
Two buildings in FL		Express				

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres	Occupancy (1) Overall / Economic
WEST COAST						
Crossroads Highland Park, IL 60035	1959	1993	173,000	25	15	99% / 99%
Escondido Promenade Escondido, CA 92029 (9)	1987	1996	221,000	56	18	93% / 93%
Finley Square Downers Grove, IL 60515	1974	1995	308,000	16	21	87% / 87%
Garden Market Western Springs, IL 60558	1958	1994	134,000	20	12	188% / 88%
Gratiot Plaza Roseville, MI 48066	1964	1973	154,000	5	20	100% / 100%
King's Court Los Gatos, CA 95032 (6) (8)	1960	1998	79,000	19	8	100% / 100%
North Lake Commons Lake Zurich, IL 60047	1989	1994	129,000	20	14	98% / 97%
Peninsula Center Palos Verdes, CA 90274	1962	1997	300,000	69	24	93% / 86%
150 Post Street San Francisco, CA 94108	1965	1997	96,000	28	.3	94% / 91%
Uptown Shopping Center Portland, OR 97210	Various	1997	100,000	68	7	99% / 98%
Development - - - - -						
Old Town Center Los Gatos, CA 95030 (9) (10)	1962	1997	65,000	10	4	88%/83%
Town & Country San Jose, CA 95128 (9) (11)	1962	1997	316,000	87	39	75%/75%
Ten buildings in San Antonio, TX (12)	1890 - 1935	1998	235,000	4		n/a

WEST COAST						
Crossroads Highland Park, IL 60035		Comp USA Binny's Golfsmith				
Escondido Promenade Escondido, CA 92029 (9)		Toys R Us TJ Maxx				
Finley Square Downers Grove, IL 60515		Bed, Bath & Beyond Service Merchandise				
Garden Market Western Springs, IL 60558		Dominick's				
Gratiot Plaza Roseville, MI 48066		Bed, Bath & Beyond Farmer Jack				
King's Court Los Gatos, CA 95032 (6) (8)		Lunardi's Supermarket Longs Drug				
North Lake Commons Lake Zurich, IL 60047		Dominick's				
Peninsula Center Palos Verdes, CA 90274		In Shape TJ Maxx Von's Pavillions				
150 Post Street San Francisco, CA 94108		Episode Williams - Sonoma				
Uptown Shopping Center Portland, OR 97210		Elephant's Delicatessen Zupan's Markets				
Development - - - - -						
Old Town Center Los Gatos, CA 95030 (9) (10)						
Town & Country San Jose, CA 95128 (9) (11)		AMC Theatre Courtesy Chevrolet				
Ten buildings in San Antonio, TX (12)						

	Year Completed	Year Acquired	Square Feet (2)	Number of Tenants	Acres
Retail buildings					
Nine buildings in Santa Monica, CA (4)	1888 - 1995	1996 - 1998	153,000	44	
Five buildings in San Diego, CA (4)	1888 - 1995	1996 - 1997	64,000	1	
Three buildings in CA (4)	1922	1996 - 1998	72,000	23	
Two buildings in AZ (15)	1996 - 1998	1998	40,000	10	
Three buildings in IL	1920 - 1927	1995 - 1997	24,000	3	

	Occupancy (1) Overall/ Economic	Principal Tenants
Nine buildings in Santa Monica, CA (4)	98% / 97%	Abercrombie & Fitch J. Crew The Gap
Five buildings in San Diego, CA (4)	23% / 19%	(13) Urban Outfitters
Three buildings in CA (4)	65% / 65%	(14) Pottery Barn
Two buildings in AZ (15)	95% / 95%	Gordon Biersch Brewing Co.
Three buildings in IL	69% / 69%	Foodstuffs Gianni Versace

- (1) Overall occupancy is expressed as a percentage of rentable square feet and includes square feet covered by leases for stores not yet opened. Economic occupancy is expressed as a percentage of rentable square feet, but only includes leases currently generating rental income.
- (2) Represents the physical square feet of the property, which may exceed the rentable square feet used to express occupancy.
- (3) The Trust has a leasehold interest in this property
- (4) The Trust owns the general partnership interest in these buildings.
- (5) The Trust owns a 55.7% equity interest in this center.
- (6) The Trust owns this property in a "downreit" partnership.
- (7) The Trust has a 1% general partnership interest and manages the partnership. A 99% interest is held by a limited partner.
- (8) The Trust owns this property subject to a ground lease.
- (9) The Trust owns the controlling interest in this center. A minority owner has an interest in the profits of the center.
- (10) An additional 35,000 square feet is being developed.
- (11) Under development.
- (12) The Trust plans to develop these properties, most of which are currently vacant.
- (13) Occupancy is based on one occupied building. The other four buildings are under redevelopment.
- (14) Occupancy is based on two occupied buildings.
- (15) The Trust owns 100% of one building and an 85% partnership interest in the second property.

APARTMENTS

The following table sets forth information concerning the Trust's apartment development as of December 31, 1998 which is 100% owned by the Trust in fee. This development is not subject to rent control.

Property	Year Completed	Year Acquired	Acres	1-BR	2-BR	3-BR	Total	Occupancy
Rollingwood Silver Spring, MD 9 three-story buildings	1960	1971	14	58	163	61	282	99%

Item 3. Legal Proceedings.

None

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

None

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Market Quotations

Quarter ended	High	Low	Dividends Paid
December 31, 1998	\$ 24 1/2	\$ 20	\$.44
September 30, 1998	25 1/8	19 3/8	.43
June 30, 1998	25 7/8	23 1/2	.43
March 31, 1998	25 15/16	23 5/8	.43
December 31, 1997	\$ 27 11/16	\$ 25	\$.43
September 30, 1997	27 1/4	24 9/16	.42
June 30, 1997	28	25 1/8	.42
March 31, 1997	28 3/4	25 3/4	.42

The number of holders of record for Federal Realty's common shares of beneficial interest at December 31, 1998 was 7,051.

For the years ended December 31, 1998 and 1997, \$.31 and \$.19, respectively, of dividends paid on common shares represented a return of capital.

Dividends declared on common shares per quarter during the last two fiscal years were as follows:

Quarter Ended	1998	1997
March 31	\$.43	\$.42
June 30	.43	.42
September 30	.44	.43
December 31	.44	.43

The Trust's common shares of beneficial interest are listed on the New York Stock Exchange.

On March 11, 1999 the Trust entered into an Amended and Restated Rights Agreement with American Stock Transfer and Trust Company, pursuant to which (i)the expiration date of the Trust's shareholder rights plan was extended for an additional ten years to April 24, 2009, (ii)the beneficial ownership percentage at which a person becomes an "Acquiring Person" under the plan was reduced from 20% to 15%, and (iii)certain other amendments were made. A description of the shareholder rights plan, as amended, is included in the Form 8-A/A filed with the Securities and Exchange Commission on March 11, 1999.

Item 6. Selected Financial Data.

In thousands, except per share data

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
OPERATING DATA					
Rental Income	\$222,186	\$188,529	\$164,887	\$142,841	\$128,133
Income before gain on sale of real estate	44,960	40,129	28,754	23,655	20,466
Gain (loss) on sale of real estate	---	6,375	(12)	(545)	---
Net income	44,960	46,504	28,742	23,110	20,466
Net income available for common shareholders	37,010	44,627	28,742	23,110	20,466
Net cash provided by operating activities (1)	90,427	72,170	65,648	65,117	45,199
Dividends declared on common shares	69,512	66,636	56,607	51,392	48,196
Weighted average number of common shares outstanding:					
basic	39,174	38,475	33,175	31,481	30,267
diluted	40,080	38,988	33,573	31,860	30,679
PER SHARE:					
Earnings per common share:					
basic	.94	1.16	.87	.73	.68
diluted	.94	1.14	.86	.72	.67
Dividends declared per common share	1.74	1.70	1.66	1.61	1.57
OTHER DATA					
Funds from Operations (2)	86,536	79,733	65,254	57,034	50,404

YEAR ENDED DECEMBER 31,

	1998	1997	1996	1995	1994
BALANCE SHEET DATA					

Real estate at cost	\$1,642,136	\$1,453,639	\$1,147,865	\$1,009,682	\$852,722
Total assets	1,484,317	1,316,573	1,035,306	886,154	751,804
Mortgage and capital lease obligations	173,480	221,573	229,189	222,317	235,705
Notes payable	263,159	119,028	66,106	49,980	61,883
Senior notes	335,000	255,000	215,000	165,000	---
Convertible subordinated debentures	75,289	75,289	75,289	75,289	75,289
Redeemable preferred shares	100,000	100,000	---	---	---
Shareholders' equity	529,947	553,810	388,885	327,468	343,222
Number of common shares outstanding	40,080	39,148	35,886	32,160	31,609

(1) Determined in accordance with Financial Accounting Standards Board Statement No. 95.

(2) Defined as income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items and significant nonrecurring events less gains on sale of real estate. Funds from operations differs from net cash provided by operating activities primarily because funds from operations does not include changes in operating assets and liabilities. Funds from operations is a supplemental measure of performance that does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity.

Item 7. Management's Discussion and Analysis of Financial Condition and Results

of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto of Federal Realty Investment Trust (the "Trust"). Certain statements made in this report contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Trust to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. Such factors include, among others, general economic and business conditions which will affect credit-worthiness of tenants, financing availability and cost, retailing trends and rental rates; risks of real estate development and acquisitions; governmental and environmental regulations; and competition with other real estate companies and technology.

The Trust is engaged in the ownership, management, development and redevelopment of prime retail properties for the purpose of increasing funds from operations per share and enhancing shareholder value. At December 31, 1998 the Trust owned 120 retail properties.

Liquidity and Capital Resources

The Trust meets its liquidity requirements through net cash provided by operating activities, along with traditional debt and equity funding alternatives available to it. A significant portion of cash provided by operating activities is distributed to common and preferred shareholders in the form of dividends. Accordingly, capital outlays for property acquisitions, major renovation and development projects and balloon debt repayments require debt or equity funding. On occasion, asset sales provide an additional source of capital.

Net cash provided by operating activities was \$90.4 million in 1998, \$72.2 million in 1997, and \$65.6 million in 1996 of which \$74.3 million, \$62.6 million, and \$52.1 million, respectively, was distributed to shareholders. Contributions from newly acquired properties and from retented and redeveloped properties, as more fully described below, were the primary sources of these increases.

Net cash used in investing activities was \$187.6 million in 1998, \$279.3 million in 1997 and \$161.8 million in 1996. The Trust acquired properties totaling \$120.4 million in 1998, \$275.2 million in 1997 and \$105.6 million in 1996 requiring cash outlays of \$92.9 million, \$251.4 million and \$85.8 million in 1998, 1997 and 1996, respectively. During these same three years the Trust expended an additional \$73.0 million, \$50.3 million and \$42.4 million, respectively, in capital improvements to its properties, of which \$25.0 million related to new development in 1998 (1997 and 1996 amounts related to new development were insignificant). The Trust invested \$21.4 million, \$10.4 million and \$14.4 million in 1998, 1997, and 1996, respectively, in mortgage notes receivable, with an average weighted stated interest rate of 10%, 9% and 9%, respectively. Certain of these mortgages also participate in the

gross revenues and appreciation and are convertible into ownership interests in the properties by which they are secured. Cash of \$9.4 million in 1997 and \$4.7 million in 1996 was received from the sale of properties in accordance with the Trust's policy of disposing of properties that no longer meet its long-term investment objectives.

Real estate acquisitions during 1998 were as follows (in thousands, except for square footage):

Property	Total Cost	Cash Portion	Existing Leasable Square Footage
Shopping Centers			
Hauppauge, Long Island, NY	\$24,053	\$24,053	131,000
Leesburg, Leesburg, VA (1)(2)	18,906	5,556	247,000
Tower, Springfield, VA	17,688	17,688	109,000
Kings Court, Los Gatos, CA (1)(3)	10,714	4,340	79,000
Leasehold buyout and other	7,736	2,012	-
Street Retail			
Ten properties, San Antonio, TX (4)	14,163	14,163	235,000
Two properties, Tempe, AZ (5)	10,557	9,807	40,000
Two properties, Santa Monica, CA (6)	8,685	8,028	19,000
One property, Pasadena, CA (6)	6,366	5,733	17,000
Other	1,566	1,566	-
	\$120,434	\$92,946	877,000
	=====	=====	=====

- 1)The Trust acquired these properties in partnership with third parties, whose partnership units, valued at \$3.5 million and \$6.4 million, respectively, may be converted into shares of the Trust.
- 2)The Trust placed a \$9.9 million mortgage on this property.
- 3)The Trust acquired a leasehold interest in this property.
- 4)The Trust plans to develop these properties on Houston Street, most of which are currently vacant.
- 5)The Trust owns 100% of one property and an 85% partnership interest in the second property
- 6)The Trust acquired a 90% partnership interest in these properties.

The minority owners in Leesburg and Kings Court shopping centers may exchange their 138,000 and 260,163 partnership units, respectively, into the same number of common shares of the Trust or cash, at the Trust's option, after September 15, 2000 and August 24, 1999, respectively. A \$9.9 million mortgage was placed on Leesburg Plaza which bears interest at 6.51%, requires interest only payments until October 2005 and is due September 1, 2008.

Approximately \$25.0 million was invested in 1998 in predevelopment and development projects in Bethesda, Maryland; Los Gatos, California; San Jose, California; and in Arlington, Virginia. Other major capital expenditures include \$4.7 million on the renovation of Gratiot Plaza, \$4.9 million on the renovation of Feasterville shopping center, \$3.3 million on the renovation of Falls Plaza, and \$3.1 million on the retenanting of Finley shopping

center.

Net cash provided by financing activities, before dividend payments, was \$171.7 million in 1998, \$275.8 million in 1997 and \$148.8 million in 1996. The Trust utilized its unsecured lines of credit to fund acquisitions, capital expenditures and balloon debt repayments.

In December 1997 the Trust replaced its unsecured medium-term revolving credit facilities with four banks with a five-year syndicated credit facility, thereby increasing the aggregate amount available from \$135 million to \$300 million and decreasing the interest rate from LIBOR plus 75 basis points to LIBOR plus 65 basis points. As did prior credit facilities, the syndicated facility requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. At December 31, 1998, 1997 and 1996, \$134.1 million, \$114.8 million, and \$59.4 million, respectively, was borrowed under these facilities. The maximum amount borrowed during 1998, 1997 and 1996 was \$259.1 million, \$114.8 million, and \$76.2 million, respectively. The weighted average interest rate on borrowings during 1998, 1997 and 1996 was 6.1%, 6.5%, and 6.4%, respectively. Repayments on the credit facilities were made from the following debt and equity issuances.

In December 1998 the Trust obtained a four-year loan of \$125 million from five institutional lenders. The loan, which bears interest at LIBOR plus 75 basis points, 6.3% at December 31, 1998, requires fees and has the same covenants as the syndicated credit facility. Proceeds were used to repay amounts drawn on the syndicated credit facility.

On March 5, 1998 the Trust issued \$39.5 million of 6.74% Medium-Term Notes due 2004, netting approximately \$39.3 million, and \$40.5 million of 6.99% Medium-Term Notes due 2006, netting approximately \$40.2 million. The notes pay interest semi-annually on March 30 and September 30.

In order to minimize the risk of changes in interest rates, from time to time in connection with the issuance of certain debt issues the Trust will enter into interest rate hedge agreements. In anticipation of the March 1998 Medium-Term Note issuance, the Trust purchased a Treasury Yield Hedge (notional amount of \$50 million) on January 13, 1998 which was terminated on March 5, 1998 at a gain of \$1.1 million. The gain is being recognized as a reduction in interest expense over the terms of the notes. There were no open hedge agreements at December 31, 1998.

On February 4, 1997 the Trust sold three million common shares to an institutional investor for \$28 per share, netting \$83.9 million. On July 29, 1997 the Trust sold \$40 million of 6.82% Medium-Term Notes, netting approximately \$39.8 million. On October 6, 1997 the Trust issued four million 7.95% Series A Cumulative Redeemable Preferred Shares at \$25 per share in a public offering, netting approximately \$96.8 million.

Capital requirements in 1999 will depend on acquisition opportunities, new development efforts, improvements and

redevelopments on existing properties, and tenant work and allowances. Initial funding for such projects is expected to be provided under the line of credit facility.

The Trust's long term debt has varying maturity dates and in a number of instances includes balloon payments or other contractual provisions that could require significant repayments during a particular period. The next significant maturity is of the Trust's \$100 million 8 7/8% Senior Notes in January 2000.

The Trust will need additional capital in order to fund acquisitions, expansions, developments and refinancings. Sources of this funding may be additional debt, additional equity, proceeds from the sale of properties and the issuance of operating partnership units. The timing and choice of capital sources will depend on the cost and availability of that capital, among other things. In September 1998 the Trust filed a \$500 million shelf registration statement with the Securities and Exchange Commission which allows for the issuance of debt securities, preferred shares and common shares. The Trust believes, based on past experience, that access to the capital needed to execute its business plan will be available to it.

Contingencies

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

Pursuant to the provisions of the respective partnership agreements, in the event of the exercise of put options by the other partners, the Trust would be required to purchase the 99% limited partnership interest at Loehmann's Plaza at its then fair market value and an 18.75% interest at Congressional Plaza at its then fair market value.

Under the terms of certain partnerships, if certain leasing and revenue levels are obtained for the properties, the limited partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or common shares of the Trust, at the election of the limited partners. If the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms. Under the terms of other partnerships, the partners may exchange their 879,541 operating partnership units into cash or the same number of common shares of the Trust, at the option of the Trust.

The Trust has reviewed the software and hardware systems used internally to operate its business, in order to assess their ability to handle the "Year 2000 Issue" which generally refers to the inability of systems hardware and software to correctly identify two-digit references to specific calendar years, beginning with 2000. The Year 2000 Issue may affect the Trust directly by impairing its internal data-based operations or processing and indirectly by impairing its suppliers' and tenants' data-based operations or processing. The Trust has identified and evaluated

the Year 2000 compliance of its internal systems; the Trust believes that the remediation of all accounting systems and other systems of high priority is complete. The Trust will endeavor to remediate the remaining internal systems throughout 1999.

The Trust is currently requesting information from its major banks, tenants, suppliers and manufacturers of computerized components of its real estate properties to determine their Year 2000 compliance. Based on costs spent to date and projections of future costs, costs of addressing and solving potential internal problems are not expected to have a material adverse impact on the Trust's financial condition.

Results of Operations

Net income and funds from operations have been affected by the Trust's recent acquisition, redevelopment and financing activities. The Trust has historically reported its funds from operations in addition to its net income and net cash provided by operating activities. Funds from operations is a supplemental measure of real estate companies' operating performance. The National Association of Real Estate Investment Trusts (NAREIT) defines funds from operations as follows: income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items and significant non-recurring events less gains on sale of real estate. Funds from operations does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. Rather, funds from operations has been adopted by real estate investment trusts to provide a consistent measure of operating performance in the industry.

The reconciliation of net income to funds from operations is as follows (in thousands):

	Year ended December 31,		
	1998	1997	1996
Net income available for common shareholders	\$ 37,010	\$ 44,627	\$ 28,742
Depreciation and amortization of real estate assets	41,792	37,281	34,128
Amortization of initial direct costs of leases	2,491	2,249	2,372
Income attributable to operating Partnership units	578	-	-
(Gain) loss on sale of real estate and non-recurring items	4,665	(4,424)	12
	-----	-----	-----
Funds from operations for common shareholders	\$ 86,536	\$ 79,733	\$ 65,254
	=====	=====	=====

The Trust's retail leases generally provide for minimum rents with periodic increases. Most retail tenants pay a majority of on-site operating expenses and real estate taxes. Many leases also contain a percentage rent clause which calls for additional rents based on tenant sales. These features in the Trust leases reduce

the Trust's exposure to higher costs caused by inflation and allow it to participate in improved tenant sales.

Consolidated Results

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1998 vs. 1997

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 18% or \$33.7 million from \$188.5 million in 1997 to \$222.2 million in 1998. If properties acquired and sold in 1998 and 1997 are excluded, rental income increased 5%, due primarily to the favorable impact of redeveloped and retented centers and to higher percentage rent.

Other property income includes items which, although recurring, tend to fluctuate from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, and temporary tenant income. Also included are less regularly recurring items, such as lease termination fees. Other income increased 6.6% from 1997 to \$10.3 million in 1998 due to contributions from the 1998 and 1997 acquisitions, which were partly offset by a \$1.3 million decrease in lease termination fees.

Rental expenses increased 16% from 1997 to \$49.5 million in 1998, due to the 1998 and 1997 acquisitions. If rental expenses are adjusted for properties acquired and sold in 1998 and 1997, rental expenses are constant at \$40.6 million. Decreases in environmental expenses and common area expenses such as snow removal were offset by increases in bad debt expense which had been unusually low in 1997 due to the recovery in 1997 of amounts written off in prior years.

Real estate taxes increased 19% from 1997 to \$23.3 million in 1998, due to the 1998 and 1997 acquisitions. If real estate taxes are adjusted for properties acquired and sold in 1998 and 1997, real estate taxes increased 5% due primarily to increased taxes on recently redeveloped properties.

Depreciation and amortization expenses increased 11% from 1997 to \$46.0 million in 1998 reflecting the impact of properties acquired in 1998 and 1997 and of recent tenant work and property improvements.

In 1998 the Trust incurred interest expense of \$60.2 million, of which \$5.1 million was capitalized, as compared to 1997's \$50.9 million, of which \$3.6 million was capitalized. The increase in interest expense reflects the additional debt issued to fund the Trust's approximately \$200 million of real estate investments made in 1998. The weighted average interest rate was 8% in 1998 compared with 8.5% in 1997. The ratio of earnings to combined fixed charges and preferred dividends was 1.46x in 1998 and 1.64x in 1997. The ratio of earnings to fixed charges was 1.65x in 1998 and 1.70x in 1997. The ratio of funds from operations to combined fixed charges and preferred dividends was 2.46x in 1998 and 2.50x in 1997.

Administrative expenses in 1998 reflect the adoption of the Emerging Issues Task Force ("EITF") Issue 97-11, which requires the expensing of internal costs of acquisition activities beginning in late March 1998. Prior to this date, such costs were capitalized as

a component of the basis of the acquired asset. The increase in administrative expenses from \$9.8 million in 1997 to \$11.8 million in 1998 is substantially due to its adoption. Administrative expenses for the fourth quarter of 1998, however, have decreased approximately 5% from the fourth quarter of 1997 as the benefits of the Trust's 1998 reorganization program are beginning to be realized.

Reorganization expenses of \$4.7 million in 1998 represent a one time charge recorded in the third quarter related to a comprehensive restructuring program. The charge included a provision for employee severance and related costs, office closing and downsizing expenses, as well as legal and consulting fees related to the restructuring program. The Trust's workforce was reduced by approximately 15% including several vice presidents and other senior personnel. The foundation of the restructuring effort focused on a change in the Trust's operating model from a functional hierarchy to an asset management discipline where small focused teams are responsible for and compensated based on the operating performance of a portfolio of assets. In addition, the restructuring effort included a significant downsizing of the Trust's acquisition department, in response to changing market conditions and business emphasis. In 1997 the Trust incurred \$2.0 million of costs associated with severance and other expenses related to changes in the Trust's executive management.

Investors' share of operations represents the minority interest in the income of certain properties. The increase from \$1.3 million in 1997 to \$3.1 million in 1998 is primarily due to the income attributable to the operating partnership units issued upon the acquisition of Courthouse, Magruder's, Kings Court and Leesburg Plaza shopping centers in late 1997 and 1998 and due to the minority partners' share of the increased earnings in Congressional Plaza.

As a result of the foregoing items, net income before gain on sale of real estate increased from \$40.1 million in 1997 to \$45.0 million in 1998, reflecting not only the contribution to net income from the Trust's acquisitions, but also the contribution from improved results of the core portfolio. Net income, including gain on sale of real estate, decreased from \$46.5 million in 1997 to \$45.0 million in 1998. In 1997 three shopping centers were sold at a net gain of \$6.4 million. Net income available for common shareholders decreased from \$44.6 million in 1997 to \$37.0 million in 1998, due to a full year of preferred dividends in 1998 of \$8.0 million compared with a partial year in 1997 of \$1.9 million since the \$100 million of 7.95% Series A Cumulative Redeemable Preferred Shares were issued in October 1997.

The Trust expects growth in net income in 1999 both from contributions of acquisitions and from contributions of its core portfolio, primarily the properties undergoing redevelopment and retensing. However, growth of net income from the core portfolio is, in part, dependent on controlling expenses, some of which are beyond the complete control of the Trust, such as snow removal and trends in the retailing environment. The Trust currently expects that demand for its retail space should remain at levels similar to those in 1998. A weakening of the retail environment could, however, adversely impact the Trust by increasing vacancies and

decreasing rents. In past weak retail and real estate environments, the Trust has been able to replace weak and bankrupt tenants with stronger tenants; management believes that due to the quality of the Trust's properties there will continue to be demand for its space. Growth in net income is also dependent on interest rates and controlling administrative costs. If interest rates increase, net income, as well as the ultimate cost of the Trust's development projects will be negatively impacted due to the variable interest rates on the Trust's revolving credit facilities. The Trust is aggressively managing its administrative expenses through its reorganization efforts.

1997 vs. 1996

Rental income increased 14.3% or \$23.6 million from \$164.9 million in 1996 to \$188.5 million in 1997. If properties acquired and sold in 1996 and 1997 are excluded, rental income increased 4.8%, due primarily to the favorable impact of redeveloped and retenanted centers.

Other property income decreased 1% from 1996 to \$9.7 million in 1997. Contributions from the 1997 and 1996 acquisitions were offset by a decrease in lease termination fees from 1996 to 1997.

Rental expenses increased 5% from 1996 to \$42.8 million in 1997, due to the 1997 and 1996 acquisitions. If rental expenses are adjusted to remove the effect of properties purchased and sold in 1997 and 1996, rental expenses decreased 2% due primarily to decreases in snow removal and other related expenses, such as roof and parking lot repairs. Real estate taxes increased 19% from 1996 to \$19.5 million in 1997, primarily due to properties acquired but also due to increased assessments on recent renovations.

Depreciation and amortization expenses increased 9% from 1996 to \$46.0 million in 1997 reflecting the impact of properties acquired in 1997 and 1996 and of recent tenant work and property improvements.

Interest income increased 39% from 1996 to \$6.0 million in 1997, due to the issuance of \$10.4 million and \$14.4 million, respectively, of mortgage notes receivable in 1997 and 1996. In 1997 the Trust incurred interest expense of \$50.9 million, of which \$3.6 million was capitalized, as compared to 1996's \$46.4 million of which \$871,000 was capitalized. The increase in interest expense reflects the additional debt issued to help fund the Trust's approximately \$316 million of real estate investments made in 1997. The ratio of earnings to combined fixed charges and preferred dividends was 1.64x in 1997; there were no preferred dividends in 1996. The ratio of earnings to fixed charges was 1.70x in 1997 and 1.59x in 1996. The ratio of funds from operations to combined fixed charges and preferred dividends was 2.50x in 1997; there were no preferred dividends in 1996.

Administrative expenses increased 8% from 1996 to \$9.8 million in 1997 primarily due to increased personnel costs as the Trust grew and as it accelerated its acquisition and development efforts in 1997. Administrative expenses as a percentage of total income, however, dropped from 5.1% in 1996 to 4.8% in 1997.

In 1997 the Trust incurred \$2.0 million of costs associated with severance and other expenses related to changes in the Trust's executive management.

Investors' share of operations represents the minority interest in the income of certain properties. The increase from \$394,000 in 1996 to \$1.3 million in 1997 is primarily due to the acquisition since 1995 of several properties in partnership with third parties.

As a result of the foregoing items, net income before gain on sale of real estate increased from \$28.8 million in 1996 to \$40.1 million in 1997, reflecting not only the contribution to net income from the Trust's acquisitions but also the contribution from improved operating results of the core portfolio. Net income, including gain on sale of real estate, increased from \$28.7 million in 1996 to \$46.5 million in 1997. In 1997 three shopping centers were sold at a net gain of \$6.4 million and in 1996 one shopping center was sold at a loss of \$12,000. Net income available for common shareholders was \$44.6 million in 1997 after net income was adjusted for a \$1.9 million dividend on the \$100 million of 7.95% Series A Cumulative Redeemable Preferred Shares issued on October 6, 1997.

Segment Results - - - - -

The Trust has traditionally operated its business as a single business segment. During the fourth quarter of 1998, however, the Trust completed a comprehensive restructuring program which, among other things, changed the Trust's operating structure from a functional hierarchy to an asset management model, where small focused teams are responsible for a portfolio of assets. As a result the Trust has divided its portfolio of properties into three geographic operating regions: Northeast, Mid-Atlantic and West. Each region is operated under the direction of a chief operating officer, with dedicated leasing, property management and financial staff and operates largely autonomously with respect to day to day operating decisions. Incentive compensation, throughout the regional teams, is tied to the net operating income of the respective portfolios.

Historical operating results for the three regions are as follows (in thousands):

	1998	1997	1996
Rental income			
Northeast	\$ 81,965	\$ 70,447	\$ 63,725
Mid-Atlantic	103,676	96,818	90,995
West	36,545	21,264	10,167
Total	\$222,186	\$188,529	\$164,887
Net operating income			
Northeast	\$ 58,401	\$ 50,887	\$ 44,955
Mid-Atlantic	76,065	71,298	66,141
West	25,306	13,680	6,509
Total	\$159,772	\$135,865	\$117,605

The Northeast

The Northeast region is comprised of forty-five assets, 762 tenants and 6.3 million square feet. Assets in this region extend from suburban Philadelphia north to New York and its suburbs and further into New England. A significant portion of this portfolio has been held by the Trust for many years although acquisitions, redevelopment and retenanting remain major components to the current and future performance of the region. Several redevelopment projects are currently underway which are expected to add to revenues and net operating income in 1999 and future years.

When comparing 1998 with 1997, rental income increased 16% from \$70.4 million in 1997 to \$82.0 million in 1998. Excluding properties acquired and sold in 1998 and 1997, rental income increased 3.5%, driven by increases at the recently redeveloped and retenanted Brick, Troy and Wynnewood shopping centers.

Net operating income increased 15% from \$50.9 million in 1997 to \$58.4 million in 1998. Excluding properties acquired and sold in 1998 and 1997, net operating income increased 5.2%, primarily due to increases at the recently redeveloped and retenanted Brick, Troy and Wynnewood shopping centers.

When comparing 1997 with 1996, rental income increased 10.5% from \$63.7 million in 1996 to \$70.4 million in 1997. Excluding properties acquired and sold in 1997 and 1996, rental income increased 3.9%, primarily due to increases from the first phase of the redevelopment of Brick shopping center and from increases at Willow Grove shopping center.

Net operating income increased 13% from \$45.0 million in 1996 to \$50.9 million in 1997. Excluding properties acquired and sold in 1997 and 1996, net operating income increased 4%.

The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, 1,020 tenants and 6.3 million square feet. Assets in this region extend from Baltimore south to metropolitan Washington D.C. and

further south through Virginia, Georgia, and Florida. As with the Northeast region, a significant portion of this portfolio has been held by the Trust for many years although acquisitions, redevelopment and retenanting remain major components to its current and future performance. No significant redevelopment projects are currently underway in this region as several have recently been completed. Two of the Trust's major new development projects, Pentagon Row and additional phases in Bethesda, will be managed by this regional operating team upon their completion.

When comparing 1998 with 1997, rental income increased 7.1% from \$96.8 million in 1997 to \$103.7 million in 1998. Excluding properties acquired and sold in 1998 and 1997, rental income increased 3.9%, in large part due to increases at Bethesda Row and new anchors at Barracks Road and Mid-Pike Plaza shopping centers.

Net operating income increased 6.7% from \$71.3 million in 1997 to \$76.1 million in 1998. Excluding properties acquired and sold in 1998 and 1997, net operating income increased 3.4%.

When comparing 1997 with 1996, rental income increased 6.4% from \$91.0 million in 1996 to \$96.8 million in 1997. Excluding properties acquired and sold in 1997 and 1996, rental income increased 1.8%.

Net operating income increased 7.8% from \$66.1 million in 1996 to \$71.3 million in 1997. Excluding properties acquired and sold in 1997 and 1996, net operating income increased 2.1%.

The West

The Western region is comprised of forty-four assets, 508 tenants and 2.7 million square feet. Assets in this region extend from the Mid-West to the West Coast. Unlike the Northeast and Mid-Atlantic regions, this portfolio is relatively new to the Trust and is part of a deliberate expansion west over the past several years. This region is the fastest growing at the Trust and such major new development projects as San Jose and San Antonio will be managed by this regional operating team upon their completion. Several redevelopment projects are currently underway, particularly in Southern California, which are expected to add to revenues and net operating income in 1999 and future years.

When comparing 1998 with 1997, rental income increased 72% from \$21.3 million in 1997 to \$36.5 million in 1998, reflecting the Trust's expansion in this region. Excluding properties acquired and sold, rental income increased 22%. Fifteen percent of the increase was driven by the recent redevelopment and retenanting of three shopping centers, Gratiot, Crossroads, and Finley and seven percent was attributable to the balance of the region's portfolio.

Net operating income increased 85% from \$13.7 million in 1997 to \$25.3 million in 1998. Excluding properties acquired and sold, net operating income increased 32% from \$9.5 million in 1997 to \$12.6 million in 1998. This increase resulted from the redevelopment and retenanting of Gratiot, Crossroads and Finley shopping centers and the retenanting of two of the Trust's California street retail properties.

When comparing 1997 with 1996, rental income increased 109% from \$10.2 million in 1996 to \$21.3 million in 1997. Excluding properties acquired and sold in 1997 and 1996, rental income increased 6%.

Net operating income increased 110% from \$6.5 million in 1996 to \$13.7 million in 1997. Excluding properties acquired and sold in 1997 and 1996, net operating income increased 4.8%.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Trust's primary financial market risk is the fluctuation in interest rates. At December 31, 1998, the Trust had \$268.5 million of variable rate debt. Based upon this balance of variable debt, if interest rates increased 1%, the Trust's earnings and cash flows would decrease by \$2.7 million. If interest rates decreased 1%, the Trust's earnings and cash flows would increase by \$2.7 million. The Trust believes that the change in the fair value of its financial instruments resulting from a foreseeable fluctuation in interest rates would be immaterial to its total assets and total liabilities.

Item 8. Financial Statements and Supplementary Data.

Included in Item 14.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

Part III

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant

The Executive Officers in 1998 were:

Name ----	Age ---	Position with Trust -----
Steven J. Guttman	52	President, Chief Executive Officer and Trustee
Howard S. Biel	51	Senior Vice President, Managing Director of Development
Nathan P. Fishkin (Ceased serving as an executive officer on October 30, 1998)	51	Senior Vice President, Acquisitions
Nancy J. Herman	35	Vice President, General Counsel and Secretary
Ron D. Kaplan	35	Senior Vice President-Capital Markets, Chief Investment Officer
Catherine R. Mack (Resigned as of December 21, 1998)	54	Vice President, General Counsel and Secretary
Donald C. Wood	38	Senior Vice President, Finance and Treasurer
Cecily A. Ward	52	Vice President-Controller

Steven J. Guttman has been the Trust's President and Chief Executive Officer since April 1980. Mr. Guttman has been associated with the Trust since 1972, became Chief Operating Officer in 1975 and became a Managing Trustee in 1979.

Howard S. Biel joined the Trust in January 1998 as Senior Vice President-Managing Director of Development. From 1991 through 1997, Mr. Biel was Regional Partner for Faison where he was responsible for the development of over one million square feet of retail and entertainment space in the Mid-Atlantic and Northeast regions. From 1986 through 1990, Mr. Biel was Executive Vice President for Western Development Corporation (now the Mills Corporation) where he oversaw the development and management of over seven million square feet of value oriented super-regional shopping malls. From 1979 through 1985, he was Senior Vice President for Development at the Edward J. DeBartolo Corporation where he was

responsible for the planning and development of ten regional malls and several urban mixed-use projects.

Nathan P. Fishkin served as Senior Vice President, Acquisitions from January 1998 through November 2, 1998, at which time he became a consultant for the Trust. Mr. Fishkin joined the Trust in 1985 as an acquisition officer. In 1987, he became Vice President, Special Projects, overseeing all anchor and specialty tenant leasing and in 1997, he became Senior Vice President, Real Estate. Prior to joining the Trust, Mr. Fishkin practiced law for twelve years.

Nancy J. Herman became the Trust's Vice President, General Counsel and Secretary on December 21, 1998. In this position, Ms. Herman has overall responsibility for the Trust's legal affairs. Ms. Herman joined the Trust in 1990 as a staff attorney. Since that time, she has had responsibility for managing legal issues related to environmental matters, intellectual property and computers, insurance and other legal matters. Prior to joining the Trust in 1990, Ms. Herman practiced real estate law at Hogan & Hartson.

Ron D. Kaplan joined the Trust in November 1992 as Vice President-Capital Markets. Mr. Kaplan was formerly a Vice President of Salomon Brothers Inc where he was responsible for capital raising and financial advisory services for public and private real estate companies. While at Salomon Brothers which he joined in 1985, he participated in two of the Trust's debt offerings.

Catherine R. Mack came to the Trust in January 1985 as General Counsel and became a Vice President in February 1986. Before joining the Trust, Ms. Mack was an Assistant United States Attorney for the District of Columbia and, prior to that, an attorney with Fried, Frank, Harris, Shriver and Jacobson in Washington, D.C. where she represented several local real estate entities. Ms. Mack resigned effective December 21, 1998; under the terms of Ms. Mack's severance agreement with the Trust, upon her voluntary resignation, she will act in a legal advisory position to the Trust for a two-year period.

Donald C. Wood joined the Trust in May 1998 as Senior Vice President, Chief Financial Officer. Prior to joining the Trust, Mr. Wood was Senior Vice-President and Chief Financial Officer for Caesars World, Inc., a wholly-owned subsidiary of ITT Corporation, where he was responsible for all aspects of finance throughout the company including strategic planning, process re-engineering, capital allocation and financial analysis. Prior to joining ITT in 1990, Mr. Wood was employed at Arthur Andersen & Co. from 1982 where he served in numerous positions including audit manager.

Cecily A. Ward joined the Trust in April 1987 as Controller. Prior to joining the Trust, Ms. Ward, a certified public accountant, was with Grant Thornton LLP, the Trust's independent accountants.

The schedule identifying Trustees under the caption "Election of Trustees" of the 1999 Proxy Statement is incorporated herein by reference thereto.

Item 11. Executive Compensation.
- - - - -

The sections entitled "Summary Compensation Table" and "Aggregated Option Exercises in 1998 and December 31, 1998 Option Values" of the 1999 Proxy Statement are incorporated herein by reference thereto.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The section entitled "Ownership of Shares by Trustees and Officers" of the 1999 Proxy Statement is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions.

The section entitled "Certain Transactions" of the 1999 Proxy Statement is incorporated herein by reference thereto.

Item 14. Exhibits, Financial Statement

Schedules, and Reports on

Form 8-K

(a) 1. Financial Statements

Report of Independent Certified Public Accountants	F-2
Consolidated Balance Sheets- December 31, 1998 and 1997	F-3
Consolidated Statements of Operations - years ended December 31, 1998, 1997 and 1996	F-4
Consolidated Statements of Shareholders' Equity - years ended December 31, 1998, 1997 and 1996	F-5
Consolidated Statements of Cash Flows - years ended December 31, 1998, 1997 and 1996	F-6
Notes to Consolidated Financial Statements (Including Selected Quarterly Data)	F-7 - F23

(a) 2. Financial Statement Schedules

Schedule III - Summary of Real Estate and Accumulated Depreciation.....	F24 - F27
Schedule IV - Mortgage Loans on Real Estate.....	F28 - F29
Report of Independent Certified Public Accountants.....	F30

(a) 3. Exhibits

- (3) (i) The Trust's Third Amended and Restated Declaration of Trust dated May 24, 1984, filed with the Commission on July 5, 1984 as Exhibit 4 to the Trust's Registration Statement on Form S-2 (file No. 2-92057) is incorporated herein by reference thereto.
- (ii) Bylaws of the Trust, filed with the Commission as an exhibit to the Trust's Current Report on Form 8-K dated February 20, 1985, as most recently amended and filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, is incorporated herein by reference thereto.
- (4) (i) Specimen Share of Beneficial Interest, filed with the Commission on November 23, 1982 as Exhibit 4 to the Trust's Registration Statement on Form S-2 (file No. 2-80524), is incorporated herein by reference thereto.
- (ii) Statement of Designation for Shares, filed on Form 8-K with the Commission on October 3, 1997, is incorporated herein by reference thereto.
- (iii) The 5 1/4% Convertible Subordinated Debenture due 2002 as described in Amendment No. 1 to Form S-3 (File No. 33-15264), filed with the Commission on August 4, 1987 is incorporated herein by reference thereto.
- (iv) Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company, filed as an exhibit to the Trust's Form 8-A/A filed with the Commission on March 11, 1999, is incorporated herein by reference thereto.
- (v) Indenture dated December 13, 1993, related to the Trust's 7.48% Debentures due August 15, 2026; 8 7/8% Senior Notes due January 15, 2000; 8% Notes due April 21, 2002; 6 5/8% Notes due 2005; 6.82% Medium Term Notes due August 1, 2027; 6.74% Medium Term Notes due March 10, 2004; and 6.99% Medium Term Notes due March 10, 2006, filed with the commission on December 13, 1993 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, effective December 4, 1995 is incorporated herein by reference thereto) is incorporated herein by reference thereto.
- (vi) Indenture dated September 1, 1998 filed as exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) is incorporated herein by reference thereto.
- (vii) Dividend Reinvestment and Share Purchase Plan, dated November 3, 1995, filed with the Commission on Form S-3 on November 3, 1995 (File No. 33-63955) is incorporated herein by reference thereto.
- (9) Voting Trust Agreement.....*
- (10) (i) Consultancy Agreement with Samuel J. Gorlitz, as amended, filed with the Commission as Exhibit 10 (v) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1983, is incorporated herein by reference

thereto.

(ii) The Trust's 1983 Stock Option Plan adopted May 12, 1983, filed with the Commission as Exhibit 10 (vi) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1983, is incorporated herein by reference.

(iii) Deferred Compensation Agreement with Steven J. Guttman dated December 13, 1978, filed with the Commission as Exhibit 10 (iv) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1980 is incorporated herein by reference thereto.

(iv) The Trust's 1985 Non-Qualified Stock Option Plan, adopted on September 13, 1985, filed with the Commission as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1985 is incorporated herein by reference thereto.

(v) Amendment No. 3 to Consultancy Agreement with Samuel J. Gorlitz, filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1988 is incorporated herein by reference thereto.

(vi) The 1991 Share Purchase Plan, dated January 31, 1991, filed with the Commission as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1990 is incorporated herein by reference thereto.

(vii) Amendment No. 4 to Consultancy Agreement with Samuel J. Gorlitz, filed with the Commission as an exhibit to the Trust's Annual Report on Form 10-K for the year ended December 31, 1992 is incorporated herein by reference thereto.

(viii) Employment and Relocation Agreement between the Trust and Ron D. Kaplan, dated September 30, 1992, filed as an exhibit to the Trust's Annual Report on Form 10-K for the year ended December 31, 1992 is incorporated herein by reference thereto.

(ix) Amendment dated October 1, 1992, to Voting Trust Agreement dated as of March 3, 1989 by and between I. Wolford Berman and Dennis L. Berman filed as an exhibit to the Trust's Annual Report on Form 10-K for the year ended December 31, 1992 is incorporated herein by reference thereto.

(x) Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997, filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, are incorporated herein by reference thereto.

The following documents, filed with the Commission as portions of

Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 are incorporated herein by reference thereto:

(xi) Consulting Agreement between Misner Development and Federal Realty Investment Trust.

(xii) Fiscal Agency Agreement dated as of October 28, 1993 between Federal Realty Investment Trust and Citibank, N.A.

(xiii) Other Share Award and Purchase Note between Federal Realty Investment Trust and Ron D. Kaplan, dated January 1, 1994, filed with the Commission as a portion of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994 is incorporated herein by reference there to.

(xiv) Amended and Restated 1983 Stock Option Plan of Federal Realty Investment Trust and 1985 Non-Qualified Stock Option Plan of Federal Realty Investment Trust, filed with the Commission on August 17, 1994 on Form S-8, (File No. 33-55111) is incorporated herein by reference thereto.

(xv) Form of Severance Agreement between Federal Realty Investment Trust and Certain of its Officers dated December 31, 1994, filed with the Commission as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, is incorporated herein by reference thereto.

The following filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1997, are incorporated herein by reference thereto:

(xvi) Credit Agreement Dated as of December 19, 1997 by and among Federal Realty Investment Trust, as Borrower, The Financial Institutions Party Hereto and Their Assignees Under Section 13.5.(a), as Lenders, Corestates Bank, N.A., as Syndication Agent, First Union National Bank, as Administrative Agent and as Arranger, and Wells Fargo Bank, as Documentation Agent and as Co-Arranger.

(xvii) Performance Share Award Agreement between Federal Realty Investment Trust and Steven J. Guttman, as of January 1, 1998.

(xviii) Form of Amended and Restated Restricted Share Award Agreements between Federal Realty Investment Trust and Steven J. Guttman for the years 1998 through 2002.

(xix) Performance Share Award Agreements between Federal Realty Investment Trust and Ron D. Kaplan, as of January 1, 1998.

(xx) Restricted Share Award Agreements between Federal Realty Investment Trust and Ron D. Kaplan, as of

January 1, 1998.

(xxi) Amended and Restated Employment Agreement between the Trust and Steven J. Guttman as of March 6, 1998.

(xxii) Amended and Restated Executive Agreement between the Trust and Steven J. Guttman as of March 6, 1998.

(xxiii) Executive Agreement between the Trust and Ron D.Kaplan as of March 6, 1998.

(xxiv) Amended and Restated Severance Agreement between the Trust and Ron D. Kaplan as of March 6, 1998.

(xxv) Severance Agreement between the Trust and Catherine R. Mack as of March 6, 1998.

The following are filed as exhibits hereto:

(xxvi) Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan, as amended on May 6, 1998, and filed with the Trust's 1998 Proxy Statement.

(xxvii) Term Loan Agreement, dated as of December 22, 1998 by and among Federal Realty Investment Trust, as Borrower, the Financial Institutions Party Thereto and Their Assignees Under Section 13.5.(d), as Lenders, Commerzbank Aktiengesellschaft, New York Branch as Syndication Agent, PNC, National Association, as Administrative Agent and Fleet National Bank as documentation agent.

- (11) Statement regarding computation of per share earnings.....*
- (12) Statements regarding computation of ratios.....*
- (13) Annual Report to Shareholders, Form 10Q or quarterly report to shareholders.....*
- (18) Letter regarding change in accounting principles.....*
- (19) Report furnished to security holders.....*
- (21) Subsidiaries of the registrant.....
 - (xxxvii) Articles of Incorporation of Street Retail, Inc. filed with the Commission as a portion of Exhibit 21 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 is incorporated herein by reference thereto.
 - (xxxviii) By-Laws of Street Retail, Inc. filed with the Commission as a portion of Exhibit 21 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 is incorporated herein by reference thereto.

- (22) Published report regarding matters submitted to
vote of security holders.....*
- (23) Consent of Grant Thornton LLP.....
- (24) Power of attorney.....*
- (27) Financial Data Schedule.....+
- (99) Additional exhibits.....*

(b) Reports on Form 8-K Filed during the Last Quarter

A Form 8-K, dated October 28, 1998, was filed in response to Item 5.

* Not applicable.

+ For Edgar filing only.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FEDERAL REALTY INVESTMENT TRUST

Date: March 19, 1999

By: Steven J. Guttman

Steven J. Guttman
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures -----	Title -----	Date ----
Steven J. Guttman ----- Steven J. Guttman	President and Trustee (Chief Executive Officer)	March 19, 1999 -----
Donald C. Wood ----- Donald C. Wood	Senior Vice-President, Finance and Treasurer (Chief Financial Officer)	March 19, 1999 -----
Cecily A. Ward ----- Cecily A. Ward	Vice-President and Controller (Principal Accounting Officer)	March 19, 1999 -----
Dennis L. Berman ----- Dennis L. Berman	Trustee	March 19, 1999 -----
Kenneth D. Brody ----- Kenneth D. Brody	Trustee	March 19, 1999 -----
A. Cornet de Ways Ruart ----- A. Cornet de Ways Ruart	Trustee	March 19, 1999 -----
----- Samuel J. Gorlitz	Trustee	March 19, 1999 -----
Kristin Gamble ----- Kristin Gamble	Trustee	March 19, 1999 -----
Walter F. Loeb ----- Walter F. Loeb	Trustee	March 19, 1999 -----
Mark S. Ordan ----- Mark S. Ordan	Trustee	March 19, 1999 -----
George L. Perry ----- George L. Perry	Trustee	March 19, 1999 -----

FINANCIAL STATEMENTS AND
SCHEDULES

F1

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Trustees and Shareholders
Federal Realty Investment Trust

We have audited the accompanying consolidated balance sheets of Federal Realty Investment Trust as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal Realty Investment Trust as of December 31, 1998 and 1997 and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

Grant Thornton LLP
Washington, D.C.
February 8, 1999

Federal Realty Investment Trust

CONSOLIDATED BALANCE SHEETS

	December 31, 1998	December 31, 1997
	-----	-----
ASSETS		
(in thousands)		
Investments		
Real estate, at cost	\$ 1,642,136	\$ 1,453,639
Less accumulated depreciation and amortization	(286,053)	(247,497)
	-----	-----
	1,356,083	1,206,142
Mortgage notes receivable	51,154	38,360
	-----	-----
	1,407,237	1,244,502
Other Assets		
Cash	17,230	17,043
Accounts and notes receivable	17,873	18,794
Prepaid expenses and other assets, principally property taxes and lease commissions	38,502	32,128
Debt issue costs	3,475	4,106
	-----	-----
	\$ 1,484,317	\$ 1,316,573
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Obligations under capital leases	\$ 122,401	\$ 125,940
Mortgages payable	51,079	95,633
Notes payable	263,159	119,028
Accounts payable and accrued expenses	34,073	30,512
Dividends payable	18,972	18,368
Security deposits	5,214	4,423
Prepaid rents	3,641	2,818
Senior notes and debentures	335,000	255,000
5 1/4% Convertible subordinated debentures	75,289	75,289
Investors' interest in consolidated assets	45,542	35,752
Commitments and contingencies		
Shareholders' equity		
7.95% Series A Cumulative Redeemable Preferred Shares, liquidation preference \$25 per share, 4,000,000 shares issued in 1997	100,000	100,000
Common shares of beneficial interest, no par or stated value, unlimited authorization, issued 40,139,675 and 39,200,201 shares, respectively	707,724	684,823
Accumulated dividends in excess of Trust net income	(255,211)	(222,709)
	-----	-----
	552,513	562,114
Less 59,425 and 52,386 common shares in treasury - at cost, respectively, deferred compensation and subscriptions receivable	(22,566)	(8,304)
	-----	-----
	529,947	553,810
	-----	-----
	\$ 1,484,317	\$ 1,316,573
	=====	=====

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

	1998 -----	Year ended December 31, 1997 -----	1996 -----
(In thousands, except per share data)			
Revenue			
Rental income	\$222,186	\$188,529	\$164,887
Interest and other income	5,945	6,037	4,352
Other property income	10,347	9,705	9,816
	-----	-----	-----
	238,478	204,271	179,055
Expenses			
Rental	49,490	42,844	40,687
Real estate taxes	23,271	19,525	16,411
Interest	55,125	47,288	45,555
Administrative	11,796	9,793	9,100
Reorganization expenses	4,665	1,951	-
Depreciation and amortization	46,047	41,399	38,154
	-----	-----	-----
	190,394	162,800	149,907
Operating income before investors' share of operations and gain (loss) on sale of real estate	48,084	41,471	29,148
Investors' share of operations	(3,124)	(1,342)	(394)
	-----	-----	-----
Income before gain (loss) on sale of real estate	44,960	40,129	28,754
Gain (loss) on sale of real estate	-	6,375	(12)
	-----	-----	-----
Net income	44,960	46,504	28,742
Dividends on preferred stock	(7,950)	(1,877)	-
	-----	-----	-----
Net income available for common shareholders	\$ 37,010	\$ 44,627	\$ 28,742
	=====	=====	=====
Earnings per common share, basic			
Income before gain (loss) on sale of real estate	\$ 0.94	\$ 0.99	\$ 0.87
Gain (loss) on sale of real estate	-	0.17	-
	-----	-----	-----
	\$ 0.94	\$ 1.16	\$ 0.87
	=====	=====	=====
Weighted average number of common shares, basic	39,174	38,475	33,175
	=====	=====	=====
Earnings per common share, diluted			
Income before gain (loss) on sale of real estate	\$ 0.94	\$ 0.98	\$ 0.86
Gain (loss) on sale of real estate	-	0.16	-
	-----	-----	-----
	\$ 0.94	\$ 1.14	\$ 0.86
	=====	=====	=====
Weighted average number of common shares, diluted	40,080	38,988	33,573
	=====	=====	=====

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)	Year ended December 31,					
	1998		1997		1996	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Shares of Beneficial Interest						
Balance, beginning of year	39,200,201	\$ 684,823	35,948,044	\$ 597,917	32,221,670	\$ 508,870
Exercise of stock options	230,908	4,880	76,184	1,604	126,918	2,705
Shares issued under dividend reinvestment plan	167,511	3,990	153,973	4,115	181,274	4,057
Performance and Restricted Shares granted	541,055	14,031	22,000	686	-	-
Net proceeds from sale of shares	-	-	3,000,000	83,925	3,418,182	82,285
Cost of 7.95% Series A Cumulative Preferred Shares	-	-	-	(3,424)	-	-
Balance, end of year	40,139,675	\$ 707,724	39,200,201	\$ 684,823	35,948,044	\$ 597,917
Common Shares of Beneficial Interest in Treasury, Deferred Compensation and Subscriptions Receivable						
Balance, beginning of year	(457,111)	(\$8,304)	(480,948)	(\$8,332)	(500,095)	(\$8,567)
Amortization of deferred compensation	50,999	976	30,125	480	30,250	482
Performance and Restricted Shares granted	(576,055)	(14,680)	(22,000)	(621)	-	-
Net increase in stock option loans	(41,761)	(963)	(14,166)	(299)	(10,167)	(242)
Reissuance (purchase) of treasury shares, net	(7,039)	(374)	10,000	184	(2,186)	(24)
Purchase under share purchase plan	51,521	779	19,878	284	1,250	19
Balance, end of year	(979,446)	(\$22,566)	(457,111)	(\$8,304)	(480,948)	(\$8,332)
Accumulated Dividends in Excess of Trust Net Income						
Balance, beginning of year		(\$222,709)		(\$200,700)		(\$172,835)
Net income		44,960		46,504		28,742
Dividends declared to common shareholders		(69,512)		(66,636)		(56,607)
Dividends declared to preferred shareholders		(7,950)		(1,877)		-
Balance, end of year		(\$255,211)		(\$222,709)		(\$200,700)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
(In thousands)	1998	1997	1996
	-----	-----	-----
OPERATING ACTIVITIES			
Net income	\$ 44,960	\$ 46,504	\$ 28,742
Items not requiring cash outlays			
Depreciation and amortization	46,047	41,399	38,154
(Gain) loss on sale of real estate	-	(6,375)	12
Other, net	2,301	818	1,174
Changes in assets and liabilities			
Decrease (increase) in accounts receivable	878	(1,493)	(1,020)
Increase in prepaid expenses and other assets before depreciation and amortization	(9,571)	(11,263)	(7,665)
Increase (decrease) in operating accounts payable, security deposits and prepaid rent	2,148	(287)	3,133
Increase in accrued expenses	3,664	2,867	3,118
	-----	-----	-----
Net cash provided by operating activities	90,427	72,170	65,648
INVESTING ACTIVITIES			
Acquisition of real estate	(92,946)	(251,351)	(85,792)
Capital expenditures	(73,030)	(50,349)	(42,356)
Decrease (increase) in deposit on purchase of real estate	-	23,447	(23,401)
Issuance of mortgage notes receivable, net	(21,375)	(10,447)	(14,352)
Proceeds from sale of real estate	-	9,364	4,680
Other, net	(295)	(7)	(598)
	-----	-----	-----
Net cash used in investing activities	(187,646)	(279,343)	(161,819)
FINANCING ACTIVITIES			
Borrowing of short-term debt, net	144,357	55,391	19,290
Issuance of senior notes, net of costs	79,540	39,750	49,749
Issuance of common shares	5,310	86,893	86,054
Issuance of preferred shares	-	96,576	-
Payments on mortgages, capital leases and notes payable, including prepayment fees	(55,248)	(3,712)	(5,735)
Dividends paid	(74,284)	(62,621)	(52,084)
Increase (decrease) in minority interest, net	(2,269)	898	(583)
	-----	-----	-----
Net cash provided by financing activities	97,406	213,175	96,691
	-----	-----	-----
Increase in cash	187	6,002	520
Cash at beginning of year	17,043	11,041	10,521
	-----	-----	-----
Cash at end of year	\$ 17,230	\$ 17,043	\$ 11,041
	=====	=====	=====

The accompanying notes are an integral part of these statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Realty Investment Trust (the "Trust") invests in income-producing retail real estate, primarily community and neighborhood shopping centers and main street retail properties, retail buildings and shopping centers in densely developed urban and suburban areas. In addition, the Trust has various land parcels under its control for the purpose of developing multi-use projects that center around the retail component.

The Trust operates in a manner intended to enable it to qualify as a real estate investment trust under Sections 856-860 of the Internal Revenue Code (the "Code"). Under those sections, a trust which distributes at least 95% of its real estate trust taxable income to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Therefore, no provision for Federal income taxes is required.

The consolidated financial statements of the Trust include the accounts of the Trust, its wholly owned corporate subsidiaries, several corporations where the Trust has a majority ownership, numerous partnerships and a joint venture. The equity interests of other investors are reflected as investors' interest in consolidated assets. All significant intercompany transactions and balances are eliminated.

Revenue Recognition. The Trust's leases with tenants are classified as operating leases. Minimum rents are recognized on an accrual basis over the terms of the related leases with appropriate valuation adjustments recorded to consider credit and other business risk. Percentage rents, which represent additional rents based on tenant sales, are recognized at the end of the lease year or other period in which tenant sales volumes have been reached and the percentage rents are due. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the expenditures occurred.

Real Estate. The Trust uses the straight-line method in providing for depreciation. Estimated useful lives range from three to 25 years on apartment buildings and improvements, and from three to 35 years on retail properties and improvements. Maintenance and repair costs are charged to operations as incurred. Major improvements are capitalized. The gain or loss resulting from the sale of properties is included in net income at the time of sale. The Trust has adopted FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". The Trust does not hold any assets that meet the impairment criteria of FAS 121.

The Trust capitalizes certain external and internal costs

directly related to the development, redevelopment and leasing of real estate including applicable salaries and other related costs. The capitalized costs associated with developments, redevelopments and leasing are depreciated or amortized over the life of the improvement and lease, respectively. Through March 1998, the Trust also capitalized internal costs of preacquisition activities incurred in connection with the acquisition of an operating property. On March 19, 1998 the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached a consensus opinion on issue #97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions" which requires that the internal costs of preacquisition activities incurred in connection with the acquisition of an operating property be expensed as incurred. Consequently, the Trust has been expensing these costs since March 1998.

Interest costs on developments and major redevelopments are capitalized as part of the development and redevelopment.

Debt Issue Costs. Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the life of the related issue using the interest method. Upon conversion or in the event of redemption, applicable unamortized costs are charged to shareholders' equity or to operations, respectively.

Cash and Cash Equivalents. The Trust defines cash as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity under three months. Cash balances may exceed insurable amounts.

Risk Management. The Trust occasionally enters into derivative contracts prior to a scheduled financing or refinancing in order to minimize the risk of changes in interest rates. The derivative contracts are designated as hedges when acquired. The cost or gain on these transactions is recognized as a component of interest expense over the life of the financing. The Trust does not use derivative financial instruments for trading or speculative purposes. There were no open derivative contracts at December 31, 1998 or 1997.

Use of Estimates. Inherent in the preparation of the Trust's financial statements are certain estimates. These estimates are prepared using management's best judgment, after considering past and current events.

Earnings Per Share. In 1997 the Financial Accounting Standards Board issued Financial Accounting Standards No. 128 - "Earnings Per Share". Statement 128 replaces the presentation of primary and fully diluted earnings per share ("EPS") pursuant to Accounting Principles Board Opinion No. 15 with the presentation of basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares and then shared in the

earnings of the Trust.

The following table sets forth the reconciliation between basic and diluted EPS (in thousands):

	1998	1997	1996

Numerator			

Net income available for common shareholders - basic	\$37,010	\$44,627	\$28,742
Income attributable to operating partnership units	578	32	-
	-----	-----	-----
Net income available for common shareholders - diluted	\$37,588	\$44,659	\$28,742
	=====	=====	=====
Denominator			

Denominator for basic EPS-weighted average shares	39,174	38,475	33,175
Effect of dilutive securities			
Stock options and awards	292	494	398
Operating partnership units	614	19	-
	-----	-----	-----
Denominator for diluted EPS	40,080	38,988	33,573
	=====	=====	=====

Stock options are accounted for in accordance with APB 25, whereby if options are priced at fair market value or above at the date of grant, no compensation expense is recognized.

NOTE 1: REAL ESTATE AND ENCUMBRANCES

A summary of the Trust's properties at December 31, 1998 and 1997 is as follows (in thousands):

1998	Cost	Accumulated depreciation and amortization	Encumbrances

Retail properties	\$1,436,949	\$227,728	\$ 51,079
Retail properties under capital leases	198,567	53,088	122,401
Apartments	6,620	5,237	-
	-----	-----	-----
	\$1,642,136	\$286,053	\$173,480
	=====	=====	=====
1997			
Retail properties	\$1,241,087	\$186,195	\$ 95,633
Retail properties under capital leases	205,979	56,356	125,940
Apartments	6,573	4,946	-
	-----	-----	-----
	\$1,453,639	\$247,497	\$221,573
	=====	=====	=====

Real estate acquisitions during 1998 were as follows (in thousands, except for square footage):

Property	Total Cost	Cash Portion	Existing Leasable Square Footage
Shopping Centers			
Hauppauge, Long Island, NY	\$ 24,053	\$24,053	131,000
Leesburg, Leesburg, VA (1)(2)	18,906	5,556	247,000
Tower, Springfield, VA	17,688	17,688	109,000
Kings Court, Los Gatos, CA (1)(3)	10,714	4,340	79,000
Leasehold buyout and other	7,736	2,012	-
Street Retail			
Ten properties, San Antonio, TX (4)	14,163	14,163	235,000
Two properties, Tempe, AZ (5)	10,557	9,807	40,000
Two properties, Santa Monica, CA (6)	8,685	8,028	19,000
One property, Pasadena, CA (6)	6,366	5,733	17,000
Other	1,566	1,566	-
	-----	-----	-----
	\$120,434	\$92,946	877,000
	=====	=====	=====

- 1)The Trust acquired these properties in partnership with third parties, whose partnership units, valued at \$3.5 million and \$6.4 million, respectively, may be converted into shares of the Trust.
- 2)The Trust placed a \$9.9 million mortgage on this property.
- 3)The Trust acquired a leasehold interest in this property.
- 4)The Trust plans to develop these properties on Houston Street, most of which are currently vacant.
- 5)The Trust owns 100% of one property and an 85% partnership interest in the second property.
- 6)The Trust acquired a 90% partnership interest in these properties.

The minority owners in Leesburg and Kings Court shopping centers may exchange their 138,000 and 260,163 partnership units, respectively, into the same number of common shares of the Trust or cash, at the Trust's option, after September 15, 2000 and August 24, 1999, respectively. A \$9.9 million mortgage was placed on Leesburg Plaza which bears interest at 6.51%, requires interest only payments until October 2005 and is due September 1, 2008.

Approximately \$25.0 million was invested in 1998 in predevelopment and development projects in Bethesda, Maryland; Los Gatos, California; San Jose, California; and in Arlington, Virginia. Other major capital expenditures include \$4.7 million on the renovation of Gratiot Plaza, \$4.9 million on the renovation of Feasterville shopping center, \$3.3 million on the renovation of Falls Plaza, and \$3.1 million on the retenanting of Finley shopping center.

The Trust's 120 retail properties at December 31, 1998 are located in 16 states and the District of Columbia. There are approximately 2,290 tenants providing a wide range of retail products and services. These tenants range from sole proprietorships to national retailers; no one tenant or corporate

group of tenants account for 3% or more of revenue.

Mortgage notes receivable of \$51.2 million are due over various terms from January 2000 to May 2021 and have an average weighted interest rate of 10%. Under the terms of certain of these mortgages, the Trust will receive additional interest based upon the gross income of the secured properties and upon sale of the properties, the Trust will share in the appreciation of the properties.

On May 13, 1997 the Trust sold Town & Country Shopping Center in Springfield, Illinois for \$7.5 million, resulting in a gain of \$5.3 million. On May 30, 1997 Shillington Shopping Center in Shillington, Pennsylvania was sold for \$4.6 million, resulting in a gain of \$1.7 million. On September 25, 1997 the Trust sold Brainerd Village Shopping Center in Chattanooga, Tennessee for \$10.2 million, resulting in a loss of \$659,000.

On December 31, 1996 the Trust sold Town and Country Shopping Center in Hammond, Louisiana for \$4.9 million, resulting in a loss of \$12,000.

Mortgages payable and capital lease obligations are due in installments over various terms extending to 2016 and 2060, respectively, with interest rates ranging from 6.1% to 11.25%. Certain of the mortgage and capital lease obligations require additional interest payments based upon property performance. In 1998 the Trust paid off maturing mortgages totaling \$53.5 million on Barracks Road, Falls Plaza, Falls Plaza-East, Old Keene Mill, Loehmann's Plaza and Bristol Plaza. In 1997 the Trust repaid a \$1.5 million mortgage on Northeast Shopping Center in Philadelphia, Pennsylvania.

Aggregate mortgage principal payments due during the next three years are \$532,000, \$583,000, and \$30.7 million, respectively. There are no further mortgage principal payments due until 2005 when principal payments begin on the Leesburg mortgage.

Future minimum lease payments and their present value for property under capital leases as of December 31, 1998, are as follows (in thousands):

Year ending December 31,

1999	\$ 11,299
2000	11,736
2001	11,736
2002	11,527
2003	11,458
Thereafter	525,717

	583,473
Less amount representing interest	(461,072)

Present value	\$ 122,401
	=====

Leasing Arrangements

The Trust's leases with retail property and apartment tenants are classified as operating leases. Leases on apartments are generally for a period of one year, whereas retail property leases generally range from three to 10 years and usually provide for contingent rentals based on sales and sharing of certain operating costs.

The components of rental income are as follows (in thousands):

	Year ended December 31,		
	1998	1997	1996
Retail properties			
Minimum rents	\$178,936	\$147,147	\$129,077
Cost reimbursements	34,897	34,089	28,805
Percentage rent	5,766	4,801	4,550
Apartments - rents	2,587	2,492	2,455
	-----	-----	-----
	\$222,186	\$188,529	\$164,887
	=====	=====	=====

The components of rental expense are as follows (in thousands):

	Year ended December 31,		
	1998	1997	1996
Repairs and maintenance	\$13,942	\$12,634	\$11,865
Management fees and costs	9,510	8,452	7,264
Utilities	7,625	5,957	5,350
Payroll - properties	3,775	3,432	3,032
Ground rent	2,829	2,602	2,851
Insurance	2,610	2,227	2,183
Other operating	9,199	7,540	8,142
	-----	-----	-----
	\$49,490	\$42,844	\$40,687
	=====	=====	=====

Minimum future retail property rentals on noncancelable operating leases as of December 31, 1998 are as follows (in thousands):

Year ending December 31,	
1999	\$ 183,301
2000	168,192
2001	151,910
2002	133,744
2003	112,787
Thereafter	613,649

	\$1,363,583
	=====

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of estimated fair value was determined by the Trust, using available market information and appropriate valuation methods. Considerable judgment is necessary to develop estimates of fair value. The estimates presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments.

The Trust estimates the fair value of its financial instruments using the following methods and assumptions: (1) quoted market prices, when available, are used to estimate the fair value of investments in marketable debt and equity securities; (2) quoted market prices are used to estimate the fair value of the Trust's marketable convertible subordinated debentures; (3) discounted cash flow analyses are used to estimate the fair value of long term notes receivable and payable, using the Trust's estimate of current interest rates for similar notes; (4) carrying amounts in the balance sheet approximate fair value for cash and short term borrowings. Notes receivable from officers are excluded from fair value estimation since they have been issued in connection with employee stock ownership programs.

(in thousands)	December 31, 1998		December 31, 1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash & equivalents	\$ 17,230	\$ 17,230	\$ 17,043	\$ 17,043
Investments	1,661	1,661	1,304	1,304
Mortgage notes receivable	51,154	52,433	38,360	39,864
Mortgages and notes payable	314,238	316,722	214,662	218,194
Convertible debentures	75,289	71,901	75,289	70,772
Senior notes	335,000	346,269	255,000	264,291

NOTE 3. NOTES PAYABLE

The Trust's notes consist of the following (in thousands):

	1998	1997
Revolving credit facilities	\$134,147	\$114,790
Term note with banks	125,000	-
Other	4,012	4,238
	<u>\$263,159</u>	<u>\$119,028</u>

In December 1997 the Trust replaced its unsecured medium term revolving credit facilities with four banks with a five year syndicated credit facility, thereby increasing the aggregate amount available from \$135 million to \$300 million and decreasing the interest rate from LIBOR plus 75 basis points to LIBOR plus 65 basis points. The syndicated facility requires fees and has

various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth.

In December 1998 the Trust obtained a four year loan of \$125 million from five institutional lenders. The loan, which bears interest at LIBOR plus 75 basis points, requires fees and has the same covenants as the syndicated credit facility.

The maximum drawn under these facilities during 1998, 1997 and 1996 was \$259.1 million, \$114.8 million and \$76.2 million, respectively. In 1998, 1997 and 1996 the weighted average interest rate on borrowings was 6.1%, 6.5% and 6.4%, respectively, and the average amount outstanding was \$163.6 million, \$59.9 million and \$47.2 million, respectively.

NOTE 4. DIVIDENDS

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On November 17, 1998 the Trustees declared a quarterly cash dividend of \$.44 per common share, payable January 15, 1999 to common shareholders of record January 4, 1999. For the years ended December 31, 1998, 1997 and 1996, \$.31, \$.19, and \$.21 of dividends paid per common share, respectively, represented a return of capital.

On November 17, 1998 the Trustees declared a quarterly cash dividend of \$.49687 per share on its Series A Cumulative Redeemable Preferred Shares, payable on February 1, 1999 to shareholders of record on January 15, 1999.

NOTE 5. COMMITMENTS AND CONTINGENCIES

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

Pursuant to the provisions of the respective partnership agreements, in the event of the exercise of put options by the other partners, the Trust would be required to purchase the 99% limited partnership interest at Loehmann's Plaza at its then fair market value and an 18.75% interest at Congressional Plaza at its then fair market value.

Under the terms of certain partnerships, if certain leasing and revenue levels are obtained for the properties, the limited partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or common shares of the Trust, at the election of the limited partners. If the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms. Under the terms of other partnerships, the partners may exchange their 879,541 operating partnership units into cash or the same number of common shares of the Trust, at the option of the Trust.

As of December 31, 1998 in connection with the renovation of certain shopping centers, the Trust has contractual obligations of \$14.7 million and \$251,000 of letters of credit outstanding. In addition the Trust is contractually obligated under leases to provide up to \$6.1 million in building and tenant improvements.

The Trust is obligated under ground lease agreements on several shopping centers requiring minimum annual payments as follows (in thousands):

1999	\$ 3,178
2000	3,183
2001	3,183
2002	3,183
2003	3,258
Thereafter	178,230

	\$194,215
	=====

NOTE 6. 5 1/4% CONVERTIBLE SUBORDINATED DEBENTURES

In October 1993 the Trust issued \$75.0 million of 5 1/4% convertible subordinated debentures, realizing cash proceeds of approximately \$73.0 million. The debentures were not registered under the Securities Act of 1933, and were not publicly distributed within the United States. The debentures, which mature in 2003, are convertible into shares of beneficial interest at \$36 per share. The debentures are redeemable by the Trust, in whole, at any time after October 28, 1998 at 100% of the principal amount plus accrued interest.

At December 1998 and 1997 the Trust had outstanding \$289,000 of 5 1/4% convertible subordinated debentures due 2002. The debentures which are convertible into shares of beneficial interest at \$30.625 were not registered under the Securities Act of 1933 and were not publicly distributed within the United States.

NOTE 7. SENIOR NOTES AND DEBENTURES

Unsecured senior notes and debentures at December 31, 1998 and 1997 consist of the following (in thousands):

	1998	1997
8.875% Notes due January 15, 2000	\$100,000	\$100,000
8% Notes due April 21, 2002	25,000	25,000
6.74% Medium-Term Notes due March 10, 2004	39,500	-
6.625% Notes due December 1, 2005	40,000	40,000
6.99% Medium-Term Notes due March 10, 2006	40,500	-
7.48% Debentures due August 15, 2026, redeemable at par by holder August 15, 2008	50,000	50,000
6.82% Medium-Term Notes due August 1, 2027, redeemable at par by holder August 1, 2007	40,000	40,000
	-----	-----
	\$335,000	\$255,000
	=====	=====

The loan agreements contain various covenants, including limitations on the amount of debt and minimum debt service coverage ratios. The Trust is in compliance with all covenants.

In anticipation of the March 1998 Medium-Term Note issuance, on January 13, 1998 the Trust purchased a Treasury Yield Hedge (notional amount of \$50 million) to minimize the risk of changes in interest rates. The hedge was terminated on March 5, 1998 at a gain of \$1.1 million which is being recognized as a reduction in interest expense over the term of the notes. There were no open hedge agreements at December 31, 1998 or 1997.

In September 1998 the Trust filed a \$500 million shelf registration statement with the Securities and Exchange Commission which allows the issuance of debt securities, preferred shares and common shares. There have been no drawdowns under the shelf registration.

NOTE 8. SHAREHOLDERS' EQUITY

On February 4, 1997 the Trust sold three million common shares to an institutional investor for \$28 per share, netting \$83.9 million.

On October 6, 1997 the Trust issued four million 7.95% Series A Cumulative Redeemable Preferred Shares at \$25 per share in a public offering, realizing cash proceeds of approximately \$96.6 million after costs of \$3.4 million. The Series A Preferred Shares are not redeemable prior to October 6, 2002. On or after that date, the Preferred Shares may be redeemed, in whole or in part, at the option of the Trust, at a redemption price of \$25 per share plus all accrued and unpaid dividends. The redemption price is payable solely out of proceeds from the sale of other capital shares of the Trust. Dividends on the Preferred Shares will be payable quarterly in arrears on the last day of January, April, July and October.

On May 24, 1996 the Trust sold, to an institutional investor, 1.8 million common shares at \$22 per share, netting \$39.3 million. On December 13, 1996 the Trust sold another 1.6 million common shares to the public at \$27 7/8 per share, netting \$42.9 million.

The Trust has a Dividend Reinvestment Plan, whereby shareholders may use their dividends and make optional cash payments to purchase shares. In 1998, 1997, and 1996, 167,511 shares, 153,973 shares, and 181,274 shares, respectively, were issued under the Plan.

In 1998, 576,055 common shares, of which 35,000 were issued from treasury shares, were awarded to the Trust's president and certain other officers under various programs designed to directly link a significant portion of their long term compensation to the prosperity of the Trust and its shareholders. Ten thousand shares

vested upon award, 491,055 shares vest over terms from 5 to 13 years, and 75,000 shares vest upon the obtainment of certain performance criteria.

On January 31, 1997, 22,000 restricted shares were granted to an officer and two employees of the Trust. The shares vest over three years. On September 26, 1997, 10,000 restricted common shares were granted to an officer; the shares, which were fully vested upon grant, were issued from treasury shares.

In January 1994 under the terms of the 1993 Long Term Incentive Plan, an officer of the Trust purchased 40,000 common shares at \$25 per share with the assistance of a \$1.0 million loan from the Trust. The loan, which has a term of 12 years and a current balance of \$687,500, bears interest at 6.24%. Forgiveness of up to 75% of the loan is subject to the future performance of the Trust. One eighth of the loan was forgiven on January 31, 1995 and an additional one sixteenth has been forgiven each January 31 since then as certain performance criteria of the Trust were met. The Trust has loaned the officer \$125,000 to pay taxes due in connection with the plan.

In January 1991 the Trustees adopted the Federal Realty Investment Trust Share Purchase Plan. Under the terms of this plan, officers and certain employees of the Trust purchased 446,000 common shares at \$15.125 per share with the assistance of loans of \$6.7 million from the Trust. Originally, the Plan called for one sixteenth of the loan to be forgiven each year for eight years, as long as the participant was still employed by the Trust. The loans for all participants, but two, were modified in 1994 to extend the term an additional four years and to tie forgiveness in 1995 and thereafter to certain performance criteria of the Trust. One sixteenth of the loan has been forgiven during each year of the plan. At December 31, 1998 the Trust has outstanding loans to participants of \$3.0 million; \$2.2 million of purchase loans and \$824,000 of loans with which to pay the taxes due in connection with the plan. The purchase loans and the tax loans bear interest at 9.39%. The shares purchased under the plan may not be sold, pledged or assigned until both the purchase and tax loans are satisfied and the term has expired, without the consent of the Compensation Committee of the Board of Trustees.

In connection with a restricted share grant, the Trust accepted from its President a noninterest bearing note of \$105,000 which is due April 15, 2001. In connection with restricted share grants made in 1998 to the Chief Investment Officer, the Trust accepted interest bearing notes of \$93,000, which are due eight years from issuance.

At December 31, 1998, 1997 and 1996, respectively, the Trust had 59,425 common shares, 52,386 common shares and 62,386 common shares in treasury, at a cost of \$1.4 million, \$1.0 million, and \$1.2 million, respectively.

On April 13, 1989, the Trustees adopted a Shareholder Rights Plan (the Plan). Under the Plan, one right was issued for each outstanding share of common stock held as of April 24, 1989, and a

right will be attached to each share issued in the future. The rights are exercisable into common shares upon the occurrence of certain events, including acquisition by a person or group of certain levels of beneficial ownership or a tender offer by such a person or group. The rights are redeemable by the Trust for \$.01.

NOTE 9. STOCK OPTION PLAN

The 1993 Long Term Incentive Plan ("Plan") has been amended to authorize the grant of options and other stock based awards for up to 5.5 million shares. Options granted under the Plan have ten year terms and vest in one to five years. Under the Plan, on each annual meeting date during the term of the Plan, each nonemployee Trustee will be awarded 2,500 options.

The option price to acquire shares under the 1993 Plan and previous plans is required to be at least the fair market value at the date of grant. As a result of the exercise of options, the Trust had outstanding from its officers and employees notes for \$3.4 million and \$2.5 million at December 31, 1998 and 1997, respectively. The notes issued under the 1993 Plan bear interest at the dividend rate on the date of exercise divided by the purchase price of such shares. The notes issued under the previous plans bear interest at the lesser of (i) the Trust's borrowing rate or (ii) the current indicated annual dividend rate on the shares acquired pursuant to the option, divided by the purchase price of such shares. The notes are collateralized by the shares and are with recourse. The loans have a term extending to the employee's or officer's retirement date.

FAS Statement No. 123, "Accounting for Stock-Based Compensation" requires pro forma information regarding net income and earnings per share as if the Trust accounted for its stock options under the fair value method of that Statement. The fair value for options issued in 1998, 1997, and 1996 has been estimated as \$2.6 million, \$4.0 million, and \$120,000, respectively, as of the date of grant, using a binomial model with the following weighted-average assumptions for 1998, 1997 and 1996, respectively: risk-free interest rates of 5.7%, 6.5%, and 5.7%; volatility factors of the expected market price of the Trust's shares of 19%, 19% and 19%; and a weighted average expected life of the option of 6.3 years, 6.6 years, and 5.6 years.

Because option valuation models require the input of highly subjective assumptions, such as the expected stock price volatility, and because changes in these subjective input assumptions can materially affect the fair value estimate, the existing model may not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options are amortized to expense over the options'

vesting period. The pro forma information is as follows (in thousands except for earnings per share):

	1998	1997	1996
Pro forma net income	\$43,179	\$45,214	\$28,241
Pro forma earnings per share, basic	\$.90	\$ 1.13	\$.85
Pro forma earnings per share, diluted	\$.88	\$ 1.11	\$.84

A summary of the Trust's stock option activity for the years ended December 31, is as follows:

	Shares Under Option	Weighted Average Exercise Price
January 1, 1996	1,514,632	\$ 22.71
Options granted	81,181	21.21
Options exercised	(126,918)	21.31
Options forfeited	(35,166)	22.47
December 31, 1996	1,433,729	22.737
Options granted	1,611,500	26.43
Options exercised	(75,884)	21.05
Options forfeited	(121,003)	25.99
December 31, 1997	2,848,342	24.73
Options granted	1,293,500	25.06
Options exercised	(228,908)	21.14
Options forfeited	(304,118)	25.62
December 31, 1998	3,608,816	25.00

At December 31, 1998 and 1997, options for 1.5 million and 1.2 million shares, respectively, were exercisable. The average remaining contractual life of options outstanding at December 31, 1998 and 1997 was 7.1 years and 7.9 years, respectively. The weighted average grant date fair value per option for options granted in 1998 and 1997 was \$2.00 and \$2.68, respectively. The exercise price of options outstanding at December 31, 1998 ranged from \$17.25 per share to \$27.13 per share.

NOTE 10. SAVINGS AND RETIREMENT PLANS

The Trust has a savings and retirement plan in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Employees' contributions range, at the discretion of each employee, from 1% to 17% of compensation up to a maximum of \$10,000. Under the plan, the Trust, out of its current net income, contributes 50% of each employee's first 5% of contributions. In addition, the Trust may make discretionary contributions within the limits of deductibility set forth by the Code. Employees of the Trust, who work over 1,000 hours annually,

are eligible to become plan participants. The Trust's expense for the years ended December 31, 1998, 1997 and 1996 was \$218,000, \$210,000 and \$179,000, respectively. In 1996 the Trust recorded a liability for an additional contribution of 1.5% of salary for all nonofficer employees who were eligible for the 401(k) plan. In addition, 1.5% of salary in 1996 was accrued for all eligible nonofficer employees as a bonus.

A nonqualified deferred compensation plan for Trust officers was established in 1994. The plan allows the officers to defer future income until the earlier of age 65 or termination of employment with the Trust. As of December 31, 1998, the Trust is liable to participants for approximately \$1.7 million under this plan. Although this is an unfunded plan, the Trust has purchased certain investments with which to match this obligation.

NOTE 11. INTEREST EXPENSE

The Trust incurred interest expense totaling \$60.2 million, \$50.9 million and \$46.4 million in 1998, 1997 and 1996, respectively, of which \$5.1 million, \$3.6 million, and \$871,000, respectively, was capitalized. Interest paid was \$57.8 million in 1998, \$49.4 million in 1997, and \$44.2 million in 1996.

NOTE 12. REORGANIZATION EXPENSES

At September 30, 1998 the Trust recorded a \$4.7 million charge related to a comprehensive restructuring program that was implemented during the fourth quarter of 1998. The charge included a provision for employee severance and related costs, office closing and downsizing expenses, as well as legal and consulting fees related to the restructuring program. The Trust's workforce was reduced by approximately 15% including several vice presidents and other senior personnel. The foundation of the restructuring effort focused on a change in the Trust's operating model from a functional hierarchy to an asset management discipline where small focused teams are responsible for and compensated based on the operating performance of a portfolio of assets. In addition, the restructuring effort included a significant downsizing of the Trust's acquisition department, in response to changing market conditions and business emphasis. Cash payments against the reserve totalled \$1.5 million through December 31, 1998 with the remaining cash expected to be paid in 1999.

NOTE 13. Year 2000 Readiness

The Trust has reviewed the software and hardware systems used internally to operate its business, in order to assess their ability to handle the "Year 2000 Issue" which generally refers to the inability of systems hardware and software to correctly identify two-digit references to specific calendar years, beginning with 2000. The Year 2000 Issue can affect the Trust directly by impairing its internal data-based

operations or processing and indirectly by impairing its suppliers' and tenants' data-based operations or processing. The Trust has identified and evaluated the Year 2000 compliance of its internal systems; the Trust believes that the remediation of all accounting systems and other systems of high priority is complete. The Trust will endeavor to remediate the remaining internal systems throughout 1999.

The Trust is currently requesting information from its major banks, tenants, suppliers and manufacturers of computerized components of its real estate properties to determine their Year 2000 compliance. Based on costs spent to date and projections of future costs, costs of addressing and solving potential internal problems are not expected to have a material adverse impact on the Trust's financial condition.

NOTE 14. SUBSEQUENT EVENTS

Under a Restricted Share Agreement designed to link his compensation with the prosperity of the shareholders, the Trust's President elected to accept stock in lieu of cash for both his 1998 bonus and his 1999 salary. As a result, on January 1, 1999, 26,741 common shares were awarded to the president in lieu of his 1999 cash salary. Additional shares will be issued when his 1998 bonus is determined. The shares vest at the end of five years if the president is still employed by the Trust.

NOTE 15. SEGMENT INFORMATION

The Trust has traditionally operated its business as a single business segment. During the fourth quarter of 1998, however, the Trust completed a comprehensive restructuring program which, among other things, changed the Trust's operating structure from a functional hierarchy to an asset management model, where small focused teams are responsible for a portfolio of assets. As a result the Trust has divided its portfolio of properties into three geographic operating regions: Northeast, Mid-Atlantic and West. Each region is operated under the direction of a chief operating officer, with dedicated leasing, property management and financial staff and operates largely autonomously with respect to day to day operating decisions.

A summary of the Trust's operations by geographic region is presented below
(in thousands):

1998	North East	Mid Atlantic	West	Other	Consolidated
Rental income	\$ 81,964	\$ 103,676	\$ 36,546	-	\$ 222,186
Other income	5,591	3,637	1,119	-	10,347
Rental expense	(18,179)	(22,826)	(8,485)	-	(49,490)
Real estate tax	(10,975)	(8,422)	(3,874)	-	(23,271)
Net operating income	58,401	76,065	25,306	-	159,772
Interest income	-	-	-	5,945	5,945
Interest expense	-	-	-	(55,125)	(55,125)
Administrative expense	-	-	-	(11,796)	(11,796)
Reorganization expense	-	-	-	(4,665)	(4,665)
Depreciation and amortization	(17,793)	(22,218)	(5,081)	(955)	(46,047)
Income before investors' share of operations and gain on sale of real estate	\$ 40,608	\$ 53,847	\$ 20,225	\$ (66,596)	\$ 48,084
Capital expenditures	\$ 46,001	\$ 57,872	\$ 86,049	-	\$ 189,922
Real estate assets	\$ 596,340	\$ 676,842	\$ 368,954	-	\$ 1,642,136
1997	North East	Mid Atlantic	West	Other	Consolidated
Rental income	\$ 70,447	\$ 96,818	\$ 21,264	-	\$ 188,529
Other income	4,511	4,867	327	-	9,705
Rental expense	(15,755)	(22,387)	(4,702)	-	(42,844)
Real estate tax	(8,316)	(8,000)	(3,209)	-	(19,525)
Net operating income	50,887	71,298	13,680	-	135,865
Interest income	-	-	-	6,037	6,037
Interest expense	-	-	-	(47,288)	(47,288)
Administrative expense	-	-	-	(9,793)	(9,793)
Reorganization expense	-	-	-	(1,951)	(1,951)
Depreciation and Amortization	(15,558)	(21,690)	(3,117)	(1,034)	(41,399)
Income before investors' share of operations and gain on sale of real estate	\$ 35,329	\$ 49,608	\$ 10,563	\$ (54,029)	\$ 41,471
Capital expenditures	\$ 99,423	\$ 67,794	\$ 165,398	-	\$ 332,615
Real estate assets	\$ 551,763	\$ 618,971	\$ 282,905	-	\$ 1,453,639
1996	North East	Mid Atlantic	West	Other	Consolidated
Rental income	\$ 63,725	\$ 90,995	\$ 10,167	-	\$ 164,887
Other income	3,765	5,230	821	-	9,816
Rental expense	(15,123)	(22,820)	(2,744)	-	(40,687)
Real estate tax	(7,412)	(7,264)	(1,735)	-	(16,411)
Net operating income	44,955	66,141	6,509	-	117,605
Interest income	-	-	-	4,352	4,352
Interest expense	-	-	-	(45,555)	(45,555)
Administrative expense	-	-	-	(9,100)	(9,100)
Depreciation and Amortization	(14,507)	(20,736)	(1,996)	(915)	(38,154)
Income before investors' share of operations and gain on sale of real estate	\$ 30,448	\$ 45,405	\$ 4,513	\$ (51,218)	\$ 29,148
Capital expenditures	\$ 60,140	\$ 29,403	\$ 54,144	-	\$ 143,687
Real estate assets	\$ 456,753	\$ 565,302	\$ 125,810	-	\$ 1,147,865

There are no transactions between geographic areas.

NOTE 16. QUARTERLY DATA (UNAUDITED)

The following summary represents the results of operations for each quarter in 1998 and 1997 (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

1998				
Revenue	\$56,177	\$58,402	\$59,003	\$64,896
Net income available for common shares	10,706	9,976	5,532 (1)	10,796
Earnings per common share -basic	\$.27	\$.26	\$.14	\$.27
Earnings per common share -diluted	.27	.26	.14	.27
1997				
Revenue	\$48,647	50,802	\$49,813	\$55,009
Net income available for common shares	9,311	17,010 (2)	9,489 (3)	8,817 (4)
Earnings per common share -basic	\$.25	\$.44	\$.24	\$.23
Earnings per common share -diluted	.24	.44	.24	.22

(1)Net income includes a \$4.7 million charge for reorganization expenses.

(2)Income before gain on sale of real estate was \$10.0 million or \$.26 per common share, both basic and diluted.

(3)Income before loss on sale of real estate was \$10.1 million or \$.26 per common share, both basic and diluted.

(4)Net income includes a \$2.0 million charge for reorganization expenses.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1998

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
Descriptions	Encumbrance	Initial cost to company Land	Building and Improvements	Gross amount at which carried at close of period Land
			Cost Capitalized Subsequent to Acquisition	
ALLWOOD (New Jersey)	\$3,549,000	\$	\$3,920,000	\$230,000
ANDORRA (Pennsylvania)		2,432,000	12,346,000	3,061,000
ARIZONA BUILDINGS (2)		1,334,000	9,104,000	188,000
BALA CYNWYD (Pennsylvania)		3,565,000	14,466,000	2,426,000
BARRACKS ROAD (Virginia)		4,363,000	16,459,000	12,140,000
BETHESDA ROW (Maryland)	12,576,000	1,149,000	20,816,000	12,764,000
BLUESTAR (New Jersey)	27,091,000		29,922,000	2,971,000
BRICK PLAZA (New Jersey)	21,362,000		24,715,000	23,387,000
BRISTOL (Connecticut)		3,856,000	15,959,000	683,000
BRUNSWICK (New Jersey)	11,278,000		12,456,000	1,896,000
CALIFORNIA RETAIL BUILDINGS				
SANTA MONICA (9)		20,055,000	12,709,000	13,643,000
SAN DIEGO (5)		3,844,000	1,352,000	1,958,000
150 POST STREET (SAN FRANCISCO)		11,685,000	9,181,000	226,000
OTHER (3)		6,379,000	4,338,000	3,090,000
CLIFTON (New Jersey)	3,301,000		3,646,000	541,000
CONGRESSIONAL PLAZA (Maryland)		2,793,000	7,424,000	35,209,000
CONNECTICUT RETAIL BUILDINGS (13)		25,061,000	27,739,000	2,043,000
COURTHOUSE CENTER (Maryland)		1,750,000	1,869,000	31,000
CROSSROADS (Illinois)		4,635,000	11,611,000	5,083,000
DEDHAM PLAZA (Massachusetts)		12,369,000	12,918,000	1,394,000
EASTGATE (North Carolina)		1,608,000	5,775,000	4,590,000
ESCONDIDO PROMENADE (California)	9,400,000	11,505,000	12,147,000	299,000
ELLISBURG CIRCLE (New Jersey)		4,028,000	11,309,000	9,758,000
FALLS PLAZA (Virginia)		530,000	735,000	6,419,000
FALLS PLAZA - East (Virginia)		538,000	535,000	2,256,000
FEASTERVILLE (Pennsylvania)		1,431,000	1,600,000	7,845,000
FEDERAL PLAZA (Maryland)	27,639,000	10,216,000	17,895,000	32,206,000
FINLEY SQUARE (Illinois)		9,252,000	9,544,000	5,891,000
FLORIDA RETAIL BUILDINGS (2)		5,206,000	1,631,000	17,000
FLOURTOWN (Pennsylvania)		1,345,000	3,943,000	3,214,000
FRESH MEADOWS (New York)		24,625,000	25,255,000	2,038,000
GAITHERSBURG SQUARE (Maryland)		7,701,000	5,271,000	10,084,000
GARDEN MARKET (Illinois)		2,677,000	4,829,000	670,000
GOVERNOR PLAZA (Maryland)		2,068,000	4,905,000	10,107,000
GRATIOT PLAZA (Michigan)		525,000	1,601,000	10,726,000
HAMILTON (New Jersey)	4,893,000		5,405,000	2,053,000
HAUPPAUGE (New York)		8,791,000	15,262,000	900,000
HUNTINGTON (New York)	14,493,000		16,008,000	4,675,000
IDYLLWOOD PLAZA (Virginia)		4,308,000	10,026,000	575,000
ILLINOIS RETAIL BUILDINGS (3)		2,694,000	2,325,000	3,249,000
KINGS COURT (California)			10,714,000	95,000
LANCASTER (Pennsylvania)	753,000		2,103,000	2,535,000
LANGHORNE SQUARE (Pennsylvania)		720,000	2,974,000	8,853,000
LAUREL (Maryland)		7,458,000	22,525,000	14,167,000
LAWRENCE PARK (Pennsylvania)		5,723,000	7,160,000	7,542,000
LEESBURG PLAZA (Virginia)	9,900,000	8,184,000	10,722,000	653,000
LOEHMANN'S PLAZA (Virginia)		1,237,000	15,096,000	5,476,000

COLUMN F	COLUMN G	COLUMN H	COLUMN I			
Descriptions	Building and Improvements	Total	Life on which depreciation in latest income statements is computed			
		Accumulated Depreciation and Amortization	Date of Construction			
			Date Acquired			
ALLWOOD (New Jersey)	\$4,150,000	\$4,150,000	\$1,245,000	1958	12/12/88	35 years
ANDORRA (Pennsylvania)	15,407,000	17,839,000	4,794,000	1953	01/12/88	35 years
ARIZONA BUILDINGS (2)	9,292,000	10,626,000	130,000	1995-1998	05/07/98	35 years
BALA CYNWYD (Pennsylvania)	16,892,000	20,457,000	2,809,000	1955	09/22/93	35 years
BARRACKS ROAD (Virginia)	28,599,000	32,962,000	12,876,000	1958	12/31/85	35 years
BETHESDA ROW (Maryland)	33,580,000	34,729,000	3,685,000	1945-1991	12/31/93	35 years
BLUESTAR (New Jersey)	32,893,000	32,893,000	9,182,000	1959	12/12/88	35 years
BRICK PLAZA (New Jersey)	48,102,000	48,102,000	10,225,000	1958	12/28/89	35 years
BRISTOL (Connecticut)	16,642,000	20,498,000	1,546,000	1959	09/22/95	35 years
BRUNSWICK (New Jersey)	14,352,000	14,352,000	4,241,000	1957	12/12/88	35 years
CALIFORNIA RETAIL BUILDINGS						
SANTA MONICA (9)	26,352,000	46,407,000	963,000	1888-1995	1996-1998	35 years
SAN DIEGO (5)	3,310,000	7,154,000	8,000	1888-1995	1996-1997	35 years
150 POST STREET (SAN FRANCISCO)	9,407,000	21,092,000	311,000	1908	10/23/97	35 years
OTHER (3)	7,428,000	13,807,000	84,000	var	1996-1998	35 years
CLIFTON (New Jersey)	4,187,000	4,187,000	1,145,000	1959	12/12/88	35 years
CONGRESSIONAL PLAZA (Maryland)	42,633,000	45,426,000	13,748,000	1965	04/01/65	20 years
CONNECTICUT RETAIL BUILDINGS (13)	29,782,000	54,843,000	2,790,000	1900-1991	1994-1996	35 years
COURTHOUSE CENTER (Maryland)	1,900,000	3,650,000	54,000	1975	12/17/97	35 years
CROSSROADS (Illinois)	16,694,000	21,329,000	2,385,000	1959	07/19/93	35 years
DEDHAM PLAZA (Massachusetts)	14,312,000	26,681,000	2,180,000	1959	12/31/93	35 years
EASTGATE (North Carolina)	10,365,000	11,973,000	4,793,000	1963	12/18/86	35 years
ESCONDIDO PROMENADE (California)	12,446,000	23,951,000	698,000	1987	12/31/96	35 years

ELLISBURG CIRCLE (New Jersey)	21,067,000	25,095,000	5,551,000	1959	10/16/92	35 years
FALLS PLAZA (Virginia)	7,154,000	7,684,000	1,665,000	1962	09/30/67	22 3/4 years
FALLS PLAZA - East (Virginia)	2,770,000	3,329,000	2,254,000	1960	10/05/72	25 years
FEASTERVILLE (Pennsylvania)	9,445,000	10,876,000	3,301,000	1958	07/23/80	20 years
FEDERAL PLAZA (Maryland)	50,101,000	60,317,000	11,823,000	1970	06/29/89	35 years
FINLEY SQUARE (Illinois)	15,435,000	24,687,000	1,790,000	1974	04/27/95	35 years
FLORIDA RETAIL BUILDINGS (2)	1,648,000	6,854,000	133,000	1920	02/28/96	35 years
FLOURTOWN (Pennsylvania)	7,157,000	8,502,000	2,013,000	1957	04/25/80	35 years
FRESH MEADOWS (New York)	27,293,000	51,918,000	743,000	1946-1949	12/05/97	35 years
GAITHERSBURG SQUARE (Maryland)	17,044,000	23,056,000	2,927,000	1966	04/22/93	35 years
GARDEN MARKET (Illinois)	5,499,000	8,176,000	813,000	1958	07/28/94	35 years
GOVERNOR PLAZA (Maryland)	15,012,000	17,080,000	7,296,000	1963	10/01/85	35 years
GRATIOT PLAZA (Michigan)	12,327,000	12,852,000	2,055,000	1964	03/29/73	25 3/4 years
HAMILTON (New Jersey)	7,458,000	7,458,000	2,590,000	1961	12/12/88	35 years
HAUPPAUGE (New York)	16,162,000	24,953,000	133,000	1963	08/06/98	35 years
HUNTINGTON (New York)	20,683,000	20,683,000	6,166,000	1962	12/12/88	35 years
IDYLWOOD PLAZA (Virginia)	10,601,000	14,909,000	1,579,000	1991	04/15/94	35 years
ILLINOIS RETAIL BUILDINGS (3)	5,574,000	8,268,000	383,000	1900-1927	1995-1997	35 years
KINGS COURT (California)	10,809,000	10,809,000	69,000	1960	08/24/98	26 years
LANCASTER (Pennsylvania)	4,638,000	4,638,000	3,394,000	1958	04/24/80	22 years
LANGHORNE SQUARE (Pennsylvania)	11,827,000	12,547,000	4,473,000	1966	01/31/85	35 years
LAUREL (Maryland)	36,692,000	44,150,000	13,080,000	1956	08/15/86	35 years
LAWRENCE PARK (Pennsylvania)	14,702,000	20,425,000	10,508,000	1972	07/23/80	22 years
LEESBURG PLAZA (Virginia)	11,375,000	19,559,000	77,000	1967	09/15/98	35 years
LOEHMANN'S PLAZA (Virginia)	20,561,000	21,809,000	9,668,000	1971	07/21/83	35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE II
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1998

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLOUM E
Descriptions	Encumbrance	Land	Building and Improvements	Cost Capitalized Subsequent to Acquisition	Gross amount at which carried at close of period Land
		Initial cost to company			
MAGRUDERS (Maryland)		4,554,000	4,859,000	144,000	4,554,000
MASSACHUSETTS RETAIL BLDG (1)		1,873,000	1,884,000	210,000	1,873,000
MID PIKE PLAZA (Maryland)	10,041,000		10,335,000	6,211,000	
NEW JERSEY RETAIL BUILDING (1)		737,000	1,466,000	1,056,000	737,000
NEW YORK RETAIL BUILDINGS (4)		7,541,000	7,912,000	1,933,000	7,541,000
NORTHEAST (Pennsylvania)		1,152,000	10,596,000	8,996,000	1,153,000
NORTHEAST PLAZA (Georgia)		6,930,000	26,236,000	5,285,000	6,933,000
NORTH LAKE COMMONS (Illinois)		2,529,000	8,604,000	1,533,000	2,529,000
OLD KEENE MILL (Virginia)		638,000	998,000	3,076,000	638,000
OLD TOWN CENTER (California)		3,420,000	2,765,000	12,830,000	3,420,000
PAN AM SHOPPING CENTER (Virginia)		8,694,000	12,929,000	2,646,000	8,694,000
PARK & SHOP (District of Columbia)		4,840,000	6,319,000	535,000	4,840,000
PENINSULA (California)		20,880,000	23,288,000	454,000	20,880,000
PERRING PLAZA (Maryland)		2,800,000	6,461,000	14,661,000	2,800,000
PIKE 7 (Virginia)		9,709,000	22,799,000	279,000	9,709,000
QUEEN ANNE PLAZA (Massachusetts)		3,319,000	8,457,000	2,384,000	3,319,000
QUINCE ORCHARD PLAZA (Maryland)		3,197,000	7,949,000	5,426,000	2,928,000
ROLLINGWOOD APTS. (Maryland)		552,000	2,246,000	3,822,000	572,000
RUTGERS (New Jersey)	13,064,000		14,429,000	1,337,000	
SAUGUS (Massachusetts)		4,383,000	8,291,000	288,000	4,383,000
SHIRLINGTON (Virginia)		9,761,000	14,808,000	2,774,000	9,816,000
TEXAS RETAIL BUILDINGS (10)		12,213,000	1,976,000	1,711,000	12,213,000
TOWER (Virginia)		7,170,000	10,518,000	95,000	7,170,000
TOWN & COUNTRY (California)		41,606,000	1,161,000	8,556,000	41,606,000
TROY (New Jersey)		3,126,000	5,193,000	11,900,000	3,126,000
TYSONS STATION (Virginia)	4,140,000	388,000	453,000	2,458,000	475,000
UPTOWN (Oregon)		10,257,000	5,846,000	167,000	10,257,000
WILDWOOD (Maryland)		9,111,000	1,061,000	5,174,000	9,111,000
WILLIAMSBURG (Virginia)		2,758,000	7,160,000	3,250,000	2,758,000
WILLOW GROVE (Pennsylvania)		1,499,000	6,643,000	17,025,000	1,499,000
WILLOW LAWN (Virginia)		3,192,000	7,723,000	44,178,000	7,790,000
WYNNEWOOD (Pennsylvania)		8,055,000	13,759,000	9,799,000	8,055,000
LAND FOR DEVELOPMENT					
PENTAGON ROW (Virginia)			2,955,000	484,000	
WOODMONT EAST		5,804,000		1,146,000	5,804,000
4925 & 4929 BETHESDA AVENUE		1,698,000	5,000	101,000	1,698,000
TOTALS	\$173,480,000	\$432,026,000	\$748,329,000	\$461,781,000	\$434,864,000

COLUMN A			COLUMN F	COLUMN G	COLUMN H	COLUMN I
Descriptions	Building and improvements	Total	Accumulated Depreciation and Amortization	Date of Construction	Date Acquired	Lie on which depreciation in latest income statements is computed
MAGRUDERS (Maryland)	5,003,000	9,557,000	140,000	1955	12/17/97	35 years
MASSACHUSETTS RETAIL BLDG (1)	2,094,000	3,967,000	219,000	1930	09/07/95	35 years
MID PIKE PLAZA (Maryland)	16,546,000	16,546,000	7,158,000	1963	05/18/82	35 years
NEW JERSEY RETAIL BUILDING (1)	2,522,000	3,259,000	205,000	1940	08/16/95	35 years
NEW YORK RETAIL BUILDINGS (4)	9,845,000	17,386,000	286,000	1937 - 1987	12/16/97	35 years
NORTHEAST (Pennsylvania)	19,591,000	20,744,000	7,619,000	1959	08/30/83	35 years
NORTHEAST PLAZA (Georgia)	31,518,000	38,451,000	12,495,000	1952	12/31/86	35 years
NORTH LAKE COMMONS (Illinois)	10,137,000	12,666,000	1,273,000	1989	04/27/94	35 years
OLD KEENE MILL (Virginia)	4,074,000	4,712,000	2,325,000	1968	06/15/76	33 1/3 years
OLD TOWN CENTER (California)	15,595,000	19,015,000	37,000	1997-1998	10/22/97	35 years
PAN AM SHOPPING CENTER (Virginia)	15,575,000	24,269,000	3,682,000	1979	02/05/93	35 years
PARK & SHOP (District of Columbia)	6,854,000	11,694,000	623,000	1930	12/01/95	35 years
PENINSULA (California)	23,742,000	44,622,000	560,000	1960	12/19/97	35 years
PERRING PLAZA (Maryland)	21,122,000	23,922,000	7,754,000	1963	10/01/85	35 years
PIKE 7 (Virginia)	23,078,000	32,787,000	1,162,000	1968	03/31/97	35 years
QUEEN ANNE PLAZA (Massachusetts)	10,841,000	14,160,000	1,725,000	1967	12/23/94	35 years
QUINCE ORCHARD PLAZA (Maryland)	13,644,000	16,572,000	3,502,000	1975	04/22/93	35 years
ROLLINGWOOD APTS. (Maryland)	6,048,000	6,620,000	5,237,000	1960	01/15/71	25 years
RUTGERS (New Jersey)	15,766,000	15,766,000	4,317,000	1973	12/12/88	35 years
SAUGUS (Massachusetts)	8,579,000	12,962,000	521,000	1976	10/01/96	35 years
SHIRLINGTON (Virginia)	17,527,000	27,343,000	1,472,000	1940	12/21/95	35 years
TEXAS RETAIL BUILDINGS (10)	3,687,000	15,900,000	24,000	var	Var 1998	35 years
TOWER (Virginia)	10,613,000	17,783,000	101,000	1953-1960	08/24/98	35 years
TOWN & COUNTRY (California)	9,717,000	51,323,000	512,000	1960-1962	03/05/97	35 years
TROY (New Jersey)	17,093,000	20,219,000	7,685,000	1966	07/23/80	22 years
TYSONS STATION (Virginia)	2,824,000	3,299,000	2,291,000	1954	01/17/78	17 years
UPTOWN (Oregon)	6,013,000	16,270,000	208,000	1913- 1959	09/26/97	35 years
WILDWOOD (Maryland)	6,235,000	15,346,000	5,236,000	1958	05/05/69	33 1/3 years
WILLIAMSBURG (Virginia)	10,410,000	13,168,000	4,234,000	1961	04/30/86	35 years
WILLOW GROVE (Pennsylvania)	23,668,000	25,167,000	8,698,000	1953	11/20/84	35 years
WILLOW LAWN (Virginia)	47,303,000	55,093,000	19,373,000	1957	12/05/83	35 years

WYNNEWOOD (Pennsylvania)	23,558,000	31,613,000	1,001,000	1948	10/29/96	35 years
LAND FOR DEVELOPMENT						
PENTAGON ROW (Virginia)	3,439,000	3,439,000			1998	
WOODMONT EAST	1,146,000	6,950,000			06/03/97	
4925 & 4929 BETHESDA AVENUE	106,000	1,804,000	2,000		1997- 1998	

TOTALS	\$1,207,272,000	\$1,642,136,000	\$286,053,000			
	=====	=====	=====			

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION - CONTINUED
THREE YEARS ENDED DECEMBER 31, 1998

RECONCILIATION OF TOTAL COST

Balance, January 1, 1996		\$1,009,682,000
Additions during period		
Acquisitions	105,616,000	
Improvements	42,257,000	
Deduction during period - disposition of property and miscellaneous retirements	(9,690,000)	

Balance, December 31, 1996		1,147,865,000
Additions during period		
Acquisitions	275,207,000	
Improvements	59,969,000	
Deduction during period - disposition of property and miscellaneous retirements	(29,402,000)	

Balance, December 31, 1997		1,453,639,000
Additions during period		
Acquisitions	120,434,000	
Improvements	73,296,000	
Deduction during period - disposition of property and miscellaneous retirements	(5,233,000)	

Balance, December 31, 1998		\$1,642,136,000 =====

(A) For Federal tax purposes, the aggregate cost basis is approximately \$ 1,472,000,000 as of December 31, 1998.

FEDERAL REALTY INVESTMENT TRUST
 SCHEDULE III
 SUMMARY OF REAL ESTATE AND ACCUMULATED
 DEPRECIATION - CONTINUED
 THREE YEARS ENDED DECEMBER 31, 1998

RECONCILIATION OF ACCUMULATED DEPRECIATION AND AMORTIZATION

Balance, January 1, 1996	\$190,795,000
Additions during period	
Depreciation and amortization expense	34,803,000
Deductions during period - disposition of property and miscellaneous retirements	(2,045,000)
Balance, December 31, 1996	223,553,000
Additions during period	
Depreciation and amortization expense	38,053,000
Deductions during period - disposition of property and miscellaneous retirements	(14,109,000)
Balance, December 31, 1997	247,497,000
Additions during period	
Depreciation and amortization expense	42,542,000
Deductions during period - disposition of property and miscellaneous retirements	(3,986,000)
Balance, December 31, 1998	\$286,053,000
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FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
YEAR ENDED DECEMBER 31, 1998

Column A	Column B	Column C	Column D	Column E
Description of Lien	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens
Leasehold mortgage on shopping center in New Jersey	10%	December 2003	Interest only monthly; \$10,000,000 balloon payment due at maturity	---
Mortgages on retail buildings in Florida and Pennsylvania	10%	September 2000	Interest only monthly; balloon payment due at maturity	
Land in San Jose, California	10%	December 2003	Interest only monthly; balloon payment due at maturity	
Mortgage on shopping center in New Jersey	10%	January 2000	Interest only monthly; balloon payment due at maturity	---
Mortgage on retail buildings in Philadelphia	Greater of prime plus 2% or 10%	May 2021	Interest only monthly; balloon payment due at maturity	
Mortgage on shopping center in Illinois	none	May 1999	Balloon payment due at maturity	
Mortgage on retail buildings in Philadelphia	10% plus participation	May 2021	Interest only; balloon payment due at maturity	
Mortgage on land in Santa Monica, California	10% plus participation	July 2001	None. Balloon and accrued interest due at maturity	
Mortgage on land in Santa Monica, California	10% plus participation	May 2007	None. Balloon and accrued interest due at maturity	
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Column A	Column F	Column G
Description of Lien	Face Amount of Mortgages	Carrying Amount of Mortgages (1)
Leasehold mortgage on shopping center in New Jersey	10,000,000	10,000,000 (2)
Mortgages on retail buildings in Florida and Pennsylvania	11,548,000	11,548,000
Land in San Jose, California	4,250,000	4,250,000
Mortgage on shopping center in New Jersey	4,020,000	3,208,000 (3)
Mortgage on retail buildings in Philadelphia	25,000,000	7,296,000 (4)
Mortgage on shopping center in Illinois	175,000	175,000
Mortgage on retail buildings in Philadelphia	9,250,000	9,250,000
Mortgage on land in Santa Monica, California	2,543,000 plus accrued interest	2,714,000
Mortgage on land in Santa Monica, California	2,330,000 plus accrued interest	2,713,000

- 1) For Federal tax purposes, the aggregate tax basis is approximately \$51,154,000 as of December 31, 1998.
No payments are delinquent on these mortgages.
- 2) This mortgage is extendable for up to 45 years with interest increasing to a maximum of 11%.
- 3) This mortgage is available for up to \$4,020,000. At December 31, 1997, \$3,208,000 was outstanding.
- 3) This mortgage is available for up to \$25,000,000.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE - CONTINUED
THREE YEARS ENDED DECEMBER 31, 1998

RECONCILIATION OF CARRYING AMOUNT

Balance, January 1, 1996	\$13,561,000
Additions during period	
Increase in existing loan	25,000
Issuance of loan	14,327,000

Balance, December 31, 1996	27,913,000
Additions during period	
Issuance of loan	14,072,000
Deductions during period	
Collection of loan	(3,625,000)

Balance, December 31, 1997	38,360,000
Additions during period	
Issuance of loans	21,375,000
Deductions during period	
Collection of loan	(8,581,000)

Balance, December 31, 1998	\$51,154,000
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Report of Independent Certified Public Accountants

on Supplemental Information

Trustees and Shareholders
Federal Realty Investment Trust

In connection with our audit of the consolidated financial statements of Federal Realty Investment Trust referred to in our report dated February 8, 1999 which is included in this Form 10-K, we have also audited Schedules III and IV as of December 31, 1998 and for each of the three years then ended. In our opinion, these schedules present fairly, in all material respects, the information required to be set forth therein.

Grant Thornton LLP
Washington, D.C.
February 8, 1999

FEDERAL REALTY INVESTMENT TRUST

AMENDED AND RESTATED
1993 LONG-TERM INCENTIVE PLAN

Article I. Purpose and Adoption of the Plan

1.01 Purpose. The purpose of the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan (hereinafter referred to as the "Plan") is to assist the Trust (as hereinafter defined) in attracting and retaining individuals to serve as Trustees and highly competent personnel who will contribute to the Trust's success and to act as an incentive in motivating selected officers and key employees to achieve long-term objectives which will inure to the benefit of all shareholders of the Trust. It is intended that this purpose be achieved by extending to officers, employees, consultants, and Trustees of the Trust and its Subsidiaries a long-term incentive for high levels of performance and efforts through the grant of Options, Stock Appreciation Rights, Dividend Equivalent Rights, Performance Awards and/or Restricted Shares (as each such term is herein defined).

1.02 Adoption, Amendment and Term. The 1993 Long-Term Incentive Plan (the "1993 Plan") was originally approved by the Trustees in 1993 and thereafter approved by the Trust's shareholders at the 1993 Annual Meeting of Shareholders. The first amendment and restatement of the 1993 Plan was approved by the Trustees on March 24, 1997 subject to the approval of the Trust's shareholders at the 1997 Annual Meeting of Shareholders. The 1993 Plan was amended and restated at the 1997 Annual Meeting at which a quorum was present and a majority of the votes cast at such meeting with respect to the Plan were cast in favor of its approval (including, without limitation, abstentions to the extent abstentions may be counted). The Plan was amended further by the Board of Trustees on October 6, 1997. The Plan shall terminate without further action of the Trustees and the shareholders on the tenth anniversary of the date on which the 1993 Plan was approved by the shareholders.

Article II. Definitions

For purposes of this Plan, capitalized terms shall have the following meanings:

2.01 Acceptance Date means the date, no later than the twentieth (20th) Business Day after the Offer Date, on which a Participant accepts an offer to purchase Shares made pursuant to a Stock Purchase Award.

2.02 Adjusted Fair Market Value means, in the event of a Change in Control, the greater of (i) the highest price per Share paid to holders of the Shares in any transaction (or series of transactions) constituting or resulting in a Change in Control or (ii) the highest Fair Market Value of a Share during the sixty (60) day period ending on the date of the Change in Control.

2.03 Annual Retainer means the total amount which is determined each year by the Trustees to be payable to each Non-Employee Trustee for services during such year as a Non-Employee Trustee and as a member of a committee or committees of the Trustees.

2.04 Annual Retainer Payment Date means the date determined each year by the Trustees as the date on which the Annual Retainer for such year shall be paid. The Annual Retainer Payment Date for a year shall be at least six months after the date on which the amount of the Annual Retainer for such year is determined.

2.05 Award means (a) any grant to a Participant of any one or a combination of Non-Qualified Stock Options or Incentive Stock Options (with or without Stock Appreciation Rights) described in Article VI, Dividend Equivalent Rights described in Article VI, Restricted Shares described in Article VII, Performance Awards described in Article VIII, or Stock Purchase Awards described in Article IX or (b) any grant to a Non-Employee Trustee of a Non-Employee Trustee Award described in Article X.

2.06 Award Agreement means a written agreement between the Trust and a Participant or a written acknowledgment from the Trust specifically setting forth the terms and conditions of an Award granted to a Participant.

2.07 Award Period means, with respect to an Award, the period of time, if any, set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

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

2.09 Beneficiary means an individual, trust or estate who or which, by a written designation of the Participant filed with the Trust or by operation of law, succeeds to the rights and obligations of the Participant under the Plan and an Award Agreement upon the Participant's death.

2.10 Business Day means any day on which the New York Stock Exchange is open for trading.

2.11 Cause means (a) the definition set forth in the employment or other agreement between the Participant and the Trust or, in absence thereof, (b) Participant's: (i) failure (other than failure due to disability) to substantially perform his duties with the Trust, which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which Participant is diligently pursuing cure; (ii) willful misconduct which is demonstrably and materially injurious to the Trust or an affiliate thereof, 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). No act or failure to act shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of the Trust.

2.12 Change in Capitalization means any increase or reduction in the number of Shares, or any change (including, without limitation, a change in value) in the Shares or exchange of Shares for a different number or kind of shares or other securities of the Trust or another Person, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, spin-off, split-up, issuance of warrants or rights or debentures, stock dividend, stock split or reverse stock split, property dividend, combination or exchange of shares, change in corporate structure or substantially similar event.

2.13 Change in Control means any of the events set forth below; provided, however, that the Committee, in its sole discretion, may specify a more restrictive 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 the date 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,

(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, and

(iv) 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.

2.14 Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.15 Committee means a Committee designated by the Trustees having the power and authority to administer the Plan in accordance with Section 3.01 and as described in Section 3.02.

2.16 Date of Grant means the date designated by the Committee as the date as of which it grants an Award, which shall not be earlier than the date on which the Committee approves the granting of such Award.

2.17 Disability means any physical or mental injury or disease which renders a Participant incapable of meeting the requirements of the employment performed by such Participant immediately prior to the commencement of such disability. The determination of whether a Participant is disabled shall be made by the Committee in its sole discretion. Notwithstanding the foregoing, if a Participant's employment by the Trust terminates by reason of a disability, as defined in an employment or other agreement between such Participant and the Trust, such Participant shall be deemed to be disabled for purposes of the Plan.

2.18 Disability Date means the date which is six months after the date on which a Participant is first absent from active employment with the Trust by reason of a Disability.

2.19 Disinterested Person shall have the meaning set forth in Rule 16b-3, as promulgated by the Securities and Exchange Commission under the Exchange Act.

2.20 Dividend Equivalent Right means a right, as described in Section 6.05, to receive all or some portion of the cash dividends that are or would be payable with respect to Shares.

2.21 Division means any of the operating units or divisions of the Trust or a Subsidiary thereof designated as a Division by the Committee.

2.22 Exchange Act means the Securities Exchange Act of 1934, as amended.

2.23 Fair Market Value means, as of any given date, with respect to any Awards granted hereunder, the closing trading price of the Shares on such date as reported on the New York Stock Exchange or, if the Shares are not then traded on the New York Stock Exchange, on such other national securities exchange on which the Shares are admitted to trade, or, if none, on the National Association of Securities Dealers Automated Quotation System if the Shares are admitted for quotation thereon; provided, however, if there were no sales reported as of such date, Fair Market Value shall be computed as of the last date preceding such date on which a sale was reported; provided, further, that if any such exchange or quotation system is closed on any day on which Fair Market Value is to be determined, Fair Market Value shall be determined as of the first date immediately preceding such date on which such exchange or quotation system was open for trading.

2.24 Incentive Stock Option means an Option designated as an incentive stock option and which satisfies the requirements of Section 422 of the Code.

2.25 Interest means the amount of interest accrued on a Purchase Loan or a Tax Loan made to a Participant during the relevant period. Interest on a Purchase Loan or a Tax Loan shall accrue at a fixed rate per annum during the entire term of the relevant loan. The interest rate for a Purchase Loan shall be calculated by dividing (i) the amount of cash dividend paid on one Share for the calendar year preceding the Acceptance Date by (ii) the Share Price, or such other interest rate as the Committee, in its sole discretion, determines. The interest rate for a Tax Loan shall be identical to the interest rate charged on the related Purchase Loan. In no event, however, shall such rates be greater than the maximum rate chargeable to consumers under the usury laws of the State of Maryland.

2.26 Non-Employee Trustee means each member of the Trustees who is not an employee of the Trust.

2.27 Non-Employee Trustee Awards means Awards granted in accordance with Article X.

2.28 Non-Qualified Stock Option means an Option which is not an Incentive Stock Option.

2.29 Normal Retirement Date means the date on which a Participant terminates active employment with the Trust on or after attainment of age 65, but does not include termination by the Trust for Cause.

2.30 Offer Date means the date on which the Committee grants a Participant a Stock Purchase Award.

2.31 Options means any Incentive Stock Option or Non-Qualified Stock Option granted pursuant to the Plan.

2.32 Optionee means a person to whom an Option has been granted under the Plan.

2.33 Other Retirement Date means a date, on or after the Participant's attainment of age 55 but earlier than the Participant's Normal Retirement Date, which is specifically approved and designated in writing by the Committee to be the date upon which a Participant retires for purposes of this Plan.

2.34 Outstanding Shares means, at any time, the issued and outstanding Shares.

2.35 Participant shall mean any individual selected by the Committee to receive an Award under the Plan in accordance with Article V and, solely to the extent provided in Article X of the Plan, any Non-Employee Trustees of the Trust.

2.36 Performance Award means Performance Units, Performance Shares or any combination thereof.

2.37 Performance Shares means Shares issued or transferred to a Participant under Section 8.03

2.38 Performance Target has the meaning set forth in Section 8.01.

2.39 Performance Units means Performance Units granted to a Participant under Section 8.02.

2.40 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.

2.41 Plan means the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan as set forth herein, and as the same may be amended from time to time.

2.42 Pooling Transaction means an acquisition of the Trust in a transaction which is intended to be treated as a "pooling of interests" under generally accepted accounting principles.

2.43 Purchase Loan means the loan provided to a Participant by the Trust to facilitate the Participant's purchase of Shares pursuant to a Stock Purchase Award.

2.44 Purchase Loan Term means the period for repayment and satisfaction of a Purchase Loan.

2.45 Reload Option shall have the meaning set forth in Section 6.03(f).

2.46 Restricted Shares means Shares subject to restrictions imposed in connection with Awards granted under Article VII.

2.47 Rule 16b-3 means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as the same may be amended from time to time, and any successor rule.

2.48 Share Price means the price per share at which the Stock Purchase Award shall be offered to a Participant, and shall be equal to the greater of (i) the average of the closing price of a share in the New York Stock Exchange for the twenty (20) trading days prior to the Offer Date or (ii) the Fair Market Value of a Share on the Acceptance Date.

2.49 Shares mean the common shares of beneficial interest in the Trust, no par value per share.

2.50 Stock Purchase Award means an Award, granted in accordance with Article IX, of the right to acquire Shares.

2.51 Stock Purchase Price means the number of Shares in a Participant's Stock Purchase Award multiplied by the Share Price.

2.52 Stock Appreciation Rights means a right to receive all or some portion of the increase in the value of the Shares as provided in Section 6.04.

2.53 Subsidiary means any Person of which a majority of its voting power or equity securities or equity interests is owned directly or indirectly by the Trust.

2.54 Tax Loan means a loan (or loans) offered to and accepted by a Participant to offset all or a portion of federal and state taxes that a Participant incurs as a result of the Trust's forgiveness of his Purchase Loan.

2.55 Termination of Employment means the voluntary or involuntary termination of a Participant's employment with the Trust for any reason, including, without limitation, death, Disability, retirement or as the result of a Change in Control. Whether entering military or other government service shall constitute Termination of Employment, and whether a Termination of Employment is a result of Disability, shall be determined in each case by the Committee in its sole discretion.

2.56 Trust means Federal Realty Investment Trust, a District of Columbia unincorporated business trust, and its successors.

2.57 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.

2.58 Trustees means the Board of Trustees of the Trust.

Article III. Administration

3.01 Authority of Committee.

(a) The Plan shall be administered by the Committee which shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants. The Committee shall have the sole discretion to interpret the Plan, to select the officers, other employees, consultants and Trustees (other than Non-Employee Trustees) to whom Awards may be granted, to determine all claims for benefits under the Plan, to impose such conditions and restrictions on Awards as it determines appropriate and to take such steps in connection with the Plan and Awards granted hereunder as it may deem necessary or advisable. The Committee may, with respect to Participants who are not subject to Section 16(b) of the Exchange Act, delegate such of its powers and authority under the Plan as it deems appropriate to designated officers or employees of the Trust.

(b) Without limiting the Committee's authority under other provisions of the Plan, but subject to any express limitations of the Plan, including, without limitation, Section 11.13(b), the Committee shall have the authority to accelerate an Award described in Section 2.05(a) and to waive restrictive conditions for an Award described in Section 2.05(a) (including, without limitation, any forfeiture conditions), in such circumstances as the Committee deems appropriate. In the case of any acceleration of an Award described in Section 2.05(a) after the attainment of the applicable Performance Target(s), the amount payable shall be discounted to its present value using an interest rate equal to Moody's Average Corporate Bond Yield for the month preceding the month in which such acceleration occurs.

3.02 Committee. The Committee shall consist of at least two (2) members of the Trustees and may consist of the entire Trustees; provided, however, that (A) if the Committee consists of less than the entire Trustees, each member shall be a "Non-Employee Director" within the meaning of Exchange Act Rule 16b-3 and (B) to the extent necessary for any Award intended to qualify as performance-based compensation under Section 162(m) of the Code

to so qualify, each member of the Committee, whether or not it consists of the entire Trustees, shall be an "outside director" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. The Committee shall hold meetings at such times as may be necessary for the proper administration of the Plan. The Committee shall keep minutes of its meetings.

3.03 Requisite Action. A quorum shall consist of not fewer than two-thirds of the members of the Committee and a majority of a quorum may authorize any action. Any decision or determination reduced to writing and signed by a majority of all of the members of the Committee shall be as fully effective as if made by a majority vote at a meeting duly called and held.

3.04 Exculpation. No member of the Committee shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to this Plan or any transaction hereunder, except for liability arising from his own willful misfeasance, gross negligence or reckless disregard of his duties. The Trust hereby agrees to indemnify each member of the Committee for all costs and expenses and, to the extent permitted by applicable law, any liability incurred in connection with defending against, responding to, negotiating for the settlement of or otherwise dealing with any claim, cause of action or dispute of any kind arising in connection with any actions in administering this Plan or in authorizing or denying authorization to any transaction hereunder.

Article IV. Awards

4.01 Performance Units Denominated in Dollars. The maximum dollar amount that the Chief Executive Officer of the Trust may be awarded in any calendar year in respect of Performance Units denominated in dollars is \$3 million, and the maximum dollar amount that any Participant (except the Chief Executive Officer of the Trust) may be awarded in any calendar year in respect of Performance Units denominated in dollars is \$1 million.

4.02 Number of Shares Issuable. Subject to adjustments as provided in Section 11.06, the maximum number of Shares that may be made the subject of Awards granted under the Plan is 5,500,000; provided, however, that during the term of the Plan (i) no Participant (other than the Chief Executive Officer of the Trust) may be granted Awards (other than Performance Units denominated in dollars and 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 Performance Units denominated in dollars and Dividend Equivalent Rights) in the aggregate in respect of more than 500,000 Shares per calendar year, (iii) no Participant (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, (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, and (v) the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options granted under the Plan become exercisable for the first time by an Optionee during any calendar year shall not exceed \$100,000. The Trust shall reserve, for purposes of the Plan, out of its authorized but unissued Shares or Shares held in the Trust's treasury, or partly out of each, such number of Shares as shall be determined by the Trustees.

4.03 Reduction. Solely for purposes of applying the Section 4.02 limit on the maximum number of Shares that may be made the subject of Awards granted under the Plan (but not for purposes of applying the Section 4.02 limits on the number of Shares per calendar year that may be made the subject of Awards granted to individual Participants), upon the granting of an Award, the maximum number of Shares available under Section 4.02 for the granting of further Awards shall be reduced as follows:

(a) In connection with the granting of an Award (other than the granting of a Performance Unit denominated in dollars), the number of Shares shall be reduced by the number of Shares in respect of which the Award is granted or denominated.

(b) In connection with the granting of a Performance Unit denominated in dollars, the number of Shares shall be reduced by an amount equal to the quotient of (i) the dollar amount in which the Performance Unit is denominated, divided by (ii) the Fair Market Value of a Share on the date the Performance Unit is granted.

4.04 Shares Subject to Terminated Awards. Solely for purposes of applying the Section 4.02 limit on the maximum number of Shares that may be made the subject of Awards granted under the Plan (but not for purposes of applying the Section 4.02 limits on the number of Shares per calendar year that may be made the subject of Awards granted to individual Participants), whenever any outstanding Award or portion thereof expires, is canceled or is otherwise terminated for any reason without having been exercised or payment having been made in respect of the entire Award, the Shares allocable to the expired, canceled or otherwise terminated portion of the Award may again be the subject of Awards granted hereunder.

Article V. Participation

5.01 Eligible Participants. Participants in the Plan shall be such officers, other employees, consultants and Trustees of the Trust and its Subsidiaries as the Committee, in its sole discretion, may designate from time to time. The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive Awards or grants under one portion of the Plan shall not require the Committee to include such Participant under other portions of the Plan. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards. More than one type of Award may be granted to a Participant at one time or at different times. Non-Employee Trustees shall receive Non-Employee Trustee Awards in accordance with Article X of the Plan, the provisions of which are automatic and non-discretionary in operation. Non-Employee Trustees shall not be eligible to receive any other Awards under the Plan.

Article VI. Stock Options

6.01 Grant of Option. The Committee may grant Options to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted under the Plan shall, subject to the provisions of the Plan, be in such form as the Committee may, from time to time, approve, and the terms and conditions of Option Awards need not be the same with respect to each Participant. The Committee shall have the authority to grant to any Participant one or more Incentive Stock Options, Non-Qualified Stock Options, or both types of Options. To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Option or the portion thereof which does not qualify shall constitute a separate Non-Qualified Stock Option.

6.02 Incentive Stock Options. In the case of any grant of an Option, designated by the Committee to be an Incentive Stock Option, each provision in the Plan and in any related Award Agreement shall, to the maximum extent possible, be interpreted in such a manner as to qualify the Option as an Incentive Stock Option. If any provision of this Plan or such Award Agreement shall be held not to comply with the requirements necessary to so qualify such Option, then (i) such provision shall be deemed to have contained from the outset such language as shall be necessary to qualify the Option as an Incentive Stock Option, and (ii) all other provisions of this Plan and the Award Agreement relating to such Option shall remain in full force and effect. If any Award Agreement covering an Option designated by the Committee to be an Incentive Stock Option shall not explicitly include any terms required to qualify such Option as an Incentive Stock Option, all such terms shall be deemed implicit in the designation of such Option and the Option shall be deemed to have been granted subject to all such terms.

6.03 Terms of Options. Options granted under the Plan shall be subject to the following terms and conditions and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem desirable:

(a) Option Price. The price per Share of an Option shall be determined by the Committee at the Date of Grant but shall be not less than the Fair Market Value of a Share on the Date of Grant.

(b) Option Term. The term of each Option shall be fixed by the Committee, but no Option shall be exercisable more than ten years after the Date of Grant. The Committee may, subsequent to the granting of any

Option, extend the term thereof, but in no event shall the term so extended exceed the maximum term provided for in the preceding sentence.

(c) Exercisability. Subject to Sections 6.03(g) and 6.03(h)(i) of the Plan, (i) an Award Agreement with respect to Options may contain such performance targets, waiting periods, exercise dates and restrictions on exercise (including, without limitation, a requirement that an Option is exercisable in periodic installments) as may be determined by the Committee at the time of grant, and (ii) no Option may be exercised in whole or in part prior to six months from the Date of Grant. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires.

(d) Method of Exercise. Subject to whatever installment exercise and waiting period provisions apply under subsection (c) above, Options may be exercised in whole or in part at any time during the Award Period, only by giving written notice of exercise delivered in person or by mail to the Secretary of the Trust at the Trust's principal executive office. Such notice shall specify the number of Shares to be purchased and shall be accompanied by payment in full of the purchase price in such form as the Committee may accept (including, without limitation, payment in accordance with a cashless exercise program under which, if so instructed by the Participant, Shares may be issued directly to the Participant's broker or dealer upon receipt of the purchase price in cash from the broker or dealer). If and to the extent determined by the Committee in its sole discretion at or after grant, payment in full or in part may also be made in the form of Shares duly owned by the Participant (and for which the Participant has good title, free and clear of any liens and encumbrances) or, in the case of Non-Qualified Stock Options, of Restricted Shares or by reduction in the number of Shares issuable upon such exercise based, in each case, on the Fair Market Value of the Shares on the date the Option is exercised (without regard to any forfeiture restrictions, applicable to Restricted Shares). No Shares shall be issued until Participant shall generally have the rights to dividends or other rights of a shareholder with respect to Shares subject to the Option when the Participant has given written notice of exercise and has paid for such Shares as provided herein. Notwithstanding the foregoing, if payment in full or in part has been made in the form of Restricted Shares, an equivalent number of Shares issued on exercise of the Option shall be subject to the same restrictions and conditions for the remainder of the Award Period applicable to the Restricted Shares surrendered therefor.

(e) Alternative Method of Exercise. If the Fair Market Value of the Shares with respect to which the Option is being exercised exceeds the exercise price of such Option, an Optionee may, instead of exercising an Option as provided in Section 6.03(d), request that the Committee authorize payment to the Optionee of the difference between the Fair Market Value of part or all of the Shares which are the subject of the Option and the exercise price of the Option, such difference to be determined as of the date prior to the date the Committee receives the request from the Optionee. The Committee, in its sole discretion, may grant or deny such a request from an Optionee with respect to part or all of the Shares as to which the Option is then exercisable and, to the extent granted, shall direct the Trust to make the payment to the Optionee either in cash or in Shares or in any combination thereof; provided, however, that payment in Shares shall be made based upon the Fair Market Value of Shares as of the date the Committee received the request from the Optionee. An Option shall be deemed to have been exercised and shall be canceled to the extent that the Committee grants a request pursuant to this Section 6.03(e).

(f) Reload Options. On or before the date of the 1997 Annual Meeting of Shareholders, the Committee shall have the authority to specify, at the time of grant or, with respect to Non-Qualified Stock Options, at or after the time of grant, that a Participant shall be granted a Non-Qualified Stock Option (a "Reload Option") in the event such Participant exercises all or a part of an Option (an "Original Option") by surrendering in accordance with Section 6.03(d) of the Plan already owned Shares in full or partial payment of the purchase price under the Original Option, subject to the availability of Shares under the Plan at the time of such exercise, and subject to the limits provided for in Section 4.02; provided, however, that no Reload Option shall be granted to a Non-Employee Trustee. Each Reload Option shall cover a number of Shares equal to the number of Shares surrendered in payment of the purchase price under such Original Option, shall have a purchase price per Share equal to the Fair Market Value of a Share on the Date of Grant of such Reload Option and shall expire on the stated expiration date of the Original Option. A Reload Option shall be exercisable at any time

and from time to time after the Date of Grant of such Reload Option (or, as the Committee in its sole discretion shall determine at or after the time of grant, at such time or times as shall be specified in the Reload Option); provided, however, that a Reload Option granted to a Participant subject to Section 16 of the Exchange Act shall not be exercisable during the first six months from the Date of Grant of such Reload Option. Any Reload Option may provide for the grant, when exercised, of subsequent Reload Options to the extent and upon such terms and conditions, consistent with this Section 6.03(f), as the Committee in its sole discretion shall specify at or after the time of grant of such Reload Option. A Reload Option shall contain such other terms and conditions, which may include a restriction on the transferability of the Shares received upon exercise of the Original Option representing at least the after-tax profit received upon exercise of the Original Option, as the Committee in its sole discretion shall deem desirable and which may be set forth in rules or guidelines adopted by the Committee or in the Award Agreements evidencing the Reload Options.

(g) Effect of Change in Control. In the event of a Change in Control, all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable. In addition, in the sole discretion of the Committee at the time of an Award, and to the extent set forth in an Award Agreement evidencing the grant of an Option, an Optionee will be permitted to surrender to the Trust for cancellation within sixty (60) days after such Change in Control any Option or portion of an Option to the extent not yet exercised and the Optionee will be entitled to receive a cash payment in an amount equal to the excess, if any, of (x) (A) in the case of a Non-Qualified Stock Option, the greater of (1) the Fair Market Value, on the date preceding the date of surrender, of the Shares subject to the Option or portion thereof surrendered or (2) the Adjusted Fair Market Value of the Shares subject to the Option or portion thereof surrendered, or (B) in the case of an Incentive Stock Option, the Fair Market Value, on the date preceding the date of surrender, of the Shares subject to the Option or portion thereof surrendered over (y) the aggregate purchase price for such Shares under the Option or portion thereof surrendered.

(h) Exercise of Options Upon Termination of Employment.

(i) Exercise of Vested Options Upon Termination of Employment.

(A) Termination. Subject to Section 6.03(b), unless the Committee, in its sole discretion, provides otherwise, upon a Participant's Termination of Employment other than by reason of death, Disability or retirement on or after the Participant's Normal Retirement Date or following a Change in Control, the Participant may, within three months from the date of such Termination of Employment, or such longer period as the Committee, in its sole discretion, provides, exercise all or any part of his Options as were exercisable at the date of Termination of Employment; provided, however, that if such Termination of Employment is for Cause, the right of such Participant to exercise such Options shall terminate at the date of Termination of Employment.

(B) Disability or Retirement. Subject to Section 6.03(b), unless the Committee, in its sole discretion, provides otherwise, upon a Participant's Disability Date or Termination of Employment by reason of retirement on or after the Participant's Normal Retirement Date, the Participant may, within two years after such Disability Date or Termination of Employment, as the case may be, exercise all or a part of his Options which were exercisable upon such Disability Date or Termination of Employment (or which became exercisable at a later date pursuant to Section 6.03(h)(ii)).

(C) Death. Subject to Section 6.03(b), unless the Committee, in its sole discretion, provides otherwise, in the event of the death of a Participant while employed by the Trust or within the additional period of time described in Section 6.03(h)(i)(B) from the date of the Participant's Disability Date or Termination of Employment by reason of retirement on or after the Participant's Normal Retirement Date to the extent all or any part of the Option was exercisable as of the Disability Date or the date of such Termination of Employment and did not expire during such additional period and prior to the Participant's death, the right of the Participant's Beneficiary to exercise the Option under the Plan shall expire upon the expiration of two years from the date of the Participant's death (but in no event more than two years from the Participant's Disability Date or the date of the Participant's Termination of Employment, as the case may be) or on the date of expiration of the Option determined pursuant to Section 6.03(b), whichever is earlier. In all other cases of death following a Participant's Termination of Employment, the Participant's Beneficiary may exercise the Option within the time provided in 6.03(h)(i)(A), above. In the event of the Participant's death, the Committee may, in its sole discretion, accelerate the right to exercise all or any part of an Option which would not otherwise be exercisable.

(D) Change in Control. Subject to Section 6.03(b), upon an Optionee's Termination of Employment following a Change in Control, each Option held by the Optionee that was exercisable as of the date of such Termination of Employment shall remain exercisable for a period not ending before the earlier of (A) the first anniversary of the termination of the Optionee's employment or (B) the expiration of the stated term of the Option.

(ii) Termination of Unvested Options Upon Termination of Employment. Subject to Section 6.03(b), to the extent all or any part of an Option was not exercisable as of the date of Termination of Employment, the right to exercise such Option shall expire at the date of such Termination of Employment. Notwithstanding the foregoing, and subject to Section 6.03(b), the Committee, in its sole discretion and under such terms as it deems appropriate, may permit a Participant who terminates employment on or after the Participant's Normal Retirement Date or Other Retirement Date and who will continue to render significant services to the Trust after his Termination of Employment, to continue to accrue service with respect to the right to exercise his Options during the period in which the individual continues to render such services.

6.04 Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Committee may, in its sole discretion, either alone or in connection with the grant of an Option, grant Stock Appreciation Rights in accordance with the Plan, the terms and conditions of which shall be set forth in an Award Agreement. If granted in connection with an Option, a Stock Appreciation Right shall cover the same Shares covered by the Option (or such lesser number of Shares as the Committee may determine) and shall, except as provided in this Section 6.04, be subject to the same terms and conditions as the related Option.

(b) Time of Grant. A Stock Appreciation Right may be granted (i) at any time if unrelated to an Option, or (ii) if related to an Option, either at the time of grant, or at any time thereafter during the term of the Option.

(c) Stock Appreciation Right Related to an Option.

(i) Exercise. Subject to Section 6.04(h), a Stock Appreciation Right granted in connection with an Option shall be exercisable at such time or times and only to the extent that the related Options are exercisable, and will not be transferable except to the extent the related Option may be transferable. A Stock Appreciation Right granted in connection with an Incentive Stock Option shall be exercisable only if the Fair Market Value of a Share on the date of exercise exceeds the purchase price specified in the related Incentive Stock Option Agreement.

(ii) Amount Payable. Upon the exercise of a Stock Appreciation Right related to an Option, the holder shall be entitled to receive an amount determined by multiplying (A) the excess of the Fair Market Value of a Share on the date preceding the date of exercise of such Stock Appreciation Right over the per Share purchase price under the related Option, by (B) the number of Shares as to which such Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including, without limitation, such a limit in the Agreement evidencing the Stock Appreciation Right at the time it is granted.

(iii) Treatment of Related Options and Stock Appreciation Rights Upon Exercise. Upon the exercise of a Stock Appreciation Right granted in connection with an Option, the Option shall be canceled to the extent of the number of Shares as to which the Stock Appreciation Right is exercised, and upon the exercise of an Option granted in connection with a Stock Appreciation Right, the Stock Appreciation Right shall be canceled to the extent of the number of Shares as to which the Option is exercised or surrendered.

(d) Stock Appreciation Right Unrelated to an Option. Stock Appreciation Rights unrelated to Options shall contain such terms and conditions as to exercisability (subject to Section 6.04(h)), vesting and duration as the Committee shall determine, but in no event shall they have a term of greater than ten (10) years. Upon exercise of a Stock Appreciation Right unrelated to an Option, the Participant shall be entitled to receive an amount determined by multiplying (A) the excess of the Fair Market Value of a Share on the date preceding the date of exercise of such Stock Appreciation Right over the Fair Market Value of a Share on the date the Stock Appreciation Right was granted, by (B) the number of Shares as to which the Stock Appreciation Right is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any Stock Appreciation Right by including such a limit in the Agreement evidencing the Stock Appreciation Right at the time it is granted.

(e) Method of Exercise. Stock Appreciation Rights shall be exercised by a Participant only by a written notice delivered in person or by mail to the Secretary of the Trust at the Trust's principal executive office, specifying the number of Shares with respect to which the Stock Appreciation Right is being exercised. If requested by the Trust, the Participant shall deliver the Award Agreement evidencing the Stock Appreciation Right being exercised and the Award Agreement evidencing any related Option to the Secretary of the Trust who shall endorse thereon a notation of such exercise and return such Agreement to the Participant.

(f) Form of Payment. Payment of the amount determined under Sections 6.04(c) and (d) may be made in the sole discretion of the Committee solely in whole Shares in a number determined at their Fair Market Value on the date preceding the date of exercise of the Stock Appreciation Right, or solely in cash, or in a

combination of cash and Shares. If the Committee decides to make full payment in Shares and the amount payable results in a fractional Share, payment for the fractional Share will be made in cash.

(g) Modification. No modification of an Award shall adversely alter or impair any rights or obligations under the Award Agreement without the Participant's consent.

(h) Effect of Change in Control. In the event of a Change in Control, all Stock Appreciation Rights shall become immediately and fully exercisable. In addition, in the sole discretion of the Committee at the time of an Award, and to the extent set forth in an Award Agreement evidencing the grant of a Stock Appreciation Right (but not with respect to any Stock Appreciation Right granted in connection with an Incentive Stock Option), a Participant will be entitled to receive a payment from the Trust in cash or Shares, in either case, with a value equal to the excess, if any, of (A) the Adjusted Fair Market Value, on the date preceding the date of exercise, of the Shares over (B) the aggregate Fair Market Value, on the date the Stock Appreciation was granted, of the Shares subject to the Stock Appreciation Right or portion thereof exercised.

(i) Exercise of Stock Appreciation Rights Upon Termination of Employment.

(i) Exercise of Vested Stock Appreciation Rights Upon Termination of Employment.

(A) Termination. Subject to Section 6.04(c) or (d), as the case may be, unless the Committee, in its sole discretion, provides otherwise, upon a Participant's Termination of Employment other than by reason of death, Disability or retirement on or after the Participant's Normal Retirement Date or following a Change in Control, the Participant may, within three months from the date of such Termination of Employment, or such longer period as the Committee, in its sole discretion, provides, exercise all or any part of his Stock Appreciation Rights as were exercisable at the date of Termination of Employment; provided, however, that if such Termination of Employment is for Cause, the right of such Participant to exercise such Stock Appreciation Rights shall terminate at the date of Termination of Employment.

(B) Disability or Retirement. Subject to Section 6.04(c) or (d), as the case may be, unless the Committee, in its sole discretion, provides otherwise, upon a Participant's Disability Date or Termination of Employment by reason of retirement on or after the Participant's Normal Retirement Date, the Participant may, within two years after such Disability Date or Termination of Employment, as the case may be, exercise all or a part of his Stock Appreciation Rights which were exercisable upon such Disability Date or Termination of Employment (or which became exercisable at a later date pursuant to Section 6.04(i)(ii)).

(C) Death. Subject to Section 6.04(c) or (d), as the case may be, unless the Committee, in its sole discretion, provides otherwise, in the event of the death of a Participant while employed by the Trust or within the additional period of time described in Section 6.04(i)(i)(B) from the date of the Participant's Disability Date or Termination of Employment by reason of retirement on or after the Participant's Normal Retirement Date to the extent all or any part of the Stock Appreciation Right was exercisable as of the Disability Date or the date of such Termination of Employment did not expire during such additional period and prior to the Participant's death, the right of the Participant's Beneficiary to exercise the Stock Appreciation Right under the Plan shall expire upon the earlier of (x) the expiration of two years from the date of the Participant's death (but in no event more than two years from the Participant's Disability Date or the date of the Participant's Termination of Employment, as the case may be) or (y) the date of expiration of the Stock Appreciation Right determined pursuant to Section 6.04(c) or (d), as the case may be. In all other cases of death following a Participant's Termination of Employment, the Participant's Beneficiary may exercise the Stock Appreciation Right within the time provided in 6.04(i)(i)(A), above. In the event of the Participant's death, the Committee may, in its sole discretion, accelerate the right to exercise all or any part of a Stock Appreciation Right which would not otherwise be exercisable.

(D) Change in Control. Subject to Section 6.04(c) or (d), as the case may be, upon a Participant's Termination of Employment following a Change in Control, each Stock Appreciation Right held by the Participant that was exercisable as of the date of such Termination of Employment shall remain exercisable for a period not ending before the earlier of (A) the first anniversary of the termination of the Participant's employment or (B) the expiration of the stated term of the Stock Appreciation Right.

(ii) Termination of Unvested Stock Appreciation Rights Upon Termination of Employment. Subject to Section 6.04(c) or (d), as the case may be, to the extent all or any part of a Stock Appreciation Right was not exercisable as of the date of Termination of Employment, the right to exercise such Stock Appreciation Right shall expire at the date of such Termination of Employment. Notwithstanding the foregoing, and subject to Section 6.04(c) or (d), as the case may be, the Committee, in its sole discretion and under such terms as it deems appropriate, may permit a Participant who terminates employment on or after the Participant's Normal Retirement Date or Other Retirement Date and who will continue to render significant services to the Trust after his Termination of Employment, to continue to accrue service with respect to the right to exercise his Stock Appreciation Rights during the period in which the individual continues to render such services.

6.05 Dividend Equivalent Rights. The Committee, in its sole discretion, may grant to Participants Dividend Equivalent Rights in tandem with an Award. The terms and conditions applicable to each Dividend Equivalent Right shall be specified in the Award Agreement under which the Dividend Equivalent Right is granted. Amounts payable in respect of Dividend Equivalent Rights may be payable currently or deferred until the lapsing of restrictions on such Dividend Equivalent Rights or until the vesting, exercise, payment, settlement or other lapse of restrictions on the Award to which the Dividend Equivalent Rights relate. In the event that the amount payable in respect of Dividend Equivalent Rights are to be deferred, the Committee shall determine whether such amounts are to be held in cash or reinvested in Shares or deemed (notionally) to be reinvested in Shares. If amounts payable in respect of Dividend Equivalent Rights are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its sole discretion, may determine. Dividend Equivalent Rights may be settled in cash or Shares or a combination thereof, in a single installment or multiple installments. With respect to Dividend Equivalent Rights granted in tandem with an Option, the Award Agreement may provide that the Participant may elect to have amounts payable in respect of such Dividend Equivalent Rights applied against the exercise price of such Option. To the extent necessary for any Dividend Equivalent Right intended to qualify as performance-based compensation under Section 162(m) of the Code to so qualify, the terms and conditions of the Dividend Equivalent Right shall be such that payment of the Dividend Equivalent Right is contingent upon the attainment of specified Performance Targets within the Award Period, as provided for in Article VIII, and such Dividend Equivalent Right shall be treated as a Performance Award for purposes of Section 11.13(b).

Article VII. Restricted Shares

7.01 Restricted Share Awards. The Committee, in its sole discretion, may grant to Participants Restricted Shares, either alone or in addition to other Awards. The Committee may grant to any Participant an Award of Restricted Shares in such number, and subject to such terms and conditions relating to forfeitability and restrictions on delivery and transfer (whether based on performance standards, periods of service or otherwise) as the Committee shall establish. The terms of any Restricted Share Award granted under this Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with this Plan. The provisions of Restricted Share Awards need not be the same for each Participant receiving such Awards.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award, the Trust shall cause to be transferred on the books of the Trust Shares, registered on behalf of the Participant in nominee form, evidencing the Restricted Shares covered by the Award, but subject to forfeiture to the Trust retroactive to the Date of Grant if an Award Agreement delivered to the Participant by the Trust with respect to the Restricted Shares covered by the Award is not duly executed by the Participant and timely returned to the Trust. All Shares covered by Awards under this Article VII shall be subject to the restrictions,

terms and conditions contained in the Plan and the Award Agreement entered into by and between the Trust and the Participant. Until the lapse or release of all restrictions applicable to an Award of Restricted Shares, the stock certificates representing such Restricted Shares shall be held in custody by the Trust or its designee. Upon the lapse or release of all restrictions with respect to an Award as described in Section 7.01(e), one or more stock certificates, registered in the name of the Participant, for an appropriate number of Shares as provided in Section 7.01(e), free of any restrictions set forth in the Plan and the Award Agreement, shall be delivered to the Participant.

(b) Shareholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement as provided in Section 7.01(a), the Participant shall become a shareholder of the Trust with respect to all Shares subject to the Award Agreement and shall have all of the rights of a shareholder, subject to the provisions of Section 7.01(c).

(c) Treatment of Dividends. At the time an Award of Restricted Shares is granted, the Committee may, in its sole discretion, determine that the payment to the Participant of dividends, or a specified portion thereof, declared or paid on such Restricted Shares shall be (i) deferred until the lapsing of the restrictions imposed upon such Restricted Shares and (ii) held by the Trust for the account of the Participant until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in Shares (which shall be held as Restricted Shares) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its sole discretion, may determine. Payment of deferred dividends in respect of Restricted Shares (whether held in cash or as additional Shares of Restricted Shares), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Restricted Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Restricted Shares shall be forfeited upon the forfeiture of such Restricted Shares.

(d) No Pledge. None of the Restricted Shares may be pledged.

(e) Delivery of Shares Upon Release of Restrictions. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, the restrictions applicable to the Restricted Shares shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of Section 11.06, the Trust shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, one or more stock certificates for the appropriate number of Shares, free of all such restrictions, except for any restrictions that may be imposed by law.

(f) Effect of Change in Control. Unless the Committee shall determine otherwise at the time of grant of an Award of Restricted Shares, any restriction periods and restrictions imposed on Restricted Shares under the Plan shall lapse upon a Change in Control and within ten (10) Business Days the stock certificates representing Restricted Shares, without any such restrictions, shall be delivered to the applicable Participant.

7.02 Terms of Restricted Shares.

(a) Forfeiture of Restricted Shares. Subject to Sections 7.01(f) and 7.02(b), all Restricted Shares shall be forfeited and returned to the Trust and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of the Trust as an employee until the expiration of the forfeiture period for such Restricted Shares and satisfies any and all other conditions set forth in the Award Agreement. The Committee, in its sole discretion, shall determine the forfeiture period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Share Award.

(b) Waiver of Forfeiture Period. Notwithstanding anything contained in this Article VII to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including, without limitation, the death, Disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and

subject to such terms and conditions (including, without limitation, forfeiture of a proportionate number of the Restricted Shares) as the Committee shall deem appropriate, provided that the Participant shall at that time have completed at least one year of employment after the Date of Grant.

Article VIII. Performance Awards

8.01 Performance Targets.

(a) Performance Targets. Performance Targets for Performance Awards may be expressed in terms of (i) earnings per Share, (ii) Share price, (iii) funds from operations, (iv) pre-tax profits, (v) net earnings, (vi) return on equity or assets, (vii) gross revenues, (viii) EBITDA, (ix) dividends, (x) market share or market penetration or (xi) any combination of the foregoing, and may be determined before or after accounting changes, special charges, foreign currency effects, acquisitions, divestitures or other extraordinary events. Performance Targets may be in respect of the performance of the Trust and its Subsidiaries (which may be on a consolidated basis), a Subsidiary or a Division. Performance Targets may be absolute or relative and may be expressed in terms of a progression within a specified range. The Performance Targets with respect to an Award Period shall be established in writing by the Committee by the earlier of (i) the date on which a quarter of the Award Period has elapsed or (ii) the date which is ninety (90) days after the commencement of the Award Period, and, in any event while the performance relating to the Performance Targets remain, substantially uncertain.

(b) Determination of Performance. Prior to the vesting, payment, settlement or lapsing of any restrictions with respect to any Performance Award made to a Participant who is subject to Section 162(m) of the Code, the Committee shall certify in writing that the applicable Performance Targets have been satisfied.

8.02 Performance Units. The Committee, in its sole discretion, may grant Awards of Performance Units to Participants, the terms and conditions of which shall be set forth in an Award Agreement between the Trust and the Participant. Performance Units shall be denominated in Shares or a specified dollar amount and, contingent upon the attainment of specified Performance Targets within the Award Period, represent the right to receive payment as provided in Section 8.02(b) of the specified dollar amount or a percentage (which may not be more than 100%) thereof depending on the level of Performance Target attainment. Each Award Agreement shall specify either a fixed number of Performance Units to which it relates or a formula pursuant to which the number of Performance Units may be calculated, the Performance Targets which must be satisfied in order for the Performance Units to vest and the Award Period within which such Performance Targets must be satisfied.

(a) Vesting and Forfeiture. Subject to Sections 8.01(b) and 8.04, a Participant shall become vested with respect to the Performance Units to the extent that the Performance Targets set forth in the Agreement are satisfied for the Award Period.

(b) Payment of Awards. Payment to Participants in respect of vested Performance Units shall be made as soon as practicable after the last day of the Award Period to which such Award relates unless the Award Agreement evidencing the Award provides for the deferral of payment, in which event the terms and conditions of the deferral shall be set forth in the Award Agreement. Subject to Section 8.04, such payments may be made entirely in Shares valued at their Fair Market Value as of the last day of the applicable Award Period or such other date specified by the Committee, entirely in cash, or in such combination of Shares and cash as the Committee in its sole discretion shall determine at any time prior to such payment.

8.03 Performance Shares. The Committee, in its sole discretion, may grant Awards of Performance Shares to Participants, the terms and conditions of which shall be set forth in an Agreement between the Trust and the Participant. Each Award Agreement may require that an appropriate legend be placed on Share certificates. Awards of Performance Shares shall be subject to the following terms and provisions:

(a) Rights of Participant. The Committee shall provide at the time an Award of Performance Shares is made the time or times at which the actual Shares represented by such Award shall be issued in the name of the Participant; provided, however, that no Performance Shares shall be issued until the Participant has executed an

Award Agreement evidencing the Award, the appropriate blank stock powers and, in the sole discretion of the Committee, an escrow agreement and any other documents which the Committee may require as a condition to the issuance of such Performance Shares. If a Participant shall fail to execute the Award Agreement evidencing an Award of Performance Shares, the appropriate blank stock powers and, in the sole discretion of the Committee, an escrow agreement and any other documents which the Committee may require within the time period prescribed by the Committee at the time the Award is granted, the Award shall be null and void. At the sole discretion of the Committee, Shares issued in connection with an Award of Performance Shares shall be deposited together with the stock powers with an escrow agent (which may be the Trust) designated by the Committee. Except as restricted by the terms of the Award Agreement, and subject to Section 8.03(d), upon delivery of the Shares to the escrow agent, the Participant shall have, in the sole discretion of the Committee, 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 or other distributions paid or made with respect to the Shares.

(b) Non-transferability. Subject to Section 11.04, until any restrictions upon the Performance Shares awarded to a Participant shall have lapsed in the manner set forth in Sections 8.03(c) or 8.04, such Performance Shares shall not be sold, transferred or otherwise disposed of and shall not be pledged or otherwise hypothecated, nor shall they be delivered to the Participant. The Committee may also impose such other restrictions and conditions on the Performance Shares, if any, as it deems appropriate.

(c) Lapse of Restrictions. Subject to Sections 8.01(b) and 8.04, restrictions upon Performance Shares awarded hereunder shall lapse and such Performance Shares shall become vested at such time or times and on such terms, conditions and satisfaction of Performance Targets as the Committee may, in its sole discretion, determine at the time an Award is granted.

(d) Treatment of Dividends. At the time the Award of Performance Shares is granted, the Committee may, in its sole discretion, determine that the payment to the Participant of dividends, or a specified portion thereof, declared or paid on actual Shares represented by such Award which have been issued by the Trust to the Participant shall be (i) deferred until the lapsing of the restrictions imposed upon such Performance Shares and (ii) held by the Trust for the account of the Participant until such time. In the event that dividends are to be deferred, the Committee shall determine whether such dividends are to be reinvested in Shares (which shall be held as additional Performance Shares) or held in cash. If deferred dividends are to be held in cash, there may be credited at the end of each year (or portion thereof) interest on the amount of the account at the beginning of the year at a rate per annum as the Committee, in its sole discretion, may determine. Payment of deferred dividends in respect of Performance Shares (whether held in cash or in additional Performance Shares), together with interest accrued thereon, if any, shall be made upon the lapsing of restrictions imposed on the Performance Shares in respect of which the deferred dividends were paid, and any dividends deferred (together with any interest accrued thereon) in respect of any Performance Shares shall be forfeited upon the forfeiture of such Performance Shares.

(e) Delivery of Shares. Upon the lapse of the restrictions on Performance Shares awarded, the Committee shall cause a stock certificate to be delivered to the Participant, free of all restrictions hereunder.

8.04 Effect of Change in Control. In the event of a Change in Control:

(a) With respect to Performance Units, unless otherwise determined by the Committee, the Participant shall (i) become vested in all Performance Units and (ii) be entitled to receive in respect of all Performance Units which become vested as a result of a Change in Control a cash payment within ten (10) Business Days after such Change in Control in an amount as determined by the Committee at the time of the Award of such Performance Unit and as set forth in the Award Agreement.

(b) With respect to Performance Shares, unless otherwise determined by the Committee, restrictions shall lapse immediately on all Performance Shares.

(c) The Award Agreements evidencing Performance Shares and Performance Units shall provide for the treatment of such Awards (or portions thereof) which do not become vested as the result of a Change in Control, including, without limitation, provisions for the adjustment of applicable Performance Targets.

8.05 Termination. Except as provided in Section 8.04, and unless otherwise provided by the Committee, in its sole discretion, in the Award Agreement, the following provisions shall apply to Performance Awards:

(a) Termination of Employment. Unless otherwise provided below, in the case of a Participant's Termination of Employment prior to the end of an Award Period, the Participant will not be entitled to any Performance Awards, and any Performance Shares shall be forfeited.

(b) Disability, Death or Retirement. Unless otherwise provided by the Committee, in its sole discretion, in the Award Agreement, if a Participant's Disability Date or Termination of Employment by reason of death or retirement on or after the Normal Retirement Date or Other Retirement Date occurs following at least twelve months of participation in any Award Period, but prior to the end of an Award Period, the Participant or such Participant's Beneficiary, as the case may be, shall be entitled to receive a pro-rata share of his Performance Award as determined under Subsection (c).

(c) Pro-Rata Payment.

(i) Performance Units. With respect to Performance Units, the amount of any payment made to a Participant (or Beneficiary) under circumstances described in Section 8.05(b) will be the amount determined by multiplying the amount of the Performance Units payable in Shares or dollars which would have been earned, determined at the end of the Award Period, had such employment not been terminated, by a fraction, the numerator of which is the number of whole months such Participant was employed during the Award Period, and the denominator of which is the total number of months of the Award Period. Any such payment shall be made as soon as practicable after the end of the respective Award Period, and shall relate to attainment of Performance Targets over the entire Award Period.

(ii) Performance Shares. With respect to Performance Shares, the amount of Performance Shares held by a Participant (or Beneficiary) with respect to which restrictions shall lapse under circumstances described in Section 8.05(b) will be the amount determined by multiplying the amount of the Performance Shares with respect to which restrictions would have lapsed, determined at the end of the Award Period, had such employment not been terminated, by a fraction, the numerator of which is the number of whole months such Participant was employed during the Award Period, and the denominator of which is the total number of months of the Award Period. The Committee shall determine the amount of Performance Shares with respect to which restrictions shall lapse under this Section 8.05(c)(ii) as soon as practicable after the end of the respective Award Period, and such determination shall relate to attainment of Performance Targets over the entire Award Period. At that time, all Performance Shares relating to that Award Period with respect to which restrictions shall not lapse shall be forfeited.

(d) Other Events. Notwithstanding anything to the contrary in this Article VIII, the Committee may, in its sole discretion, determine to pay all or any portion of a Performance Award to a Participant who has terminated employment prior to the end of an Award Period under certain circumstances (including, without limitation, a material change in circumstances arising after the Date of Grant) and subject to such terms and conditions that the Participant shall have completed, at his Termination of Employment, at least one year of employment after the Date of Grant.

8.06 Modification or Substitution. Subject to the terms of the Plan, the Committee may modify outstanding Performance Awards or accept the surrender of outstanding Performance Awards and grant new Performance Awards in substitution for them. Notwithstanding the foregoing, no modification of a Performance Award shall adversely alter or impair any rights or obligations under the Agreement without the Participant's consent.

Article IX. Stock Purchase Awards

9.01 Grant of Stock Purchase Award. The Committee, in its sole discretion, may grant Stock Purchase Awards to Participants either alone or in addition to other Awards granted under the Plan. A Stock Purchase Award shall consist of the right to purchase Shares of the Trust and to pay for such Shares either in cash or through a Purchase Loan or a combination of both, in the Committee's sole discretion. A Participant shall have until 5:00 P.M. on the twentieth (20th) Business Day following his Offer Date to accept a Stock Purchase Award and sign an Award Agreement relating to the Stock Purchase Award.

9.02 Terms of Purchase Loans and Tax Loans.

(a) Purchase Loan. The Trust shall provide to each Participant who accepts a Stock Purchase Award a Purchase Loan in the principal amount equal to the portion of the Stock Purchase Price designated by the Committee as not payable in cash. Each Purchase Loan shall be evidenced by a promissory note. The term of the Purchase Loan shall be such period of time as may be determined by the Committee, in its sole discretion, but, payable in full upon Termination of Employment subject to the terms of this Article IX, and the proceeds of the Purchase Loan shall be used exclusively by the Participant for payment of the Stock Purchase Price.

(i) Interest on Purchase Loan. From the Acceptance Date until the Participant's Purchase Loan is forgiven, paid in full or otherwise satisfied in full, Interest on the outstanding balance of the Purchase Loan shall accrue and be payable quarterly in arrears on each date of payment of a cash dividend on the Shares purchased by the Participant pursuant to a Stock Purchase Award. If no quarterly cash dividend is paid on the Shares for a quarter, Interest shall accrue (without any interest thereon) on the last day of the quarter, and shall be satisfied from future cash dividends paid on such Shares as provided for in Section 9.03(b) hereof. Any accrued but unpaid Interest on a Purchase Loan shall be due on the last day of the Purchase Loan Term.

(ii) Forgiveness of Purchase Loan. Subject to Section 9.02(a)(iii), the Committee shall have the right, in its sole discretion, at the Offer Date, to determine (i) the extent to which the Trust shall forgive the repayment of all or a portion of a Purchase Loan and (ii) the terms of such forgiveness. To the extent necessary for the forgiveness of a Purchase Loan intended to qualify as performance-based compensation under Section 162(m) of the Code to so qualify, the terms and conditions of the Purchase Loan shall be such that forgiveness of the Purchase Loan is contingent upon the attainment of specified Performance Targets within the Award Period, as provided for in Article VIII, and such Purchase Loan shall be treated as a Performance Award for purposes of Section 11.13(b).

(iii) Effect a Change in Control. In the event of a Change in Control, the outstanding balance and Interest due on any Purchase Loan will be completely forgiven as of the date of such Change in Control.

(b) Tax Loan. In order to provide a Participant cash to fulfill federal, state and local tax obligations arising as a result of the forgiveness of a Purchase Loan, the Committee may, in its sole discretion, offer a Tax Loan to a Participant subject to such terms as the Committee, in its sole discretion, determines. The Tax Loan shall be prepayable, in whole or in part, at any time and from time to time, without penalty.

(i) Interest on Tax Loan. Each Tax Loan shall bear Interest at a rate identical to the rate of Interest charged on the Participant's Purchase Loan and shall be evidenced by a promissory note. Interest on each Tax Loan, or any balance thereof, shall accrue and be payable quarterly in arrears on the same date and in the same manner as Interest on a Purchase Loan, as provided in Sections 9.02(a)(i) and 9.03(b) of the Plan, until such Tax Loan is paid in full.

9.03 Security for Loans.

(a) Stock Power. Purchase Loans and Tax Loans granted to Participants shall be secured by a pledge of the Shares acquired with a Purchase Loan pursuant to a Stock Purchase Award. Except as the Committee may otherwise determine, such loans shall be fully recourse with respect to a Participant. The stock certificates for the Shares purchased by a Participant under the Plan shall be issued in the Participant's name, but shall be held

as security for repayment of the Participant's Purchase Loan and/or any Tax Loan by the Chief Financial Officer of the Trust (or for a Stock Purchase Award made to the Chief Financial Officer, by the Chief Executive Officer) together with a stock power executed in blank by the Participant (the execution and delivery of which by the Participant shall be a condition to the issuance of the Stock Purchase Award). During the Purchase Loan Term, the Participant shall be entitled to exercise all rights applicable to such Shares, including, without limitation, the right to vote such Shares and, subject to Section 9.03(b), the right to receive dividends paid on such Shares. When the Purchase Loan and any accrued but unpaid Interest thereon has been repaid or otherwise satisfied in full, the Chief Financial Officer (or Chief Executive Officer, as the case may be) shall deliver to the Participant the stock certificates for the Shares purchased by a Participant under the Plan, other than the Shares, if any, retained as collateral for the Tax Loan under Section 9.03(c), provided the Participant executes and delivers to the Chief Financial Officer (or Chief Executive Officer, as the case may be) a substitute stock power for any stock certificates representing the portion of the Stock Purchase Award retained by the Trust to secure repayment of any Tax Loan and any accrued but unpaid Interest thereon, as provided for in Section 9.03(c) of this Plan.

(b) Assignment of Dividends. To secure repayment of his Purchase Loan, Tax Loan and Interest, each Participant shall also execute an assignment to the Trust of all cash dividends paid on the Shares purchased by the Participant with a Purchase Loan pursuant to a Stock Purchase Award. The Trust shall deduct from each cash dividend paid by the Trust on such Shares an amount equal to the Interest due to the Trust for that quarter on the Participant's Purchase Loan, and Tax Loan, if any, and shall also deduct accrued but unpaid Interest on the Purchase and Tax Loan, such deductions to be made in the following order: (i) first to satisfy the Interest due on the Purchase Loan for that quarter, (ii) second to satisfy the Interest due on the Tax Loan for that quarter, (iii) third to satisfy any accrued but unpaid Interest on the Purchase Loan, and (iv) fourth to satisfy any accrued but unpaid Interest on the Tax Loan. To the extent that the cash dividend exceeds the total of the foregoing subsections (i) through (iv), the Trust shall distribute the remainder of the dividend to the Participant. In the event the Interest due on the Participant's Purchase Loan and Tax Loan is greater than the cash dividend paid that quarter on such Shares (or if the dividend is insufficient to repay accrued but unpaid Interest from previous quarters), such unpaid Interest shall accrue and be payable in each succeeding quarter and then in accordance with Section 9.02(a)(i) (in the case of the Purchase Loan), Section 9.02(b)(i) (in the case of the Tax Loan) and this Section 9.03.

(c) Release and Delivery of Stock Certificates at End of Purchase Loan Term. The Trust shall release and deliver to each Participant certificates for the Shares purchased by the Participant under the Plan at the end of the Purchase Loan Term, provided the Participant has paid or otherwise satisfied in full the balance of the Purchase Loan, any Tax Loan and any accrued but unpaid Interest. In the event the balance of the Purchase Loan is not repaid, forgiven or otherwise satisfied within ninety (90) days after the end of the Purchase Loan Term (or such longer time as the Committee, in its sole discretion, shall provide for repayment or satisfaction), the Trust shall retain a portion of Shares purchased under the Stock Purchase Award, as provided in Section 9.04(d).

If a Participant has not paid or otherwise satisfied the balance of the Tax Loan and any accrued but unpaid Interest thereon at the end of the Purchase Loan Term, the Trust shall retain as security for repayment of the Tax Loan and any accrued but unpaid Interest thereon the stock certificates for a portion of the Shares purchased by the Participant pursuant to a Stock Purchase Award representing Shares that have a Fair Market Value (determined as of the last day of the Purchase Loan Term) equal to 200% of the outstanding balance of the Tax Loan and any accrued but unpaid Interest thereon as of the last day of the Purchase Loan Term, such stock certificates to be retained in the possession of the Chief Financial Officer, of the Trust (or the Chief Executive Officer, as the case may be) as security for repayment of such indebtedness.

For purposes of this Section, a Participant shall be considered to have paid in full for that number of Shares acquired with a Purchase Loan determined by multiplying the number of Shares covered by a Stock Purchase Award by a fraction, the numerator of which is the sum of (i) the cumulative amount of the Purchase Loan principal which has been forgiven under Section 9.02(c) on the date such calculation is made and (ii) the portion of the Purchase Loan, if any, which has been prepaid by such date, and the denominator of which is the original principal amount of the Purchase Loan.

In the event of a Participant's Termination of Employment prior to the end of the Purchase Loan Term, the stock certificates for the Shares purchased by the Participant pursuant to a Stock Purchase Award shall be released and delivered to the Participant (or his Beneficiary) or retained by the Trust, depending upon whether the Participant has repaid the balance of the Purchase Loan, Tax Loan and any accrued but unpaid Interest on the Purchase and Tax Loans, in accordance with Section 9.04 of this Plan.

(d) Release and Delivery of Stock Certificates during Purchase Loan Term. On January 31 of each year of a Purchase Loan Term, the Trust shall release and deliver to each Participant certificates for a portion of the Shares purchased by a Participant pursuant to a Stock Purchase Award, provided that such Participant is employed by the Trust as of such date. The Trust shall retain as security for repayment of the Purchase Loan, the Tax Loan and any accrued but unpaid Interest thereon, a portion of the Shares purchased by a Participant having a Fair Market Value (determined as of January 30 of each year of the Purchase Loan Term) equal to 200% of the outstanding balance of the Purchase Loan, Tax Loan and any accrued but unpaid Interest thereon as of January 31 of each year during the Purchase Loan Term. Certificates representing the remaining Shares purchased pursuant to a Stock Purchase Award shall be delivered to such Participant. A Participant shall not transfer, sell or otherwise dispose of Shares released pursuant to this Section during the remainder of the Purchase Loan Term; provided, however, that such Shares may be pledged as collateral for other indebtedness of the Participant; provided, further, however, that in the event of a Change in Control, all such transfer restrictions on such Shares shall lapse.

9.04 Termination of Employment.

(a) Termination of Employment by Death or Disability. On the Offer Date, the Committee, in its sole discretion, may provide for the forgiveness of a Purchase Loan as of the date of Participant's Termination of Employment by reason of death or Disability, in such an amount of the original principal amount of the Purchase Loan as the Committee shall designate; provided that the Participant (or his Beneficiary, in the case of the Participant's death) shall first tender to the Trust within one hundred and eighty (180) days of such Termination of Employment: (i) the amount of the Trust's minimum withholding tax obligation which would be created as a result of the forgiveness of the Purchase Loan and (ii) the amount of the balance of Participant's Purchase Loan, Tax Loan and any accrued but unpaid Interest on such Loans.

(b) Termination of Employment by Voluntary Resignation or Without Cause. In the event of a Participant's Termination of Employment by voluntary resignation, the Participant shall repay to the Trust the entire balance of the Purchase Loan, the Tax Loan and any accrued but unpaid Interest on such Loans, which shall be deemed immediately due and payable, within ninety (90) days of the date of Participant's Termination of Employment by voluntary resignation. In the event of a Participant's Termination of Employment by the Trust without Cause, the Participant shall be obligated to repay the balance of the Purchase Loan, Tax Loan and any accrued but unpaid Interest on the Purchase and Tax Loans within twelve (12) months of the date of Participant's Termination of Employment.

(c) Termination of Employment for Cause. In the event of a Participant's Termination of Employment for Cause, the Participant's Purchase Loan, Tax Loan, and accrued but unpaid Interest on such Loans, shall become due and payable immediately upon the date of such Participant's Termination of Employment.

(d) Retention of Stock Purchase Award. If a Participant fails to repay the balance of the Purchase Loan, Tax Loan and accrued but unpaid Interest on the Purchase and Tax Loans within the applicable time periods as provided in the Participant's promissory notes and in this Section 9.04, the Trust shall retain that portion of the Shares acquired through a Stock Purchase Award which has a Fair Market Value (as of the last day of such applicable time period) equal to the sum of the outstanding principal balance of Participant's Purchase Loan and Tax Loan and accrued but unpaid Interest on the Purchase and Tax Loans, and the Trust shall be obligated to distribute to the Participant stock certificates for only that portion of the Stock Purchase Award which is equal in value to the difference between the Fair Market Value of the Shares covered by the Stock Purchase Award and the sum of the principal balance of the Participant's Purchase Loan and Tax Loan and the accrued but unpaid Interest on the Purchase and Tax Loans, such Fair Market Value and balance to be determined as of the date such Purchase Loan, Tax Loan and Interest payments are due as set forth in Participant's promissory notes and the foregoing Section 9.04.

9.05 Restrictions on Transfer. Subject to Section 11.04, no Stock Purchase Award or Shares purchased through such an Award and pledged to the Trust as collateral security for the Participant's Purchase Loan, Tax Loan and accrued but unpaid Interest thereon shall be transferable by the Participant other than by will or by the laws of descent and distribution.

Article X. Non-Employee Trustee Awards

10.01 Grant of Non-Employee Trustee Awards. Each individual whose term as a Trustee continues after the date of each annual meeting of shareholders of the Trust, commencing with the 1997 annual meeting, and continuing until the date this Plan terminates, shall as of the date of each such annual meeting of shareholders be granted a Non-Employee Trustee Award consisting of an Option to purchase 2,500 Shares. The exercise price for such Options shall be the Fair Market Value of a Share on the Date of Grant. All such Options shall be designated as Non-Qualified Stock Options and shall have a ten year term. Such Options shall be fully exercisable six months after the Date of Grant, provided, however, in the event of a Change in Control, such Options shall become immediately and fully exercisable.

If a Non-Employee Trustee's service with the Trust terminates by reason of death or Disability, any Option held by such Non-Employee Trustee may be exercised for a period of two years from the date of such termination or until the expiration of the Option, whichever is shorter. If a Non-Employee Trustee's service with the Trust terminates other than by reason of death or Disability, under mutually satisfactory conditions, any Option held by such Non-Employee Trustee may be exercised for a period of one year from the date of such termination, or until the expiration of the stated term of the Option, whichever is shorter. All applicable provisions of the Plan not inconsistent with this Section 10.01 shall apply to Awards granted to Non-Employee Trustees; provided, however, that the Committee may not exercise discretion under any provision of the Plan with respect to Options granted under this Section 10.01 to the extent that such discretion is inconsistent with Exchange Act Rule 16b-3.

10.02 Payment of Annual Retainer. During the term of this Plan, each Non-Employee Trustee shall have the option of receiving his Annual Retainer in cash or Shares or a combination of both. Each Non-Employee Trustee shall be required to make an annual irrevocable election regarding the form of payment of his Annual Retainer. The election must be in writing and must be delivered to the Secretary of the Trust on or before the date on which the amount of the Annual Retainer for a year is determined; provided, however, that for the Trust's 1997 fiscal year an election with respect to the form of payment of the Annual Retainer was made on December 31, 1996, and the Annual Retainer Payment Date for such fiscal year shall be June 30, 1997. If no election is made with respect to a year, a Non-Employee Trustee's Annual Retainer for such year will automatically be paid in Shares. The Annual Retainer for a year shall be paid to the Trustees on the Annual Retainer Payment Date for such year. The total number of Shares to be issued to a Non-Employee Trustee who receives Shares pursuant to this Section 10.02 shall be determined by dividing the dollar amount of the portion of the Annual Retainer payable in Shares for a particular year by the Fair Market Value of a Share on the Business Day immediately preceding the Annual Retainer Payment Date. In no event shall the Trust be required to issue fractional Shares. Whenever under the terms of this Section a fractional Share would otherwise be required to be issued, an amount in lieu thereof shall be paid in cash based upon the Fair Market Value of such fractional Share. Shares issued pursuant to this Section shall not be transferable for three years from the date of their issuance, provided, however, in the event of a Change in Control all such restrictions on such Shares shall lapse.

Article XI. Terms Applicable to All Awards Granted Under the Plan

11.01 Plan Provisions Control Award Terms Except Upon Termination.

(a) Termination. An employment or other agreement, if applicable, between a Participant and the Trust shall govern with respect to the terms and conditions applicable to Awards granted to such Participant under the Plan upon a Termination of Employment; provided, however, that to the extent necessary for an Award intended to qualify as performance-based compensation under Section 162(m) of the Code to so qualify, the terms of the Plan shall govern the Award; and, provided further, that the Committee shall have reviewed and, in its sole discretion, approved the employment or other agreement.

(b) Plan Provisions Control Generally. Except as provided in Section 11.01(a), the terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant to a Participant any Award under the Plan which is contrary to any provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any of the terms in the Plan as constituted on the Date of Grant of such Award, the terms of the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in Section 3.01(b), Section 8.06 or Section 11.03 or unless otherwise provided by the Committee, in its sole discretion, in the Award Agreement, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express written approval of the Participant.

11.02 Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Trust and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Committee expressly granting the Award to such person and containing provisions setting forth the terms of the Award. If there

is any conflict between the provisions of an Award Agreement and the terms of the Plan, the terms of the Plan shall control.

11.03 Modification of Award After Grant. Except as provided in Section 3.01(b) or Section 8.06, or unless otherwise provided by the Committee, in its sole discretion, in the Award Agreement, no Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the Date of Grant except by express written agreement between the Trust and the Participant; provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Committee.

11.04 Limitation on Transfer. The rights and interest of a Participant in any Award under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution or, in the Committee's sole discretion, pursuant to a domestic relations order (within the meaning of Exchange Act Rule 16a-12). During the lifetime of a Participant, and except as the preceding sentence provides, only the Participant personally may exercise rights under the Plan. Except as otherwise specifically provided in the Plan, a Participant's Beneficiary may exercise the Participant's rights only to the extent they were exercisable under the Plan at the date of the death of the Participant and are otherwise currently exercisable.

11.05 Taxes. The Trust shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by the Trust with respect to any amount payable and/or Shares issuable under such Participant's Award, or with respect to any income recognized upon the lapse of restrictions applicable to an Award or upon a disqualifying disposition of Shares received pursuant to the exercise of an Incentive Stock Option, and the Trust may defer payment or issuance of the cash or Shares upon the grant, exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee or its delegate and shall be payable by the Participant at such time as the Committee determines. The Committee shall prescribe in each Award Agreement one or more methods by which the Participant will be permitted to satisfy his tax withholding obligation, which methods may include, without limitation, the payment of cash by the Participant to the Trust and the withholding from the Award, at the appropriate time, of a number of Shares sufficient, based upon the Fair Market Value of such Shares, to satisfy such tax withholding requirements. The Committee shall be authorized, in its sole discretion, to establish such rules and procedures relating to any such withholding methods as it deems necessary or appropriate, including, without limitation, rules and procedures relating to elections by Participants who are subject to the provisions of Section 16 of the Exchange Act to have Shares withheld from an Award to meet such withholding obligations.

11.06 Changes in Capitalization.

(a) In the event of a Change in Capitalization, the Committee shall conclusively determine the appropriate adjustments, if any, to (i) the maximum number and class of Shares or other securities with respect to which Awards may be granted under the Plan, (ii) the maximum number and class of Shares or other securities with respect to which Awards may be granted to any Participant during any calendar year, (iii) the number and class of Shares or securities which are subject to outstanding Awards granted under the Plan and the purchase price therefor, if applicable, and (iv) the Performance Targets.

(b) Any such adjustment in the Shares or other securities subject to outstanding Incentive Stock Options (including, without limitation, any adjustments in the purchase price) shall be made in such manner as not to constitute a modification as defined by Section 424(h)(3) of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code.

(c) If, by reason of a Change in Capitalization, a Participant shall be entitled to exercise an Award with respect to, new, additional or different shares of stock or securities, such new, additional or different shares shall thereupon be subject to all of the conditions, restrictions and performance criteria which were applicable to the Shares subject to the Award, as the case may be, prior to such Change in Capitalization.

(d) No adjustment of the number of Shares available under the Plan or to which any Award relates that would otherwise be required under this Section shall be made unless and until such adjustment either by itself or with other adjustments not previously made under this Section would require an increase or decrease of at least 1% in the number of Shares available under the Plan or to which any Award relates immediately prior to the making of such adjustment (the "Minimum Adjustment"). Any adjustment representing a change of less than such minimum amount shall be carried forward and made as soon as such adjustment together with other adjustments required by this Section and not previously made would result in a Minimum Adjustment. Notwithstanding the foregoing, any adjustment required by this Section which otherwise would not result in a Minimum Adjustment shall be made with respect to Shares relating to any Award immediately prior to exercise of such Award. No fractional Shares or units of 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.

11.07 Loans. The Trust shall be entitled, if the Committee in its sole discretion deems it necessary or desirable, to lend money to a Participant for purposes of (a) exercising his rights under an Award hereunder or (b) paying any income tax liability related to an Award; provided, however, that Non-Employee Trustees shall not be eligible to receive such loans. Such a loan shall be evidenced by a promissory note payable to the order of the Trust executed by the Participant and containing such other terms and conditions as the Committee may deem desirable.

11.08 Surrender of Awards. Any Award granted to a Participant under the Plan may be surrendered to the Trust for cancellation on such terms as the Committee and such Participant approve.

11.09 No Right to Award; No Right to Employment. No employee or other person shall have any claim of right to be granted an Award under this Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Trust.

11.10 Awards Not Includable for Benefit Purposes. Income recognized by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any employee pension benefit plan (as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended) or group insurance or other benefit plans applicable to the Participant which are maintained by the Trust, except as may be provided under the terms of such plans or determined by resolution of the Trustees.

11.11 Governing Law. The Plan and all determinations made and actions taken pursuant to the Plan shall be governed by the laws of the District of Columbia other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

11.12 No Strict Construction. No rule of strict construction shall be implied against the Trust, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee.

11.13 Interpretation.

(a) Rule 16b-3. The Plan is intended to comply with Exchange Act Rule 16b-3 and the Committee shall interpret and administer the provisions of the Plan or any Award Agreement in a manner consistent therewith. Any provisions inconsistent with such Rule shall be inoperative and shall not affect the validity of the Plan. The Trustees are authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Exchange Act Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications deemed necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Exchange Act Rule 16b-3.

(b) Section 162(m) of the Code. Unless otherwise expressly stated in the relevant Award Agreement, each Option, Stock Appreciation Right and Performance Award granted under the Plan is intended to be performance-based compensation within the meaning of Section 162(m)(4)(C) of the Code (except that, in the event of a Change in Control, payment of Performance Awards to a Participant who remains a "covered employee" with respect to such payment within the meaning of Section 162(m)(3) of the Code may not qualify

as performance-based compensation). The Committee shall not be entitled to exercise any discretion otherwise authorized hereunder with respect to such Awards if the ability to exercise such discretion or the exercise of such discretion itself would cause the compensation attributable to such Awards to fail to qualify as performance-based compensation. Notwithstanding anything to the contrary in the Plan, the provisions of the Plan may at any time be bifurcated by the Trustees or the Committee in any manner so that certain provisions of the Plan or any Performance Award intended (or required in order) to satisfy the applicable requirements of Section 162(m) of the Code are only applicable to persons whose compensation is subject to Section 162(m).

11.14 Captions. The captions (i.e., all Section headings) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

11.15 Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

11.16 Regulations and Other Approvals.

(a) The obligation of the Trust to sell or deliver Shares with respect to Awards granted under the Plan shall be subject to all applicable laws, rules and regulations, including, without limitation, all applicable federal and state securities laws, and the obtaining of such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) Each Award is subject to the requirement that, if at any time the Committee determines, in its sole discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Shares, no Awards shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions as acceptable to the Committee.

(c) Notwithstanding anything contained in the Plan or any Award Agreement to the contrary, in the event that the disposition of Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required by the Securities Act and Rule 144 or other regulations thereunder. The Committee may require any individual receiving Shares pursuant to an Award granted under the Plan, as a condition precedent to receipt of such Shares, to represent and warrant to the Trust in writing that the Shares acquired by the individual are acquired without a view to any distribution thereof and will not be sold or transferred other than pursuant to an effective registration thereof under said Act or pursuant to an exemption applicable under the Securities Act or the rules and regulations promulgated thereunder. The certificates evidencing any of such Shares shall be appropriately amended to reflect their status as restricted securities as aforesaid.

11.17 Construction. Whenever used herein, nouns in the singular shall include the plural and the masculine pronouns shall include the feminine gender.

11.18 Pooling Transactions. Notwithstanding anything contained in the Plan or any Agreement to the contrary, in the event of a Change in Control which is also intended to constitute a Pooling Transaction, the Committee shall take such actions, if any, as are specifically recommended by an independent accounting firm retained by the Trust to the extent reasonably necessary in order to assure that the Pooling Transaction will qualify as such, including, without limitation, (i) deferring the vesting, exercise, payment, settlement or lapsing of restrictions with respect to any Award, (ii) providing that the payment or settlement in respect of any Award be

made in the form of cash, Shares or securities of a successor or acquirer of the Trust, or a combination of the foregoing, (iii) postponing or deferring the forgiveness of any Loan hereunder, and (iv) providing for the extension of the term of any Award to the extent necessary to accommodate the foregoing, but not beyond the maximum term permitted for any Award.

11.19 Amendment and Termination.

(a) Amendment. The Trustees shall have complete power and authority to amend the Plan at any time it is deemed necessary or appropriate: provided, however, that the Trustees shall not, without the affirmative approval of shareholders of the Trust, make any amendment that requires shareholder approval under Section 162(m) of the Code or under any other applicable law, unless the Trustees determine that compliance therewith is no longer desired. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award; provided, however, that the Committee may, in its sole discretion, change Performance Targets as provided in Section 8.06 and make such provision in the Award Agreement for amendments which, in its sole discretion, it deems appropriate.

(b) Termination. The Trustees shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect and any Award outstanding at the time of the termination of the Plan may be exercised after termination of the Plan at any time prior to the expiration date of such Award to the same extent such Award would have been exercisable had the Plan not terminated.

TERM LOAN AGREEMENT

Dated as of December 22, 1998

by and among

FEDERAL REALTY INVESTMENT TRUST,
as Borrower,

THE FINANCIAL INSTITUTIONS PARTY HERETO
AND THEIR ASSIGNEES UNDER SECTION 13.5.(d),
as Lenders,

COMMERZBANK AKTIENGESELLSCHAFT, NEW YORK BRANCH
as Syndication Agent,

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent

and

FLEET NATIONAL BANK
as Documentation Agent

TABLE OF CONTENTS

	Page
Article I Definitions.....	1
Section 1.1.....	1
Article II. Credit Facility.....	19
Section 2.1 Term Loan.....	19
Section 2.2 [Intentionally Omitted].....	20
Section 2.3 [Intentionally Omitted].....	20
Section 2.4 Rates and Payment of Interest on the Loan.....	20
Section 2.5 Number of Interest Periods.....	21
Section 2.6 Repayment of the Loan.....	21
Section 2.7 Prepayments.....	21
Section 2.8 Continuation.....	21
Section 2.9 Conversion.....	21
Section 2.10 Notes.....	22
Article III. Payments, Fees and Other General Provisions.....	22
Section 3.1 Payments.....	22
Section 3.2 Pro Rata Treatment.....	23
Section 3.3 Sharing of Payments, Etc.....	23
Section 3.4 Several Obligations.....	24
Section 3.5 Minimum Amounts.....	24
Section 3.6 Fees.....	24
Section 3.7 Computations.....	25
Section 3.8 Usury.....	25
Section 3.9 Agreement Regarding Interest and Charges.....	25
Section 3.10 Statements of Account.....	25
Section 3.11 Defaulting Lenders.....	25
Section 3.12 Taxes.....	26
Article IV. Unencumbered Pool Properties.....	28
Section 4.1 Acceptance of Unencumbered Pool Properties.....	28
Section 4.2 Termination of Designation as Unencumbered Pool Property.....	29
Section 4.3 Additional Requirements of Unencumbered Pool Properties.....	30
Section 4.4 Acceptance and Termination under Revolving Credit Agreement.....	30

Article V.	Yield Protection, Etc.....	30
Section 5.1	Additional Costs; Capital Adequacy.....	30
Section 5.2	Suspension of the LIBOR Loan.....	31
Section 5.3	Illegality.....	32
Section 5.4	Compensation.....	32
Section 5.5	Treatment of Affected Loans.....	32
Section 5.6	Change of Lending Office.....	33
Section 5.7	Assumptions Concerning Funding of LIBOR Loan.....	33
Article VI.	Conditions Precedent.....	33
Section 6.1	Initial Conditions Precedent.....	33
Section 6.2	Credit Events.....	36
Article VII.	Representations and Warranties.....	36
Section 7.1	Representations and Warranties.....	36
Section 7.2	Survival of Representations and Warranties, Etc.....	42
Article VIII.	Affirmative Covenants.....	42
Section 8.1	Preservation of Existence and Similar Matters.....	42
Section 8.2	Compliance with Applicable Law and Material Contracts.....	43
Section 8.3	Maintenance of Property.....	43
Section 8.4	Conduct of Business.....	43
Section 8.5	Insurance.....	43
Section 8.6	Payment of Taxes and Claims.....	44
Section 8.7	Visits and Inspections.....	44
Section 8.8	Use of Proceeds.....	44
Section 8.9	Environmental Matters.....	44
Section 8.10	Books and Records.....	45
Section 8.11	REIT Status.....	45
Section 8.12	Further Assurances.....	45
Section 8.13	Additional Subsidiaries.....	45
Section 8.14	Exchange Listing.....	45
Article IX.	Information.....	46
Section 9.1	Quarterly Financial Statements.....	46
Section 9.2	Year-End Statements.....	46
Section 9.3	Compliance Certificate.....	46
Section 9.4	Other Information.....	47

Article X.	Negative Covenants.....	49
Section 10.1	Financial Covenants.....	49
Section 10.2	Indebtedness.....	51
Section 10.3	Derivatives Obligations.....	51
Section 10.4	Permitted Investments.....	51
Section 10.5	Liens; Agreements Regarding Liens; Other Matters.....	52
Section 10.6	Restricted Payments.....	53
Section 10.7	Merger, Consolidation and Sales of Assets.....	54
Section 10.8	No Plan Assets.....	54
Section 10.9	Fiscal Year.....	55
Section 10.10	Modifications to Material Contracts.....	55
Section 10.11	Transactions with Affiliates.....	55
Article XI.	Default.....	55
Section 11.1	Events of Default.....	55
Section 11.2	Remedies Upon Event of Default.....	59
Section 11.3	[Intentionally Omitted].....	59
Section 11.4	Allocation of Proceeds.....	59
Section 11.5	[Intentionally Omitted].....	60
Section 11.6	Performance by Administrative Agent.....	60
Section 11.8	Rights Cumulative.....	60
Section 11.9	Recision of Acceleration by Requisite Lenders.....	61
Article XII.	The Agents.....	61
Section 12.1	Authorization and Action.....	61
Section 12.2	Administrative Agent's Reliance, Etc.....	62
Section 12.3	Notice of Defaults.....	62
Section 12.4	PNC as Lender.....	63
Section 12.5	Approvals of Lenders.....	63
Section 12.6	Lender Credit Decision, Etc.....	63
Section 12.7	Indemnification of the Administrative Agent.....	64
Section 12.8	Successor Administrative Agent.....	65
Section 12.9	Syndication and Documentation Agents.....	65
Section 12.10	Approvals and Other Actions by Requisite Lenders.....	65
Article XIII.	Miscellaneous.....	66
Section 13.1	Notices.....	66
Section 13.2	Expenses.....	67
Section 13.3	Setoff.....	68
Section 13.4	Arbitration.....	68
Section 13.5	Successors and Assigns.....	69

Section 13.6	Amendments.....	72
Section 13.7	Nonliability of Administrative Agent and Lenders.....	73
Section 13.8	Confidentiality.....	73
Section 13.9	Indemnification.....	73
Section 13.10	Termination; Survival.....	75
Section 13.11	Severability of Provisions.....	75
Section 13.12	GOVERNING LAW.....	75
Section 13.13	Counterparts.....	76
Section 13.14	Obligations with Respect to Loan Parties.....	76
Section 13.15	Limitation of Liability.....	76
Section 13.16	Entire Agreement.....	76
Section 13.17	Construction.....	76
Section 13.18	Limitation of Liability of Trustees, Etc.....	76

SCHEDULES

SCHEDULE 1.1.A	Loan Parties
SCHEDULE 4.1.	Unencumbered Pool Properties
SCHEDULE 7.1.(b)	Ownership Structure
SCHEDULE 7.1.(f)	Ownership of Properties; Liens
SCHEDULE 7.1.(g)	Indebtedness
SCHEDULE 7.1.(h)	Material Contracts
SCHEDULE 7.1.(p)	Environmental Laws
SCHEDULE 10.3.	Derivatives Obligations

EXHIBITS

EXHIBIT A	Form of Assignment and Acceptance Agreement
EXHIBIT B	Intentionally Omitted
EXHIBIT C	Form of Guaranty
EXHIBIT D	Intentionally Omitted
EXHIBIT E	Form of Notice of Continuation
EXHIBIT F	Form of Notice of Conversion
EXHIBIT G	Intentionally Omitted
EXHIBIT H	Intentionally Omitted
EXHIBIT I	Intentionally Omitted
EXHIBIT J	Form of Term Note
EXHIBIT K	Intentionally Omitted
EXHIBIT L	Intentionally Omitted
EXHIBIT M-1	Form of Opinion of Counsel to the Loan Parties
EXHIBIT M-2	Form of Opinion of Pennsylvania Counsel to the Loan Parties
EXHIBIT N	Form of Compliance Certificate

TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT dated as of December 22, 1998 by and among FEDERAL REALTY INVESTMENT TRUST, an unincorporated business trust organized under the laws of the District of Columbia (the "Borrower"), each of the financial institutions initially a signatory hereto together with their assignees pursuant to Section 13.5.(d), PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent (the "Administrative Agent"), COMMERZBANK AKTIENGESELLSCHAFT, NEW YORK BRANCH, as Syndication Agent (the "Syndication Agent"), and FLEET NATIONAL BANK, as Documentation Agent.

WHEREAS, the Lenders desire to make available to the Borrower a \$125,000,000 term loan facility, on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

ARTICLE DEFINITIONS

SECTION 1.1 DEFINITIONS.

In addition to terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Agreement:

"ACCESSION AGREEMENT" means an Accession Agreement substantially in the form of Annex I to the form of Guaranty attached to this Agreement as Exhibit C.

"ADDITIONAL COSTS" has the meaning given that term in Section 5.1.

"ADJUSTED EURODOLLAR RATE" means, with respect to each Interest Period, when the Loan is a LIBOR Loan, the rate obtained by dividing (a) LIBOR for such Interest Period by (b) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained against "Eurocurrency liabilities" as specified in Regulation D of the Board of Governors of the Federal Reserve System (or against any other category of liabilities which includes deposits by reference to which the interest rate on the LIBOR Loan is determined or any category of extensions of credit or other assets which includes loans by an office of any Lender outside of the United States of America to residents of the United States of America). The parties acknowledge that as of the Agreement Date, the percentage referred to in the preceding clause (b) is 0.0%.

"ADMINISTRATIVE AGENT" means PNC Bank, National Association, in its capacity as contractual representative of the Lenders under the terms of this Agreement, together with its successors.

"AFFILIATE" means any Person (other than the Administrative Agent or any Lender): (a) directly or indirectly controlling, controlled by, or under common control with, the Borrower;

(b) directly or indirectly owning or holding ten percent (10.0%) or more of any equity interest in the Borrower; or (c) ten percent (10.0%) or more of whose voting stock or other equity interest is directly or indirectly owned or held by the Borrower. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with") means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or by contract or otherwise.

"AGENT" means any of the Administrative Agent, the Syndication Agent or the Documentation Agent.

"AGREEMENT DATE" means the date as of which this Agreement is dated.

"APPLICABLE LAW" means all applicable provisions of constitutions, statutes, rules, regulations and orders of all Governmental Authority and all orders and decrees of all courts, tribunals and arbitrators.

"APPLICABLE MARGIN" means the respective percentages per annum determined, at any time, based on the range into which the Borrower's Credit Rating then falls, in accordance with the table set forth below. Any change in the Borrower's Credit Rating which would cause it to move to a different range in the table shall effect a change in the Applicable Margin on the Business Day immediately following the date on which such change occurs. Notwithstanding any other provision contained in this definition, during any period in which the Borrower has no Credit Rating from either S&P or Moody's, the Applicable Margin shall be the percentage corresponding to Level 5 in the table. During any period in which the Borrower shall only have one Credit Rating, the Applicable Margin shall be based on such Credit Rating. During any period that the Borrower receives two Credit Ratings and such Credit Ratings result in Applicable Margins corresponding to different Levels in the table, the Applicable Margin shall be determined by the higher of such two Credit Ratings unless such Credit Ratings result in Applicable Margins corresponding to Levels which are not adjacent in the table, in which case the Applicable Margin shall be the average of the Applicable Margins determined by each of such two Credit Ratings. During any period that the Borrower receives more than two Credit Ratings and such Credit Ratings are not equivalent, the Applicable Margin shall be determined by the two of such Credit Ratings which are equivalent and if none of such Credit Ratings are equivalent, then the lowest of such Credit Ratings shall be disregarded when determining the Applicable Margin.

LEVEL	BORROWER'S CREDIT RATING (S&P/Moody's or equivalent)	Applicable Margin for the LIBOR Loan	Applicable Margin for the Base Rate Loan
1	A-/A3 or equivalent	0.55%	0.00%
2	BBB+/Baa1 or equivalent	0.75%	0.00%
3	BBB/Baa2 or equivalent	0.95%	0.00%
4	BBB-/Baa3 or equivalent	1.075%	0.25%

5	Lower than BBB-/Baa3 or equivalent	1.25%	0.50%
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As of the Agreement Date and until redetermined in accordance with the foregoing definition, the Applicable Margin shall be as provided in Level 2 above.

"ASSIGNEE" has the meaning given that term in Section 13.5.(d).

"ASSIGNMENT AND ACCEPTANCE AGREEMENT" means an Assignment and Acceptance Agreement among a Lender, an Assignee and the Administrative Agent, substantially in the form of Exhibit A.

"BASE RATE" means the per annum rate of interest equal to the greater of (a) the Prime Rate or (b) the Federal Funds Rate plus one-half of one percent (0.5%). Any change in the Base Rate resulting from a change in the Prime Rate or the Federal Funds Rate shall become effective as of 12:01 a.m. on the Business Day on which each such change occurs. The Base Rate is a reference rate used by the Administrative Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged by the Administrative Agent or any Lender on any extension of credit to any debtor.

"BASE RATE LOAN" means the Loan when it is subject to a rate based on the Base Rate.

"BENEFIT ARRANGEMENT" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"BORROWER" has the meaning set forth in the introductory paragraph hereof and shall include the Borrower's successors and assigns.

"BUSINESS DAY" means (a) any day other than a Saturday, Sunday or other day on which banks in Washington, D.C., or Pittsburgh, Pennsylvania are authorized or required to close and (b) with reference to any LIBOR Loan, any such day that is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"CAPITALIZATION RATE" means nine percent (9.00%).

"CAPITALIZED EBITDA" means, with respect to a Person and as of a given date, (a)(i)(A) such Person's EBITDA for the fiscal quarter most recently ended times (B) 4 minus (ii) Replacement Reserves determined for a 365 day period divided by (b) the Capitalization Rate.

"CAPITAL LEASE" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"CAPITALIZED LEASE OBLIGATION" means Indebtedness represented by obligations under a Capital Lease and the amount of such Indebtedness shall be the capitalized amount of such

obligations determined in accordance with GAAP.

"CAPITALIZED LOAN RECEIVABLE INCOME" means (a) consolidated interest income of the Borrower and its Subsidiaries earned on Loans Receivable for the fiscal quarter most recently ended times (b) 4 divided by (c) 0.15.

"CAPITALIZED NOI" means, with respect to an Unencumbered Pool Property: (a)(i)(A) the Net Operating Income of such Unencumbered Pool Property for the fiscal quarter most recently ended times (B) 4 minus (ii) Replacement Reserves determined for a four-quarter period divided by (b) the Capitalization Rate.

"CAPITAL STOCK" means any common stock, Preferred Stock, other capital stock or other equity interest in a Person that is a corporation.

"CASH EQUIVALENTS" means: (a) securities issued, guaranteed or insured by the United States of America or any of its agencies with maturities of not more than one year from the date acquired; (b) certificates of deposit with maturities of not more than one year from the date acquired issued by a United States federal or state chartered commercial bank of recognized standing, which has capital and unimpaired surplus in excess of \$500,000,000 and which bank or its holding company has a short-term commercial paper rating of at least A-2 or the equivalent by S&P or at least P-2 or the equivalent by Moody's; (c) reverse repurchase agreements with terms of not more than seven days from the date acquired, for securities of the type described in clause (a) above and entered into only with commercial banks having the qualifications described in clause (b) above; (d) commercial paper issued by any Person incorporated under the laws of the United States of America or any State thereof and rated at least A-2 or the equivalent thereof by S&P or at least P-2 or the equivalent thereof by Moody's, in each case with maturities of not more than one year from the date acquired; and (e) investments in money market funds registered under the Investment Company Act of 1940, which have net assets of at least \$500,000,000 and at least 85% of whose assets consist of securities and other obligations of the type described in clauses (a) through (d) above.

"COMMITMENT" means, as to each Lender, such Lender's obligation to make the Loan pursuant to Section 2.1. in an amount up to, but not exceeding the amount set forth for such Lender on its signature page hereto as such Lender's "Commitment Amount" or as set forth in the applicable Assignment and Acceptance Agreement, or as appropriate to reflect any assignments to or by such Lender effected in accordance with Section 13.5.

"COMMITMENT PERCENTAGE" means, as to each Lender, the ratio, expressed as a percentage, of (a) the amount of such Lender's Commitment to (b) the sum of the aggregate amount of the Commitments of all Lenders hereunder; provided, however, that if at the time of determination the Commitments have terminated or been reduced to zero, the "Commitment Percentage" of each Lender shall be the Commitment Percentage of such Lender in effect immediately prior to such termination or reduction.

"COMPLIANCE CERTIFICATE" has the meaning given such term in Section 9.3.

"CONSTRUCTION IN PROCESS" means, with respect to a Real Property Asset which is Under Construction, the aggregate, good faith estimated cost of construction (including land acquisition costs) for such Real Property Asset. Construction in Process shall not include costs incurred for redevelopment of any Real Property Asset which has an Occupancy Rate in excess of 70%.

"CONTINUE", "CONTINUATION" and "CONTINUED" each refers to the continuation of the LIBOR Loan from one Interest Period to another Interest Period pursuant to Section 2.8.

"CONVERT", "CONVERSION" and "CONVERTED" each refers to the conversion of the Loan from one Type into another Type pursuant to Section 2.9.

"CREDIT EVENT" means the Conversion or the Continuation of the Loan.

"CREDIT RATING" means the lowest rating assigned by a Rating Agency to each series of rated senior unsecured long term indebtedness of the Borrower.

"DEFAULT" means any of the events specified in Section 11.1., whether or not there has been satisfied any requirement for the giving of notice, the lapse of time, or both.

"DEFAULTING LENDER" has the meaning set forth in Section 3.11.

"DERIVATIVES OBLIGATION" as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person: (a) under Interest Rate Agreements or (b) under any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect that Person against fluctuations in currency values.

"DEVELOPED PROPERTY" means a Real Property Asset that is owned or leased by the Borrower or any of its Subsidiaries and on which is located a shopping center, a retail store or a multi-family residential complex.

"DOCUMENTATION AGENT" means Fleet National Bank, in its capacity as "Documentation Agent" hereunder and shall include the Documentation Agent's successors and assigns.

"DOLLARS" or "\$" means the lawful currency of the United States of America.

"EBITDA" means, with respect to a Person and for a given period, such Person's net earnings (loss) for such period plus the sum of the following (to the extent included in the calculation of net earnings (loss) and without duplication): (a) depreciation and amortization expense for such period plus

(b) Interest Expense for such period plus (c) income tax expense paid or accrued

during such period plus (d) extraordinary losses, losses from sales of assets

and losses resulting from forgiveness by such Person of Indebtedness minus (e)

extraordinary gains and gains from sales of assets for such period plus (f)

expenses associated with significant non-recurring events for such period minus

(g) income associated with significant non-recurring events for such period plus

(h) to the extent not already included in the immediately preceding clauses (a) through (g), such Person's pro rata share of EBITDA of each Unconsolidated Affiliate of such Person (determined in a manner

consistent with this definition of EBITDA).

"EFFECTIVE DATE" means the later of: (a) the Agreement Date; and (b) the date on which all of the conditions precedent set forth in Section 6.1. shall have been fulfilled or waived in writing by the Administrative Agent.

"ELIGIBLE ASSIGNEE" means any Person who is: (i) currently a Lender; (ii) a commercial bank, trust company, insurance company, savings and loan association, investment bank or pension fund organized under the laws of the United States of America, or any state thereof, and having total assets in excess of \$5,000,000,000; or (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development ("OECD"), or a political subdivision of any such country, and having total assets in excess of \$10,000,000,000, provided that such bank is acting through a branch or agency located in the United States of America. If such Person is not currently a Lender, the senior unsecured long term indebtedness of such Person or its ultimate corporate parent must be rated BBB+ or higher by S&P, Baa1 or higher by Moody's, or the equivalent or higher of either such rating by another Rating Agency acceptable to the Administrative Agent.

"ELIGIBLE PROPERTY" means a Real Property Asset which satisfies all of the following requirements as reasonably determined by the Administrative Agent: (a) such Real Property Asset is a Developed Property and is either (i) owned in fee simple by the Borrower or a Subsidiary or (ii) leased to the Borrower or a Subsidiary under a Capital Lease with a scheduled termination date later than the Termination Date; (b) neither such Real Property Asset, nor any interest of the Borrower or such Subsidiary therein, is subject to any Lien other than Permitted Liens or to any agreement (other than this Agreement or any other Loan Document) that prohibits the creation of any Lien thereon as security for Indebtedness of the Borrower or such Subsidiary, as applicable; (c) neither such Real Property Asset, nor any interest of the Borrower or such Subsidiary therein, is subject to any provision of the articles of incorporation, bylaws, declaration of trust, limited partnership agreement, limited liability company agreement or other comparable document of the Borrower or such Subsidiary (including without limitation, any provision requiring the consent of shareholders, partners or other Persons holding any equity interest in the Borrower or such Subsidiary, as applicable) which limits in any way the Borrower's or such Subsidiary's ability (i) to create any Lien on such Real Property Asset as security for Indebtedness of the Borrower or such Subsidiary, as applicable or (ii) to sell, transfer or otherwise dispose of such Real Property Asset; (d) if such Real Property Asset is owned or leased by a Subsidiary, none of the Borrower's direct or indirect ownership interest in such Subsidiary is subject to any Lien other than Permitted Liens or to any agreement (other than this Agreement or any other Loan Document) that prohibits the creation of any Lien thereon as security for Indebtedness; (e) such Real Property Asset had an Occupancy Rate of greater than 70%; and (f) such Real Property Asset is free of all structural defects, title defects, environmental conditions or other adverse matters except for defects, conditions or matters individually or collectively which are not material to the profitable operation of such Real Property Asset.

"EMPLOYEE BENEFIT PLAN" means any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of the Borrower, any of its

Subsidiaries or any of its other ERISA Affiliates or is assumed by the Borrower, any of its Subsidiaries or any of its other ERISA Affiliates in connection with any acquisition or other business combination or (b) has at any time been maintained for the employees of the Borrower, any of its Subsidiaries or any other current or former ERISA Affiliate.

"ENVIRONMENTAL LAWS" means any Applicable Law relating to environmental protection or the manufacture, storage, disposal or clean-up of Hazardous Materials including, without limitation, the following: Clean Air Act, 42 U.S.C. (S) 7401 et seq; Federal Water Pollution Control Act, 33 U.S.C. (S) 1251 et seq.; Solid Waste Disposal Act, 42 U.S.C. (S) 6901 et seq.; Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S) 9601 et seq.; National Environmental Policy Act, 42 U.S.C. (S) 4321 et seq.; regulations of the Environmental Protection Agency and any applicable rule of common law and any judicial interpretation thereof relating primarily to the environment or Hazardous Materials.

"EQUITY ISSUANCE" means any issuance or sale by a Person of its capital stock or other similar equity interest, or any warrants, options or similar rights to acquire, or securities convertible into or exchangeable for, such capital stock or other similar equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as in effect from time to time.

"ERISA GROUP" means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"EVENT OF DEFAULT" means any of the events specified in Section 11.1., provided that any requirement for notice or lapse of time or any other condition has been satisfied.

"EXEMPT SUBSIDIARY" has the meaning given that term in Section 10.7(a).

"FEDERAL FUNDS RATE" means, for any day, the rate per annum (rounded upward to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent by federal funds dealers selected by the Administrative Agent on such day on such transaction as determined by the Administrative Agent.

"FEES" means the fees and commissions provided for or referred to in Section 3.6. and any other fees payable by the Borrower hereunder or under any other Loan Document.

"FIXED CHARGES" means, with respect to a Person and for a given period, the sum of (a) the

Interest Expense of such Person for such period, plus (b) the aggregate of all scheduled principal payments on Indebtedness made by such Person during such period (excluding balloon, bullet or similar payments of principal due upon the stated maturity of Indebtedness), plus (c) the aggregate of all dividends paid or accrued by such Person on any Preferred Stock during such period, plus (d) the Replacement Reserves for such period.

"FOREIGN LENDER" means any Lender organized under the laws of a jurisdiction other than the United States of America.

"FUNDS FROM OPERATIONS" means, with respect to any Person income before depreciation and amortization of real estate assets and before extraordinary items and significant non-recurring events and excluding gains and losses from sales of real estate assets and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect Funds From Operations on the same basis.

"GAAP" means accounting principles as promulgated from time to time in statements, opinions and pronouncements by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board and in such statements, opinions and pronouncements of such other entities with respect to financial accounting of for-profit entities as shall be accepted by a substantial segment of the accounting profession in the United States.

"GOVERNMENTAL APPROVALS" means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

"GOVERNMENTAL AUTHORITY" means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including, without limitation, the Federal Deposit Insurance Corporation, the Comptroller of the Currency or the Federal Reserve Board, any central bank or any comparable authority) or any arbitrator with authority to bind a party at law.

"GROSS ASSET VALUE" means, at a given time, the sum of (a) the Capitalized EBITDA of the Borrower and its Subsidiaries determined on a consolidated basis,

plus (b) all cash and cash equivalents of the Borrower and its Subsidiaries

determined on a consolidated basis at such time (excluding tenant deposits and other cash and cash equivalents, the disposition of which by the Borrower or a Subsidiary, as applicable, is restricted in any way (excluding restrictions in the nature of early withdrawal penalties)), plus (c) with respect to any of Real

Property Assets which are under construction, the amount of construction in process as determined in accordance with GAAP for such Real Property Assets at such time (including without duplication the Borrower's or any Subsidiary's proportionate share of all construction in process of Unconsolidated Affiliates of the Borrower or such Subsidiary) plus (d) with respect to any Real Property

Asset acquired during the fiscal quarter most recently ending, the undepreciated purchase price paid for such Real Property Asset less any amounts paid to the Borrower or any Subsidiary as a purchase price adjustment, held in escrow, retained as a contingency reserve, or other similar arrangements (including without duplication the Borrower's or any Subsidiary's proportionate share of undepreciated purchase price paid for such

Real Property Asset of Unconsolidated Affiliates of the Borrower or such Subsidiary). In determining Gross Asset Value of the Borrower or any Subsidiary for the fiscal quarter most recently ending, EBITDA attributable to any Real Property Asset acquired or disposed of during such fiscal quarter shall be disregarded when calculating Capitalized EBITDA pursuant to the preceding clause (a).

"GUARANTEED" or to "GUARANTEE" as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto. "Guaranteed" or to "Guarantee" shall include (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), comaking, discounting with recourse or sale with recourse by such Person of the obligation of another, (ii) the obligation to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, and (iii) any liability of such Person for the obligations of another through any agreement to purchase, repurchase or otherwise acquire such obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Guarantee shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed or otherwise supported.

"HAZARDOUS MATERIALS" means all or any of the following: (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable Environmental Laws as "hazardous substances", "hazardous materials", "hazardous wastes", "toxic substances" or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity or "TLCP" toxicity, "EP toxicity"; (b) oil, petroleum or petroleum derived substances, natural gas, natural gas liquids or synthetic gas and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (c) any flammable substances or explosives or any radioactive materials; (d) asbestos in any form; and (e) electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty parts per million.

"INDEBTEDNESS" means, with respect to a Person, at the time of computation thereof, all of the following (without duplication): (a) obligations of such Person in respect of money borrowed; (b) obligations of such Person (other than trade debt incurred in the ordinary course of business), whether or not for money borrowed (i) represented by notes payable, or drafts accepted, in each case representing extensions of credit, (ii) evidenced by bonds, debentures, notes or similar instruments, or (iii) constituting purchase money indebtedness, conditional sales contracts, title retention debt instruments or other similar instruments, upon which interest charges are customarily paid or that are issued or assumed as full or partial payment for property; (c) Capitalized Lease Obligations of such Person; (d) all reimbursement obligations of such Person under any letters of credit or

acceptances (whether or not the same have been presented for payment); and (e) all Indebtedness of other Persons which (i) such Person has Guaranteed or is otherwise recourse to such Person or (ii) are secured by a Lien on any property of such Person.

"INTELLECTUAL PROPERTY" has the meaning given that term in Section 7.1.(t).

"INTEREST EXPENSE" means, with respect to a Person and for any period, (a) the total consolidated interest expense (including, without limitation, capitalized interest expense and interest expense attributable to Capitalized Lease Obligations) of such Person and in any event shall include all interest expense with respect to any Indebtedness in respect of which such Person is wholly or partially liable, plus (b) to the extent not included in the preceding

clause (a), such Person's proportionate share of all paid or accrued interest expense for such period of Unconsolidated Affiliates of such Person.

"INTEREST PERIOD" means, at times when the Borrower shall elect that the Loan shall be a LIBOR Loan, each period commencing on the last day of the next preceding Interest Period for such Loan and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Borrower may select in a Notice of Continuation or Notice of Conversion, as the case may be, except that each Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (i) if any Interest Period would otherwise end after the Termination Date, such Interest Period shall end on the Termination Date; (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day; and (iii) notwithstanding the immediately preceding clause (i), no Interest Period shall have a duration of less than one month and, if the Interest Period would otherwise be a shorter period, the Loan shall be a Base Rate Loan. The initial Interest Period applicable to the Loan shall extend for one month from the Effective Date.

"INTEREST RATE AGREEMENT" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar contractual agreement or arrangement entered into with a nationally recognized financial institution then having an Investment Grade Rating for the purpose of protecting against fluctuations in interest rates.

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended.

"INVESTMENT" means, with respect to any Person and whether or not such investment constitutes a controlling interest in such Person: (a) the purchase or other acquisition of any share of capital stock or other equity interest, evidence of Indebtedness or other security issued by any other Person; (b) any loan, advance or extension of credit to, or contribution to the capital of, any other Person; (c) any Guarantee of the Indebtedness of any other Person; (d) the subordination of any claim against a Person to other Indebtedness of such Person; and (e) any other investment in any other Person.

"INVESTMENT GRADE RATING" means a Credit Rating of BBB- or higher by S&P, Baa3 or higher by Moody's, or the equivalent or higher of either such rating by another Rating Agency.

"LENDER" means each financial institution from time to time party hereto as a "Lender" together with its respective successors and assigns.

"LENDER'S SHARE OF LIBOR LOAN" means, for each Lender, the portion of a LIBOR Loan owned by such Lender.

"LENDING OFFICE" means, for each Lender and for each Type of Loan, the office of such Lender specified as such on its signature page hereto or in the applicable Assignment and Acceptance Agreement, or such other office of such Lender as such Lender may notify the Administrative Agent in writing from time to time.

"LIBOR" means, when the Loan is a LIBOR Loan, for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars for a period of comparable duration to such Interest Period at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period. If for any reason such rate is not available, the term "LIBOR" shall mean, for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

"LIBOR LOAN" means the Loan when it is subject to a rate based on LIBOR.

"LIEN" as applied to the property of any Person means: (a) any security interest, encumbrance, mortgage, deed to secure debt, deed of trust, pledge, lien, charge, ground lease or lease constituting a Capitalized Lease Obligation, conditional sale or other title retention agreement, or other security title or encumbrance of any kind in respect of any property of such Person, or upon the income or profits therefrom; (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person; (c) the filing of any financing statement under the Uniform Commercial Code or its equivalent in any jurisdiction and (d) any agreement by such Person to grant, give, or otherwise convey any of the foregoing.

"LOAN" means the term loan made by the Lenders to the Borrower pursuant to Section 2.1 on the Effective Date.

"LOAN DOCUMENT" means this Agreement, each Note, and each other document or instrument now or hereafter executed and delivered by a Loan Party in connection with, pursuant

to or relating to this Agreement.

"LOAN PARTY" means each of the Borrower, each other Person who Guarantees all or a portion of the Obligations and/or who pledges any collateral security to secure all or a portion of the Obligations. Schedule 1.1.(A) sets forth the Loan Parties in addition to the Borrower as of the Agreement Date.

"LOANS RECEIVABLE" means promissory notes held by the Borrower or any Subsidiary which promissory notes (i) are secured by a mortgage or other similar Lien on real property and related improvements and (ii) are not subject to any Lien.

"MATERIAL ADVERSE EFFECT" means a materially adverse effect on (a) the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower or any other Loan Party to perform its obligations under any Loan Document to which it is a party, (c) the validity or enforceability of any of the Loan Documents, (d) the rights and remedies of the Lenders and the Administrative Agent under any of such Loan Documents or (e) the timely payment of the principal of or interest on the Loan or other amounts payable in connection therewith. All determinations of materiality shall be made by the Requisite Lenders in their reasonable judgment unless expressly provided otherwise and shall be subject to the arbitration provisions contained in Section 13.4.

"MATERIAL CONTRACT" means any contract or other arrangement (other than the Loan Documents), whether written or oral, to which the Borrower or any other Loan Party is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect.

"MATERIAL PLAN" means, at any time, a Plan or Plans having aggregate Unfunded Liabilities in excess of \$500,000.

"MATERIAL SUBSIDIARY" means any Subsidiary of the Borrower which (a) owns, or otherwise has any interest in, any Unencumbered Pool Property or any other property or asset which is taken into account when calculating Unencumbered Asset Value; (b) has total assets greater than or equal to 10% of total assets of the Borrower and its Subsidiaries determined on a consolidated basis (calculated as of the fiscal quarter most recently ending) or (c) has net earnings greater than or equal to 10% of the net earnings of the Borrower and its Subsidiaries determined on a consolidated basis.

"MOODY'S" means Moody's Investors Services, Inc.

"MORTGAGE" means a mortgage, deed of trust, deed to secure debt or similar security instrument made or to be made by a Person owning an interest in real property granting a Lien on such interest in real property as security for the payment of Indebtedness.

"MULTIEMPLOYER PLAN" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making

or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"NET OPERATING INCOME" means, for any Unencumbered Pool Property and for a given period, the sum of the following (without duplication): (a) rents and other revenues received in the ordinary course from such Unencumbered Pool Property (including proceeds of rent loss insurance but excluding pre-paid rents and revenues and security deposits except to the extent applied in satisfaction of tenants' obligations for rent) minus (b) all expenses (other than interest)

paid or accrued related to the ownership, operation or maintenance of such Unencumbered Pool Property, including but not limited to taxes, assessments and other similar charges, insurance, utilities, payroll costs, maintenance, repair and landscaping expenses, marketing expenses, and general and administrative expenses (including an appropriate allocation for legal, accounting, advertising, marketing and other expenses incurred in connection with such Unencumbered Pool Property, but specifically excluding general overhead expenses of the Borrower and any property management fees).

"NET PROCEEDS" means, with respect to an Equity Issuance by a Person, the aggregate amount of all cash received by such Person in respect of such Equity Issuance net of investment banking fees, legal fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred by such Person in connection with such Equity Issuance.

"NON-CONFORMING PROPERTY" has the meaning given that term in Section 4.2.

"NON-GUARANTOR SUBSIDIARY" means (a) Congressional Plaza Associates Joint Venture, Street Retail Forest Hills I LLC, Street Retail West I L.P., Street Retail West II L.P., FR Pike 7 Limited Partnership and FRIT San Jose Town and Country Village LLC and (b) any Subsidiary of the Borrower which becomes a Material Subsidiary after the date hereof and which is prohibited from executing a Guaranty or Accession Agreement, as applicable, pursuant to Sections 6.1.(a)(viii) and 8.13. herein, by (i) the terms of its articles of incorporation, bylaws, declaration of trust, partnership agreement, operating agreement or other comparable organizational document (and which terms have not been waived in accordance with the terms of any such organizational document) or (i) Applicable Law.

"NOTE" means a Term Note.

"NOTICE OF CONTINUATION" means a notice in the form of Exhibit E to be delivered to the Administrative Agent pursuant to Section 2.8. evidencing the Borrower's request for the Continuation of the Loan as a LIBOR Loan.

"NOTICE OF CONVERSION" means a notice in the form of Exhibit F to be delivered to the Administrative Agent pursuant to Section 2.9. evidencing the Borrower's request for the Conversion of the Loan from one Type to another Type.

"OBLIGATIONS" means, individually and collectively: (a) the aggregate principal balance of,

and all accrued and unpaid interest on, all Loans; and (b) all other indebtedness, liabilities, obligations, covenants and duties of the Borrower and the other Loan Parties owing to the Administrative Agent or any Lender of every kind, nature and description, under or in respect of this Agreement or any of the other Loan Documents, including, without limitation, the Fees and indemnification obligations, whether direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any promissory note.

"OCCUPANCY RATE" means, with respect to a Real Property Asset at such time, the ratio, expressed as a percentage, of (a) the net rentable square footage of such Real Property Asset actually occupied by tenants paying rent pursuant to binding leases to (b) the aggregate net rentable square footage of such Real Property Asset at such time.

"PARTICIPANT" has the meaning given that term in Section 13.5.(c).

"PBGC" means the Pension Benefit Guaranty Corporation and any successor agency.

"PERMITTED LIENS" means, as to any Person: (a) Liens securing taxes, assessments and other charges or levies imposed by any Governmental Authority (excluding any Lien imposed pursuant to any of the provisions of ERISA) or the claims of materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, which are not at the time required to be paid or discharged under Section 8.6.; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workmen's compensation, unemployment insurance or similar Applicable Laws; (c) Liens consisting of encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property, which do not materially detract from the value of such property or impair the use thereof in the business of such Person; (d) Liens in existence as of the Agreement Date and set forth in Schedule 7.1.(f); and (e) Liens in favor of the Administrative Agent for the benefit of the Lenders.

"PERSON" means an individual, corporation, partnership, limited liability company, association, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

"PLAN" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"PNC" means PNC Bank, National Association, and its successors and assigns.

"POST-DEFAULT RATE" means, in respect of the principal of the Loan or any other Obligation

that is not paid when due (whether at stated maturity, by acceleration, by optional or mandatory prepayment or otherwise), a rate per annum equal to four percent (4.0%) plus the Base Rate as in effect from time to time.

"PREFERRED STOCK" means, with respect to any Person, shares of capital stock of, or other equity interests in, such Person which are entitled to preference or priority over any other capital stock of, or other equity interest in, such Person in respect of the payment of dividends or distribution of assets upon liquidation or both.

"PRIME RATE" means the rate of interest per annum announced publicly by the Administrative Agent as its prime rate from time to time. The Prime Rate is not necessarily the best or the lowest rate of interest offered by the Administrative Agent or any Lender.

"PRINCIPAL OFFICE" means the office of the Administrative Agent located at One PNC Plaza, 249 Fifth Avenue, Mail Stop, P1-POPP-22-1, Pittsburgh, PA 15222-2707, Attention: Arlene Ohler, Agency Services, or such other office of the Administrative Agent as the Administrative Agent may designate from time to time.

"QUARTERLY DATE" means the last Business Day of March, June, September and December in each year, the first of which shall be December 31, 1998.

"RATING AGENCY" means S&P, Moody's Duff & Phelps/MCM, Fitch Investors Service, Inc. or any other nationally recognized securities rating agency selected by the Borrower and reasonably acceptable to the Administrative Agent.

"REAL PROPERTY ASSETS" means the real property assets currently owned in whole or in part by the Borrower or any Subsidiary and listed on Schedule 7.1.(f), as such Schedule may be modified from time to time to reflect sales, transfers, assignments, conveyances, development, acquisitions and purchases of real property assets.

"REGISTER" has the meaning given that term in Section 13.5.(e).

"REGULATORY CHANGE" means, with respect to any Lender, any change effective after the Agreement Date in Applicable Law (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or the adoption or making after such date of any interpretation, directive or request applying to a class of banks, including such Lender, of or under any Applicable Law (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any Governmental Authority or monetary authority charged with the interpretation or administration thereof or compliance by any Lender with any request or directive regarding capital adequacy.

"REIT" means a Person qualifying for treatment as a "real estate investment trust" under the Internal Revenue Code.

"REPLACEMENT RESERVES" means, for any period and with respect to any Real Property

Asset, an amount equal to (a) \$0.60 times, (b) a fraction, the numerator of

which is the number of days of such period, and the denominator of which is 365 times the aggregate gross leasable square feet of such Real Property Asset. If

the term Replacement Reserves is used without reference to any specific Real Property Asset, then it shall be determined on an aggregate basis with respect to all Real Property Assets and a proportionate share of all real property of all Unconsolidated Affiliates.

"REQUISITE LENDERS" means, as of any date, Lenders holding at least 66-2/3% of the Obligations, provided that, so long as there are at least four (4) Lenders, the Requisite Lenders must consist of at least three (3) Lenders.

"RESTRICTED PAYMENT" means: (a) any dividend or other distribution, direct or indirect, on account of any shares of any class of stock or other equity interest of the Borrower or any of its Subsidiaries now or hereafter outstanding, except a dividend payable solely in shares of that class of stock to the holders of that class; (b) any redemption, conversion, exchange, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of stock or other equity interest of the Borrower or any of its Subsidiaries now or hereafter outstanding; (c) any payment or prepayment of principal of, premium, if any, or interest on, redemption, conversion, exchange, purchase, retirement, defeasance, sinking fund or similar payment with respect to, any Subordinated Debt; and (d) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of stock of the Borrower or any of its Subsidiaries now or hereafter outstanding.

"REVOLVING CREDIT AGREEMENT" means that certain Credit Agreement dated as of December 19, 1997, by and among the Borrower, CoreStates Bank, N.A., as Syndication Agent, First Union National Bank as Administrative Bank and Arranger, Wells Fargo Bank, National Association as Documentation Agent and Co-Arranger and the other financial institutions signatory thereto, as such Credit Agreement may be amended, modified, supplemented or restated from time to time.

"REVOLVING CREDIT COMMITMENTS" means the Commitments as defined in the Revolving Credit Agreement, as such Commitments may be adjusted from time to time.

"SECURED INDEBTEDNESS" means, with respect to any Person, any Indebtedness of such Person that is secured in any manner by any Lien, and shall include without duplication such Person's pro rata share of the Secured Indebtedness of any of such Person's Unconsolidated Affiliates.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time, together with all rules and regulations issued thereunder.

"SHAREHOLDER'S EQUITY" means, for a Person at any given time, such Person's shareholder's equity determined on a consolidated basis in accordance with GAAP plus, in the case of the Borrower, (i) the "minority interest" as reported on

the Borrower's most recent quarterly consolidated balance sheet as of the end of such quarter and (ii) the amount by which

the Borrower's accumulated dividends in excess of its net income determined on a consolidated basis exceeds \$208,000,000.

"SOLVENT" means, when used with respect to any Person, that (a) the fair value and the fair salable value of its assets (excluding any Indebtedness due from any affiliate of such Person) are each in excess of the fair valuation of its total liabilities (including all contingent liabilities); and (b) such Person is able to pay its debts or other obligations in the ordinary course as they mature and (c) that the Person has capital not unreasonably small to carry on its business and all business in which it proposes to be engaged.

"S&P" means Standard & Poor's Rating Group, a division of McGraw-Hill Companies, Inc.

"SUBORDINATED DEBT" means Indebtedness of the Borrower or any of its Subsidiaries that is subordinated in right of payment and otherwise to the Loans and the other Obligations in a manner satisfactory to the Administrative Agent in its sole and absolute discretion.

"SUBSIDIARY" means, for any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (without regard to the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person. "WHOLLY OWNED SUBSIDIARY" means any such corporation, partnership or other entity of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors' qualifying shares) are so owned or controlled.

"SYNDICATION AGENT" means Commerzbank Aktiengesellschaft, New York Branch, in its capacity as "Syndication Agent" hereunder and shall include the Syndication Agent's successors and assigns.

"TAXES" has the meaning given that term in Section 3.12.

"TERMINATION DATE" means December 19, 2002.

"TERM NOTE" has the meaning given that term in Section 2.10.(a).

"TOTAL LIABILITIES" means, as to any Person and as of a given date, all liabilities which would, in conformity with GAAP, be properly classified as a liability on the consolidated balance sheet of such Person as at such date, and in any event shall include (without duplication): (a) all Indebtedness of such Person; (b) all accounts payable of such Person; (c) all accrued expenses of such Person and (d) to the extent not already included in any of the preceding clauses, such Person's proportionate share of the Total Liabilities of any Unconsolidated Affiliate of such Person.

"TYPE" with respect to the Loan, refers to whether the Loan is a LIBOR Loan, or a Base Rate Loan.

"UNCONSOLIDATED AFFILIATE" shall mean, with respect to any Person, any other Person in whom such Person holds an Investment, which Investment is accounted for in the financial statements of such Person on an equity basis of accounting and whose financial results would not be consolidated under GAAP with the financial results of such Person on the consolidated financial statements of such Person.

"UNDER CONSTRUCTION" means, with respect to a Real Property Asset, that construction of improvements has begun (as evidenced by foundation excavation) on such Real Property Asset but has not yet been completed (as such completion shall be evidenced by the issuance of a certificate of occupancy or its equivalent after completion of all budgeted amenities).

"UNENCUMBERED POOL PROPERTIES" means those Eligible Properties that have been approved pursuant to Article IV.

"UNENCUMBERED ASSET VALUE" means the sum of (a) the Capitalized NOI for each Unencumbered Pool Property owned by the Borrower or a Subsidiary during the fiscal quarter most recently ending, plus (b) the undepreciated purchase price

paid for any Unencumbered Pool Property acquired by the Borrower or a Subsidiary during the fiscal quarter most recently ending (less any amounts paid to the Borrower or any Subsidiary as a purchase price adjustment, held in escrow, retained as a contingency reserve, or other similar arrangements), plus (c) the

Capitalized NOI for each Unencumbered Pool Property leased under a Capital Lease by the Borrower or a Subsidiary during the fiscal quarter most recently ending, plus (d) Capitalized Loan Receivable Income. For purposes of determining the

Unencumbered Asset Value, the following limitations shall apply: (i) if the Capitalized NOI of an Unencumbered Pool Property exceeds 9.99% of the Unencumbered Asset Value, such excess shall be excluded from Unencumbered Asset Value; (ii) with respect to any Unencumbered Pool Property owned or leased by a Subsidiary that is not a Wholly Owned Subsidiary, then (x) only the Borrower's pro rata share (determined in proportion to the Borrower's ownership interest in such Subsidiary) of the Capitalized NOI or undepreciated purchase price, as applicable, of such Unencumbered Pool Property shall be included in Unencumbered Asset Value, (y) not more than 15% of the total Unencumbered Asset Value shall be attributable to Unencumbered Pool Properties owned or leased by Subsidiaries that are not a Wholly Owned Subsidiary and (z) not more than 7.5% of the total Unencumbered Asset Value shall be attributable to Unencumbered Pool Properties owned or leased by Non-Guarantor Subsidiaries; (iii) not more than \$300,000,000 of the total Unencumbered Asset Value shall be attributable to Unencumbered Pool Properties of the type described in the immediately preceding clause (c) and (iv) not more than 5% of the total Unencumbered Asset Value shall be attributable to Capitalized Loan Receivable Income. For purposes of this definition only and as long as the Borrower continues to own an equity interest in each equal to at least the percentage amount set forth for each on Schedule 7.1.(b) as of the Agreement Date, each of the following shall be considered a Wholly Owned Subsidiary: Governor Plaza Associates, Andorra Associates, Shopping Center Associates, FR Pike 7 Limited Partnership, FRIT San Jose Town and Country Village LLC and Berman Enterprises II, Limited Partnership.

"UNFUNDED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (a) the value of all benefit liabilities under such Plan, determined on a plan termination basis

using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (b) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"UNSECURED INDEBTEDNESS" means, with respect to a Person, all Indebtedness of such Person that is not Secured Indebtedness.

"VARIABLE RATE DEBT" means all Indebtedness of Borrower and its Subsidiaries which bears interest at fluctuating rates (and in any event shall include all Loans and other Indebtedness of the Borrower under any of the Loan Documents) and for which Borrower or such Subsidiary has not obtained Interest Rate Agreements which effectively cause such variable rates to be equivalent to fixed rates less than or equal to 9.0% per annum.

"Year 2000 Problem" has the meaning given that term in Section 7.1(y).

SECTION 1.2 GENERAL; REFERENCES TO TIMES.

Unless otherwise indicated, all accounting terms, ratios and measurements shall be interpreted or determined in accordance with GAAP applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Subsidiaries delivered to the Lenders pursuant to the terms of this Agreement. References in this Agreement to "Sections", "Articles", "Exhibits" and "Schedules" are to sections, articles, exhibits and schedules herein and hereto unless otherwise indicated. References in this Agreement to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, to the extent permitted hereby and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, supplemented, restated or otherwise modified from time to time to the extent permitted hereby and in effect at any given time. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. Unless explicitly set forth to the contrary, a reference to "Subsidiary" means a Subsidiary of the Borrower or a Subsidiary of such Subsidiary and a reference to an "Affiliate" means a reference to an Affiliate of the Borrower. Titles and captions of Articles, Sections, subsections and clauses in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement. Unless otherwise indicated, all references to time are references to Pittsburgh, Pennsylvania time.

ARTICLE II. CREDIT FACILITY

SECTION 2.1 TERM LOAN.

(a) Generally. Subject to the terms and conditions hereof, on the

Effective Date, each Lender severally and not jointly agrees to make a portion of the Loan to the Borrower in an

aggregate principal amount equal to the amount of such Lender's Commitment. The Borrower may not reborrow any portion of the Loan which may have been repaid.

(b) [Intentionally Omitted].

(c) Disbursements of Loan Proceeds. No later than 3:00 p.m. on the

Effective Date, each Lender will make available for the account of its applicable Lending Office to the Administrative Agent at the Principal Office, in immediately available funds, the proceeds of the portion of the Loan to be made by such Lender. Subject to satisfaction of the applicable conditions set forth in Article VI. for such borrowing, the Administrative Agent will make the proceeds of such borrowing available to the Borrower no later than 4:00 p.m. on the Effective Date and at the account specified by the Borrower in a notice delivered on the Effective Date.

SECTION 2.2 [INTENTIONALLY OMITTED].

SECTION 2.3 [INTENTIONALLY OMITTED].

SECTION 2.4 RATES AND PAYMENT OF INTEREST ON THE LOAN.

(a) Rates. The Borrower promises to pay to the Administrative Agent for

the account of each Lender interest on the unpaid principal amount of the portion of the Loan made by such Lender for the period from and including the date of the making of the Loan to but excluding the date that the Loan shall be paid in full, or, if earlier, at the end of the applicable Interest Period, at the following per annum rates:

(i) during such periods as the Loan is a Base Rate Loan, , at the Base Rate (as in effect from time to time) plus the Applicable Margin; and

(ii) during such periods as the Loan is a LIBOR Loan, at the Adjusted Eurodollar Rate for the Interest Period therefor, plus the Applicable Margin.

Notwithstanding the foregoing, during the continuance of an Event of Default the Borrower hereby promises to pay to the Administrative Agent for account of each Lender interest at the Post-Default Rate on the aggregate outstanding principal of the portion of the Loan made by such Lender and on any other amount payable by the Borrower hereunder or under the Note held by such Lender (including without limitation, accrued but unpaid interest to the extent permitted under Applicable Law).

(b) Payment of Interest. Accrued interest on the Loan shall be payable (i)

when the Loan is a Base Rate Loan, monthly on the first Business Day of each calendar month, (ii) when the Loan is a LIBOR Loan, on the last day of each Interest Period therefor and, if such Interest Period is longer than three months, at three-month intervals following the first day of such Interest Period, and (iii) when the Loan is a LIBOR Loan, upon the payment, prepayment or Continuation thereof or the Conversion of the Loan to another Type. Interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Administrative Agent shall give notice thereof to the Lenders to

which such interest is payable and to the Borrower. All determinations by the Administrative Agent of an interest rate hereunder shall be conclusive and binding on the Lenders and the Borrower for all purposes, absent manifest error.

SECTION 2.5 NUMBER OF INTEREST PERIODS.

Except to the extent required to comply with Section 5.5., there may be no more than one (1) Interest Period outstanding at any one time and the Loan shall never be subject to more than one interest rate.

SECTION 2.6 REPAYMENT OF THE LOAN.

The Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Loan on the Termination Date.

SECTION 2.7 PREPAYMENTS.

Subject to Section 5.4., the Borrower may prepay the Loan in whole or in part at any time without premium or penalty.

SECTION 2.8 CONTINUATION.

So long as no Default or Event of Default shall have occurred and be continuing, the Borrower may on any Business Day, when the Loan is a LIBOR Loan, elect to maintain the Loan as a LIBOR Loan by selecting a new Interest Period for the Loan. Each new Interest Period selected under this Section shall commence on the last day of the current Interest Period. Each selection of a new Interest Period shall be made by the Borrower giving to the Administrative Agent a Notice of Continuation not later than 12:00 noon on the third Business Day prior to the date of any such Continuation. Such notice by the Borrower of a Continuation shall be by telephone or teletype, confirmed immediately in writing if by telephone, in the form of a Notice of Continuation, specifying (a) the proposed date of such Continuation, and (b) the duration of the selected Interest Period, all of which shall be specified in such manner as is necessary to comply with all limitations on the Loan outstanding hereunder. Each Notice of Continuation shall be irrevocable by and binding on the Borrower once given. Promptly after receipt of a Notice of Continuation, the Administrative Agent shall notify each Lender by telex or teletype, or other similar form of transmission of the proposed Continuation. If the Borrower shall fail to select in a timely manner a new Interest Period in accordance with this Section, the Loan will automatically, on the last day of the current Interest Period therefor, become a Base Rate Loan, notwithstanding failure of the Borrower to comply with Section 2.9.

SECTION 2.9 CONVERSION.

So long as no Default or Event of Default shall have occurred and be continuing, the Borrower may on any Business Day, upon the Borrower's giving of a Notice of Conversion to the Administrative Agent, Convert the Loan from one Type into another Type. Any Conversion to a Base Rate Loan shall be made on, and only on, the last day of an Interest Period. Each such Notice

of Conversion shall be given not later than 12:00 noon on the Business Day of any proposed Conversion into a Base Rate Loan and not later than 12:00 noon on the third Business Day prior to the date of any proposed Conversion into a LIBOR Loan. Promptly after receipt of a Notice of Conversion, the Administrative Agent shall notify each Lender by telecopy or other similar form of transmission of the proposed Conversion. Subject to the restrictions specified above, each Notice of Conversion shall be by telephone or telecopy confirmed immediately in writing if by telephone, in the form of a Notice of Conversion specifying (a) the requested date of such Conversion, (b) the Type into which the Loan is to be Converted, (c) the Type of Loan that the Loan is to be Converted into and (e) if such Conversion is into a LIBOR Loan, the requested duration of the Interest Period. Each Notice of Conversion shall be irrevocable by and binding on the Borrower once given.

SECTION 2.10 NOTES.

(a) Term Notes. The portion of the Loan made by each Lender shall, in

addition to this Agreement, also be evidenced by a promissory note of the Borrower substantially in the form of Exhibit J (each a "Term Note"), payable to the order of such Lender in a principal amount equal to the amount of its Commitment as originally in effect and otherwise duly completed.

(b) Records; Endorsement on Transfer. The date, amount, interest rate,

Type and duration of Interest Periods (if applicable) of the portion of the Loan made by each Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books and such entries shall be binding on the Borrower absent manifest error. The failure of such Lender to make any such recordation shall not affect the obligations of the Borrower to make a payment when due of any amount owing hereunder or under such Note in respect of the portion of the Loan evidenced by such Note.

ARTICLE III. PAYMENTS, FEES AND OTHER GENERAL PROVISIONS

SECTION 3.1 PAYMENTS.

Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement or any other Loan Document shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Administrative Agent at its Principal Office, not later than 2:00 p.m. on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Prior to making any such payment, the Borrower shall give the Administrative Agent notice of such payment. Subject to Sections 3.2. and 3.3., the Administrative Agent, or any Lender for whose account any such payment is made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time from any special or general deposit account of the Borrower with the Administrative Agent or such Lender, as the case may be (with notice to the Borrower, the other Lenders and the Administrative Agent). The Borrower shall, at the time of making each payment under this Agreement or any Note, specify to the Administrative Agent the amounts payable by the Borrower hereunder to which such payment is to be applied. Each payment received by the Administrative Agent for the account of a Lender under this Agreement or any Note shall be paid to such Lender at the applicable Lending

Office of such Lender no later than 5:00 p.m. on the date of receipt. If the Administrative Agent fails to pay such amount to a Lender as provided in the previous sentence, the Administrative Agent shall pay interest on such amount until paid at a rate per annum equal to the Federal Funds Rate from time to time in effect. If the due date of any payment under this Agreement or any other Loan Document would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for the period of such extension.

SECTION 3.2 PRO RATA TREATMENT.

Except to the extent otherwise provided herein: (a) each borrowing from the Lenders under Section 2.1.(a) shall be made from the Lenders and, each payment of the Fees under Section 3.6.(a), shall be made for account of the Lenders, and shall be applied to the respective Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (b) each payment or prepayment of principal of the Loan by the Borrower shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loan held by them, provided that if immediately prior to giving effect to any such payment in respect of the Loan the outstanding principal amount of the Loan shall not be held by the Lenders pro rata in accordance with their respective Commitments in effect at the time the Loan was made, then such payment shall be applied to the Loan in such manner as shall result, as nearly as is practicable, in the outstanding principal amount of the Loan being held by the Lenders pro rata in accordance with their respective Commitments; (c) each payment of interest on the Loan by the Borrower shall be made for account of the Lenders pro rata in accordance with the amounts of interest on the Loan then due and payable to the respective Lenders; and (d) the Conversion and Continuation of the Loan of a particular Type (other than Conversions provided for by Section 5.5.) shall be made pro rata among the Lenders according to the amounts of their respective portions of the Loan (in the case of Conversions and Continuations of the Loan) and the then current Interest Period for each Lender's portion of the Loan of such Type shall be coterminous.

SECTION 3.3 SHARING OF PAYMENTS, ETC.

The Borrower agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender or the Administrative Agent may otherwise have, each Lender and the Administrative Agent shall be entitled, upon the occurrence and during the continuation of a Default or an Event of Default, at its option but in the case of any Lender only with the prior written consent of the Administrative Agent, to offset balances held by it for the account of the Borrower at any of such Lender's (or the Administrative Agent's) offices, in Dollars or in any other currency, against any principal of, or interest on, any of such Lender's portion of the Loan hereunder (or other Obligations owing to such Lender or the Administrative Agent hereunder) which is not paid when due (regardless of whether such balances are then due to the Borrower), in which case such Lender shall promptly notify the Borrower, all other Lenders and the Administrative Agent thereof; provided, however, such Lender's failure to give such notice shall not affect the validity of such offset. If a Lender shall obtain payment of any principal of, or interest on, the portion of the Loan made by it to the Borrower under this Agreement, or shall obtain payment on any other Obligation owing by the Borrower through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise or through voluntary prepayments directly to a Lender or other payments

made by the Borrower to a Lender not in accordance with the terms of this Agreement and such payment should be distributed to the Lenders pro rata in accordance with Section 3.2. or Section 11.4., as applicable, such Lender shall promptly pay such amounts to the other Lenders and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such payment (net of any reasonable expenses which may be incurred by such Lender in obtaining or preserving such benefit) pro rata in accordance with Section 3.2. or Section 11.4. To such end, all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

SECTION 3.4 SEVERAL OBLIGATIONS.

No Lender shall be responsible for the failure of any other Lender to make its portion of the Loan or to perform any other obligation to be made or performed by such other Lender hereunder, and the failure of any Lender to make its portion of the Loan or to perform any other obligation to be made or performed by it hereunder shall not relieve the obligation of any other Lender to make its portion of the Loan or to perform any other obligation to be made or performed by such other Lender.

SECTION 3.5 MINIMUM AMOUNTS.

(a) Conversions and Continuations. Each Conversion and Continuation shall be applicable to the entire Loan.

(b) Prepayments. Each voluntary prepayment of the Loans shall be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof.

SECTION 3.6 FEES.

(a) Closing Fee. In consideration of the extension of the credit facility established hereby, on the Agreement Date, the Borrower agrees to pay to the Administrative Agent for the account of the Lenders a closing fee to each Lender in an amount equal to (i) such Lender's Commitment times (ii) one-half of one percent (0.5%).

- (b) [Intentionally Omitted].
- (c) [Intentionally Omitted].
- (d) [Intentionally Omitted].

(e) Administrative and Other Fees. The Borrower agrees to pay the administrative fees of the Administrative Agent in the amounts agreed upon by the Administrative Agent and the Borrower in writing from time to time.

SECTION 3.7 COMPUTATIONS.

Unless otherwise expressly set forth herein, any accrued interest on the Loan, or other Obligations due hereunder shall be computed on the basis of a year of 360 days and the actual number of days elapsed.

SECTION 3.8 USURY.

In no event shall the amount of interest due or payable on the Loan or other Obligations exceed the maximum rate of interest allowed by Applicable Law and, if any such payment is paid by the Borrower or received by any Lender, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the respective Lender in writing that the Borrower elects to have such excess sum returned to it forthwith. It is the express intent of the parties hereto that the Borrower not pay and the Lenders not receive, directly or indirectly, in any manner whatsoever, interest in excess of that which may be lawfully paid by the Borrower under Applicable Law.

SECTION 3.9 AGREEMENT REGARDING INTEREST AND CHARGES.

The parties hereto hereby agree and stipulate that the only charge imposed upon the Borrower for the use of money in connection with this Agreement is and shall be the interest specifically described in Section 2.4.(a)(i) and (ii). Notwithstanding the foregoing, the parties hereto further agree and stipulate that all agency fees, syndication fees, facility fees, letter of credit fees, underwriting fees, default charges, funding or "breakage" charges, increased cost charges, attorneys' fees and reimbursement for costs and expenses paid by the Administrative Agent or any Lender to third parties or for damages incurred by the Administrative Agent or any Lender, are charges made to compensate the Administrative Agent or any such Lender for underwriting or administrative services and costs or losses performed or incurred, and to be performed or incurred, by the Administrative Agent and the Lenders in connection with this Agreement and shall under no circumstances be deemed to be charges for the use of money.

SECTION 3.10 STATEMENTS OF ACCOUNT.

The Administrative Agent will provide to the Borrower a monthly statement of the Loan, accrued interest and Fees, charges and payments made pursuant to this Agreement and the other Loan Documents, and such account rendered by the Administrative Agent shall be deemed conclusive upon Borrower absent manifest error. The failure of the Administrative Agent to deliver such a statement of accounts shall not relieve or discharge the Borrower from any of its obligations hereunder.

SECTION 3.11 DEFAULTING LENDERS.

(a) Generally. If for any reason any Lender (a "Defaulting Lender") shall

fail or refuse to perform any of its obligations under this Agreement or any other Loan Document to which it is a party within the time period specified for performance of such obligation or, if no time period is specified, if such failure or refusal continues for a period of five Business Days after notice from the Administrative Agent, then, in addition to the rights and remedies that may be available to the

Administrative Agent or the Borrower under this Agreement or Applicable Law, such Defaulting Lender's right to participate in the administration of the Loan, this Agreement and the other Loan Documents, including without limitation, any right to vote in respect of, to consent to or to direct any action or inaction of the Administrative Agent or to be taken into account in the calculation of the Requisite Lenders, shall be suspended during the pendency of such failure or refusal. If a Lender is a Defaulting Lender because it has failed to make timely payment to the Administrative Agent of any amount required to be paid to the Administrative Agent hereunder (without giving effect to any notice or cure periods), in addition to other rights and remedies which the Administrative Agent or the Borrower may have under the immediately preceding provisions or otherwise, the Administrative Agent shall be entitled (i) to collect interest from such Defaulting Lender on such delinquent payment for the period from the date on which the payment was due until the date on which the payment is made at the Federal Funds Rate, (ii) to withhold or setoff and to apply in satisfaction of the defaulted payment and any related interest, any amounts otherwise payable to such Defaulting Lender under this Agreement or any other Loan Document until such defaulted payment and related interest has been paid in full and such default no longer exists and (iii) to bring an action or suit against such Defaulting Lender in a court of competent jurisdiction to recover the defaulted amount and any related interest. Any amounts received by the Administrative Agent in respect of a Defaulting Lender's portion of the Loan shall not be paid to such Defaulting Lender and shall be held uninvested by the Administrative Agent and either applied against the purchase price of such portion of the Loan under the following subsection (b) or paid to such Defaulting Lender upon the default of such Defaulting Lender being cured.

(b) Purchase of Defaulting Lender's Commitment. Any Lender who is not a

Defaulting Lender shall have the right, but not the obligation, in its sole discretion, to acquire all of a Defaulting Lender's Commitment. If more than one Lender exercises such right, each such Lender shall have the right to acquire such proportion of such Defaulting Lender's Commitment as they may mutually agree. Upon any such purchase, the Defaulting Lender's interest in the Loan and its rights hereunder (but not its liability in respect thereof or under the Loan Documents or this Agreement to the extent the same relate to the period prior to the effective date of the purchase) shall terminate on the date of purchase, and the Defaulting Lender shall promptly execute all documents reasonably requested to surrender and transfer such interest to the purchaser thereof subject to and in accordance with the requirements set forth in Section 13.5.(d), including an appropriate Assignment and Acceptance Agreement. The purchase price for the Commitment of a Defaulting Lender shall be equal to the amount of the portion of the principal balance of the Loan outstanding and owed by the Borrower to the Defaulting Lender. Prior to payment of such purchase price to a Defaulting Lender, the Administrative Agent shall apply against such purchase price any amounts retained by the Administrative Agent pursuant to the last sentence of the immediately preceding subsection (a). The Defaulting Lender shall be entitled to receive amounts owed to it by the Borrower under the Loan Documents which accrued prior to the date of the default by the Defaulting Lender, to the extent the same are received by the Administrative Agent from or on behalf of the Borrower. There shall be no recourse against any Lender or the Administrative Agent for the payment of such sums except to the extent of the receipt of payments from any other party or in respect of the Loan.

SECTION 3.12 TAXES.

(a) Taxes Generally. All payments by the Borrower of principal of, and

interest on, the Loan and all other Obligations shall be made free and clear of and without deduction for any present or future excise, stamp or other taxes, fees, duties, levies, imposts, charges, deductions, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding (i) franchise taxes, (ii) any taxes (other than withholding taxes) that would not be imposed but for a connection between the Administrative Agent or a Lender and the jurisdiction imposing such taxes (other than a connection arising solely by virtue of the activities of the Administrative Agent or such Lender pursuant to or in respect of this Agreement or any other Loan Document), (iii) any withholding taxes payable with respect to payments hereunder or under any other Loan Document under Applicable Law in effect on the Agreement Date, (iv) any taxes imposed on or measured by any Lender's assets, net income, gross receipts or branch profits and (v) any taxes arising after the Agreement Date solely as a result of or attributable to a Lender changing its designated Lending Office after the date such Lender becomes a party hereto (such non-excluded items being collectively called "Taxes"). If any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Taxes pursuant to any Applicable Law, then the Borrower will:

(A) pay directly to the relevant Governmental Authority the full amount required to be so withheld or deducted;

(B) promptly forward to the Administrative Agent an official receipt or other documentation satisfactory to the Administrative Agent evidencing such payment to such Governmental Authority; and

(C) pay to the Administrative Agent for its account or the account of the applicable Lender, as the case may be, such additional amount or amounts as is necessary to ensure that the net amount actually received by the Administrative Agent or such Lender will equal the full amount that the Administrative Agent or such Lender would have received had no such withholding or deduction been required.

(b) Tax Indemnification. If the Borrower fails to pay any Taxes when due

to the appropriate Governmental Authority or fails to remit to the Administrative Agent, for its account or the account of the respective Lender, as the case may be, the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental Taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. For purposes of this Section, a distribution hereunder by the Administrative Agent or any Lender to or for the account of any Lender shall be deemed a payment by the Borrower.

(c) Tax Forms. Prior to the date that any Lender or participant organized

under the laws of a jurisdiction outside the United States of America becomes a party hereto, such Person shall deliver to the Borrower and the Administrative Agent such certificates, documents or other evidence, as required by the Internal Revenue Code or Treasury Regulations issued pursuant thereto (including Internal Revenue Service Forms 4224, 1001, W-8 or W-9, as applicable, or appropriate successor forms), properly completed, currently effective and duly executed by such Lender or participant

establishing that payments to it hereunder and under the Notes are (i) not subject to United States Federal backup withholding tax or (ii) not subject to United States Federal withholding tax under the Code because such payment is either effectively connected with the conduct by such Lender or participant of a trade or business in the United States or totally exempt from United States Federal withholding tax by reason of the application of the provisions of a treaty to which the United States is a party or such Lender is otherwise exempt.

ARTICLE IV. UNENCUMBERED POOL PROPERTIES

SECTION 4.1 ACCEPTANCE OF UNENCUMBERED POOL PROPERTIES.

(a) The Borrower has made available to each Lender such information, if any, as such Lender has deemed necessary to evaluate the Real Property Assets set forth on Schedule 4.1. for acceptance as an Unencumbered Pool Property. Accordingly, the Lenders have accepted the Real Property Assets listed on Schedule 4.1. as of the Agreement Date as Unencumbered Pool Properties. At any time when the outstanding principal balance of the Loan shall exceed the Revolving Credit Commitments, if the Borrower desires that the Lenders accept an additional Real Property Asset as an Unencumbered Pool Property, the Borrower shall so notify the Administrative Agent in writing and the Administrative Agent shall promptly notify each of the Lenders. No Real Property Asset will be evaluated by the Lenders unless it is an Eligible Property, and unless and until the Borrower delivers to the Administrative Agent the following, in form and substance satisfactory to the Administrative Agent:

(i) a description of such Real Property Asset, such description to include the age, location and Occupancy Rate of such Real Property Asset;

(ii) an operating statement and a rent roll for such Real Property Asset for the three prior fiscal years, for the current fiscal year through the fiscal quarter most recently ending and for the current fiscal quarter, certified by a representative of the Borrower to the best of such representative's knowledge as being true and correct in all material respects provided that, with respect to any period such Real Property Asset was not owned by a Loan Party, such information shall only be required to be delivered to the extent reasonably available to the Borrower;

(iii) an operating budget for such Real Property Asset with respect to the current fiscal year;

(iv) copies of all engineering, mechanical, structural and maintenance studies performed with respect to such Real Property Asset not more than twelve months old;

(v) a "Phase I" environmental assessment of such Real Property Asset not more than 12 months old prepared by an environmental engineering firm acceptable to the Administrative Agent, and any additional environmental studies or assessments available to the Borrower performed with respect to such Real Property Asset;

(vi) with respect to any Real Property Asset being acquired by a Loan Party, a copy of the materials relating to such Real Property Asset submitted by the Borrower to its board of trustees for their approval (but only to the extent such materials have not already been provided under any of the preceding subsections);

(vii) a copy of the most recent ALTA Owner's Policy of Title Insurance (or if such policy has not been issued, a binding commitment to issue such policy) relating to such Real Property Asset showing fee simple title (or a leasehold estate) being vested in the Borrower or a Subsidiary and all matters of record; and

(viii) such other information the Administrative Agent may reasonably request in order to determine whether such Real Property Asset constitutes an Eligible Property.

Following receipt of the foregoing documents and information, the Administrative Agent shall review them as expeditiously as is reasonably practicable under the circumstances but in any event within 10 Business Days of receipt of all such documents and information. If, following such review, the Administrative Agent has determined that such Real Property Asset constitutes an Eligible Property, the Administrative Agent will promptly (i) so notify the Borrower and (ii) submit the foregoing documents and information to the Lenders. Each Lender shall notify the Administrative Agent whether it approves (which approval shall not be unreasonably withheld) of the designation of such Real Property Asset as an Unencumbered Pool Property within 15 Business Days of receipt of all such documents and information. If a Lender shall fail to so notify the Administrative Agent, then such Lender shall be deemed to have approved of such Real Property Asset. Upon approval of such Real Property Asset by the Requisite Lenders, and upon execution and delivery of all of the following, such Real Property Asset shall become an Unencumbered Pool Property:

(1) If such Real Property Asset is owned or leased by a Loan Party other than the Borrower, all of the documents required to be provided under Section 8.13. if not previously delivered to the Administrative Agent; and

(2) Such other items or documents as may be appropriate under the circumstances as reasonably requested by the Administrative Agent.

SECTION 4.2 TERMINATION OF DESIGNATION AS UNENCUMBERED POOL PROPERTY.

A Real Property Asset shall cease to be an Unencumbered Pool Property if it shall cease to be an Eligible Property; provided, however, with respect to any

Real Property Asset accepted as an Unencumbered Pool Property even though at the time of such acceptance such Real Property Asset did not meet all of the requirements of an Eligible Property (a "Non-Conforming Property"), such Real Property Asset shall cease to be an Unencumbered Pool Property if it shall cease to satisfy those requirements of an Eligible Property that it did satisfy at the time of its acceptance as an Unencumbered Pool Property. Subject to Section 4.4, from time to time the Borrower may request, upon not less than 30 days prior written notice to the Administrative Agent and the Lenders, that an Unencumbered Pool Property cease to be an Unencumbered Pool Property. The Administrative

Agent shall grant such request if all of the following conditions are satisfied:

(a) no Default or Event of Default shall have occurred and be continuing both at the time of such request and immediately after giving effect to such request; and

(b) the Borrower shall have delivered to the Administrative Agent a Compliance Certificate demonstrating on a pro forma basis, and the Administrative Agent shall have determined, that the Borrower will remain in compliance with Section 10.1 hereof after giving effect to such request and any prepayment to be made and/or the acceptance of any Real Property Asset as an additional or replacement Unencumbered Pool Property to be given concurrently with such request.

SECTION 4.3 ADDITIONAL REQUIREMENTS OF UNENCUMBERED POOL PROPERTIES.

The aggregate Occupancy Rate of all Unencumbered Pool Properties shall at all times equal or exceed 85%.

SECTION 4.4 ACCEPTANCE AND TERMINATION UNDER REVOLVING CREDIT AGREEMENT.

Any Real Property Asset which is determined to be an Eligible Property and is accepted as an Unencumbered Pool Property under the Revolving Credit Agreement shall be deemed to have been determined to be an Eligible Property and accepted as an Unencumbered Pool Property under this Agreement, provided that at the time of any such determination or acceptance under the Revolving Credit Agreement, the then Revolving Credit Commitments shall exceed the then outstanding principal balance of the Loan. In the event that any Real Property Asset ceases to be an Unencumbered Pool Property under the Revolving Credit Agreement, such Real Property Asset shall cease to be an Unencumbered Pool Property under this Agreement.

ARTICLE V. YIELD PROTECTION, ETC.

SECTION 5.1 ADDITIONAL COSTS; CAPITAL ADEQUACY.

(a) Additional Costs. The Borrower shall promptly pay to the

Administrative Agent for the account of a Lender from time to time such amounts as such Lender may reasonably determine to be necessary to compensate such Lender for any costs incurred by such Lender that it determines are attributable to its making or maintaining of its Lender's Share of LIBOR Loan or its obligation to make its Lender's Share of LIBOR Loan hereunder, any reduction in any amount receivable by such Lender under this Agreement or any of the other Loan Documents in respect of its Lender's Share of LIBOR Loan or such obligation or the maintenance by such Lender of capital in respect of its Lender's Share of LIBOR Loan or its Commitment (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), resulting from any Regulatory Change that: (i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or any of the other Loan Documents in respect of any of its Lender's Share of LIBOR Loan or its Commitment (other than taxes imposed on or measured by the overall net income of such Lender or of its Lending Office for its Lender's Share of LIBOR Loan by the jurisdiction in which such Lender has its principal office or such Lending Office); or (ii) imposes or modifies any reserve, special deposit or similar requirements (other than Regulation D of the Board of Governors of the

Federal Reserve System or other reserve requirement utilized in the determination of the Adjusted Eurodollar Rate for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender, or any commitment of such Lender (including, without limitation, the Commitment of such Lender hereunder); or (iii) has or would have the effect of reducing the rate of return on capital of such Lender to a level below that which such Lender could have achieved but for such Regulatory Change (taking into consideration such Lender's policies with respect to capital adequacy).

(b) Lender's Suspension. Without limiting the effect of the provisions of

the immediately preceding subsection (a), if by reason of any Regulatory Change, any Lender either (i) incurs Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which LIBOR is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender that includes its Lender's Share of LIBOR Loan or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Lender so elects by notice to the Borrower (with a copy to the Administrative Agent), the obligation of such Lender to make or Continue, or to Convert into, a LIBOR Loan hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 5.5. shall apply).

(c) [Intentionally Omitted].

(d) Notification and Determination of Additional Costs. Each of the

Administrative Agent and each Lender agrees to notify the Borrower of any event occurring after the Agreement Date entitling the Administrative Agent or such Lender to compensation under any of the preceding subsections of this Section as promptly as practicable; provided, however, the failure of the Administrative Agent or any Lender to give such notice shall not release the Borrower from any of its obligations hereunder. The Administrative Agent and/or such Lender agrees to furnish to the Borrower a certificate setting forth the basis and amount of each request by the Administrative Agent or such Lender for compensation under this Section. Determinations by the Administrative Agent or any Lender of the effect of any Regulatory Change shall be conclusive, provided that such determinations are made on a reasonable basis and in good faith.

SECTION 5.2 SUSPENSION OF THE LIBOR LOAN.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of any Adjusted Eurodollar Rate for any Interest Period:

(a) the Administrative Agent reasonably determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining LIBOR for such Interest Period; or

(b) the Administrative Agent reasonably determines (which determination shall be conclusive) that the Adjusted Eurodollar Rate will not adequately and fairly reflect the cost to the Lenders of maintaining the LIBOR Loan for such Interest Period.

then the Administrative Agent shall give the Borrower and each Lender prompt notice thereof and, so long as such condition remains in effect, the Lenders shall be under no obligation to, and shall not, Continue, or Convert the Loan as or into a LIBOR Loan and the Borrower shall, on the last day of the current Interest Period, Convert the Loan into a Base Rate Loan.

SECTION 5.3 ILLEGALITY.

Notwithstanding any other provision of this Agreement, if it becomes unlawful for any Lender to honor its obligation to maintain its Lender's Share of LIBOR Loan hereunder, then such Lender shall promptly notify the Borrower thereof (with a copy to the Administrative Agent) and such Lender's obligation to make or Continue, or to Convert the Loan from any other Type into, a LIBOR Loan shall be suspended until such time as such Lender may again make and maintain a LIBOR Loan (in which case the provisions of Section 5.5. shall be applicable).

SECTION 5.4 COMPENSATION.

The Borrower shall pay to the Administrative Agent for account of each Lender, upon the request of such Lender through the Administrative Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost or expense that such Lender determines is attributable to:

(a) any payment or prepayment (whether mandatory or optional) of the LIBOR Loan or Conversion of the LIBOR Loan, made by such Lender for any reason (including, without limitation, acceleration) on a date other than the last day of the Interest Period for such LIBOR Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any of the applicable conditions precedent specified in Article VI. to be satisfied) to Convert a Base Rate Loan into a LIBOR Loan or to Continue the Loan as a LIBOR Loan on the requested date of such Conversion or Continuation.

Such payments shall include, but shall not be limited to, in the case of a LIBOR Loan, an amount equal to the then present value of (A) the amount of interest that would have accrued on such LIBOR Loan for the remainder of the applicable Interest Period (or duration of the requested Interest Period in the case of a failure to convert a LIBOR Loan) at the rate applicable to such LIBOR Loan, less (B) the amount of interest that would accrue on the same Loan for the same period if LIBOR were set on the date such payment, prepayment or failure occurred (the "Adjustment Date"), calculating the present value by using as a discount rate LIBOR quoted on the Adjustment Date.

SECTION 5.5 TREATMENT OF AFFECTED LOANS.

If the obligation of any Lender to Continue, or to Convert a Base Rate Loan into, a LIBOR Loan shall be suspended pursuant to Section 5.1.(b), 5.2. or 5.3., then its Lender's Share of LIBOR Loan shall be automatically Converted into a Base Rate Loan on the last day of the then current Interest Period (or, in the case of a Conversion required by Section 5.1.(b) or 5.3., on such earlier date as such Lender may specify to the Borrower with a copy to the Administrative Agent) and,

unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.1., 5.2. or 5.3. that gave rise to such Conversion no longer exist:

(a) to the extent that its Lender's Share of LIBOR Loan have been so Converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Share of LIBOR Loan shall be applied instead to its Base Rate Loan; and

(b) such Lender's portion of any Loan that would otherwise be made or Continued by such Lender as a LIBOR Loan shall be made or Continued instead as a Base Rate Loan, and any portion of a Base Rate Loan of such Lender that would otherwise be Converted into a LIBOR Loan shall remain as a Base Rate Loan.

If such Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 5.1. or 5.3. that gave rise to the Conversion of such Lender's Share of LIBOR Loan pursuant to this Section no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist provided that its failure to do so shall not cause it to be a Defaulting Lender hereunder) at a time when a LIBOR Loan made by other Lenders is outstanding, then such Lender's Base Rate Loan shall be automatically Converted, on the first day of the next succeeding Interest Period into the LIBOR Loan.

SECTION 5.6 CHANGE OF LENDING OFFICE.

Each Lender agrees that it will use reasonable efforts to designate an alternate Lending Office with respect to its Lender's Share of LIBOR Loan affected by the matters or circumstances described in Sections 3.12., 5.1. or 5.3. to reduce the liability of the Borrower or avoid the results provided thereunder, so long as such designation is not disadvantageous to such Lender as determined by such Lender in its sole discretion, except that such Lender shall have no obligation to designate a Lending Office located in the United States of America.

SECTION 5.7 ASSUMPTIONS CONCERNING FUNDING OF LIBOR LOAN.

Calculation of all amounts payable to a Lender under this Article V. shall be made as though such Lender had actually funded its Lender's Share of LIBOR Loan through the purchase of deposits in the relevant market bearing interest at the rate applicable to such LIBOR Loan in an amount equal to the amount of its Lender's Share of LIBOR Loan and having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its Lender's Share of LIBOR Loan in any manner it sees fit and the foregoing assumption shall be used only for calculation of amounts payable under this Article V.

ARTICLE VI. CONDITIONS PRECEDENT

SECTION 6.1 INITIAL CONDITIONS PRECEDENT.

The obligation of the Lenders to make the Loan, is subject to the following conditions precedent:

(a) The Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent:

(i) Counterparts of this Agreement executed by each of the parties hereto;

(ii) Notes executed by the Borrower, payable to each Lender and complying with the terms of Section 2.10.(a);

(iii) (A) An opinion of Shulman, Rogers, Gandall, Pordy & Ecker, P.A., counsel to the Borrower, addressed to the Administrative Agent and the Lenders, in substantially the form of Exhibit M-1 and (B) an opinion of Kirkpatrick & Lockhart LLP, local Pennsylvania counsel to the Borrower, addressed to the Administrative Agent and the Lenders, in substantially the form of Exhibit M-2;

(iv) the declaration of trust of the Borrower certified as of a recent date by the Department of Consumer and Regulatory Affairs of the District of Columbia;

(v) a good standing certificate issued as of a recent date by the Department of Consumer and Regulatory Affairs of the District of Columbia and certificates of qualification to transact business or other comparable certificates issued by each Secretary of State (and any state department of taxation, as applicable) of each state in which the Borrower is required to be so qualified;

(vi) A certificate of incumbency signed by the Secretary or Assistant Secretary of the Borrower with respect to each of the officers of the Borrower authorized to execute and deliver the Loan Documents to which the Borrower is a party and the officers of the Borrower then authorized to deliver Notices of Continuation and Notices of Conversion;

(vii) certified copies (certified by the Secretary or Assistant Secretary of the Borrower) of all action taken by the Borrower's Board of Trustees to authorize the execution, delivery and performance of the Loan Documents to which it is a party;

(viii) A Guaranty executed by each Material Subsidiary other than any Non-Guarantor Subsidiary in substantially the form of Exhibit C;

(ix) The articles of incorporation, articles of organization, certificate of limited partnership or other comparable organizational instrument (if any) of each Material Subsidiary (other than any Non-Guarantor Subsidiary) certified as of a recent date by the Secretary of State of the state of formation of such Material Subsidiary (provided that the Lenders agree to fund the Loan without all such organizational documents as long as the missing organizational documents are provided to the Administrative Agent within 30 days following the Closing Date);

(x) A certificate of good standing or certificate of similar meaning with respect to each Material Subsidiary (other than any Non-Guarantor Subsidiary) issued as of a recent

date by the Secretary of State of the state of formation of each such Material Subsidiary and certificates of qualification to transact business or other comparable certificates issued by each Secretary of State (and any state department of taxation, as applicable) of each state in which such Material Subsidiary is required to be so qualified;

(xi) A certificate of incumbency signed by the Secretary or Assistant Secretary (or other individual performing similar functions) of each Material Subsidiary with respect to each of the officers of such Material Subsidiary authorized to execute and deliver the Loan Documents to which such Material Subsidiary is a party;

(xii) Copies certified by the Secretary or Assistant Secretary of each Material Subsidiary (or other individual performing similar functions) (but not including any Non-Guarantor Subsidiary) of (i) the by-laws of such Material Subsidiary, if a corporation, the operating agreement, if a limited liability company, the partnership agreement, if a limited or general partnership, or other comparable document in the case of any other form of legal entity and (ii) all corporate, partnership, member or other necessary action taken by such Material Subsidiary to authorize the execution, delivery and performance of the Loan Documents to which it is a party;

(xiii) A copy, if requested by the Administrative Agent, of each Material Contract, certified as true, correct and complete by the chief financial officer or chief accounting officer of the Borrower;

(xiv) Evidence that all insurance required to be maintained by the Borrower and the other Loan Parties under the terms of the Loan Documents is in effect;

(xv) The Fees, if any, then due under Section 3.6.;

(xvi) A Compliance Certificate calculated as of the fiscal quarter ending September 30, 1998; and

(xvii) Such other documents, agreements and instruments as the Administrative Agent may reasonably request on behalf of the Lenders; and

(b) In the good faith judgment of the Administrative Agent and the Lenders:

(i) There shall not have occurred or become known to the Administrative Agent or the Lenders any event, condition, situation or status since the date of the information contained in the financial and business projections, budgets, pro forma data and forecasts concerning the Borrower and its Subsidiaries delivered to the Administrative Agent and the Lenders prior to the Agreement Date that has had or could reasonably be expected to result in a Material Adverse Effect;

(ii) No litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be expected to (1)

result in a Material Adverse Effect or (2) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party;

(iii) The Borrower and the other Loan Parties shall have received all approvals, consents and waivers, and shall have made or given all necessary filings and notices as shall be required to consummate the transactions contemplated hereby without the occurrence of any default under, conflict with or violation of (1) any Applicable Law or (2) any agreement, document or instrument to which the Borrower or any other Loan Party is a party or by which any of them or their respective properties is bound, except for such approvals, consents, waivers, filings and notices the receipt, making or giving of which could not reasonably be expected to have to (A) have a Material Adverse Effect, or (B) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party; and

(iv) There shall not have occurred or exist any other material disruption of financial or capital markets that could reasonably be expected to materially and adversely affect the transactions contemplated by the Loan Documents.

SECTION 6.2 CREDIT EVENTS.

Each Credit Event shall constitute a certification by the Borrower to the effect that (both as of the date of the giving of notice relating to such Credit Event and, unless the Borrower otherwise notifies the Administrative Agent prior to the date of such Credit Event, as of the date of the occurrence of such Credit Event) (a) no Default or Event of Default shall have occurred and be continuing; and (b) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which it is a party, shall be true and correct with the same force and effect as if made on and as of such date except to the extent that such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall have been true and accurate on and as of such earlier date) and except for changes in factual circumstances expressly and specifically permitted hereunder.

ARTICLE VII. REPRESENTATIONS AND WARRANTIES

SECTION 7.1 REPRESENTATIONS AND WARRANTIES.

In order to induce the Administrative Agent and each Lender to enter into this Agreement and to make Loans, the Borrower represents and warrants to the Administrative Agent and each Lender as follows:

(a) Organization; Power; Qualification. Each of the Loan Parties is a -----
corporation, partnership, trust or other legal entity, duly organized or formed, validly existing and, to the extent applicable, in good standing under the jurisdiction of its incorporation or formation, has the power

and authority to own or lease its respective properties and to carry on its respective business as now being and hereafter proposed to be conducted and is duly qualified and is in good standing as a foreign corporation, partnership or other legal entity and authorized to do business, in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization and where the failure to be so qualified or authorized could reasonably be expected to have, in each instance, a Material Adverse Effect.

(b) Ownership Structure. As of the Agreement Date, Schedule 7.1.(b)

correctly sets forth the corporate structure and ownership interests of the Borrower's Subsidiaries including the correct legal name of each Subsidiary, its jurisdiction of formation, the Persons holding equity interests in such Subsidiary and their percentage equity or voting interest in such Subsidiary. Except as set forth in such Schedule:

(i) no Subsidiary has issued to any third party any securities convertible into such Subsidiary's capital stock or other equity interests or any options, warrants or other rights to acquire any securities convertible into such capital stock or other equity interests, and

(ii) the outstanding capital stock of, or other equity interests in, each such Subsidiary are owned by the Borrower and its Subsidiaries indicated on such Schedule, free and clear of all liens, warrants, options and rights of others of any kind whatsoever. All such outstanding capital stock and other equity interests have been validly issued and, in the case of capital stock, are fully paid and nonassessable.

(c) Authorization of Agreement, Notes, Loan Documents and Borrowings. The

Borrower has the right and power, and has taken all necessary action to authorize it, to borrow hereunder. The Borrower and the other Loan Parties each has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform each of the Loan Documents to which it is a party in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. This Agreement and each of the other Loan Documents to which the Borrower or any other Loan Party is a party have been duly executed and delivered by the duly authorized officers of such Person and each is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein may be limited by equitable principles generally.

(d) Compliance of Agreement, Notes, Loan Documents and Borrowing with Laws,

etc. The execution, delivery and performance of this Agreement, the Notes and

the other Loan Documents to which the Borrower or any other Loan Party is a party in accordance with their respective terms and the borrowings hereunder do not and will not, by the passage of time, the giving of notice, or otherwise: (i) require any Governmental Approval or violate any Applicable Law (including all Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the declaration of trust of the Borrower or the organizational documents of any other Loan Party, or any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective

properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrower or any other Loan Party other than in favor of the Administrative Agent for the benefit of the Lenders.

(e) Compliance with Law; Governmental Approvals. The Borrower, each

Subsidiary and each other Loan Party is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Law relating to the Borrower, a Subsidiary or such Loan Party except for noncompliances which, and Governmental Approvals the failure to possess which could not, individually or in the aggregate, reasonably be expected to cause a Default or Event of Default or have a Material Adverse Effect.

(f) Ownership of Properties; Liens. As of the Agreement Date, Schedule

7.1.(f) sets forth all the real property owned or leased by the Borrower, its Subsidiaries, any other Loan Party and any of their Unconsolidated Affiliates, and if a Developed Property, the applicable Occupancy Rate thereof. The Borrower and such other Persons have good and insurable fee simple title (or leasehold title if so designated on such Schedule) to all of such real property. As of the Agreement Date, there are no mortgages, deeds of trust, indentures, debt instruments or other agreements creating a Lien against any of such real property or any other property or assets of the Borrower or any of its Subsidiaries except for Permitted Liens and except as set forth on Schedule 7.1.(f).

(g) Indebtedness. Schedule 7.1.(g) is, as of the Agreement Date, a

complete and correct listing of all Indebtedness of the Borrower, its Subsidiaries and the other Loan Parties, including all Guarantees of the Borrower, its Subsidiaries and the other Loan Parties and all letters of credit and acceptance facilities extended to the Borrower, any Subsidiary or any other Loan Party.

(h) Material Contracts. Schedule 7.1.(h) is, as of the Agreement Date, a

true, correct and complete listing of all Material Contracts.

(i) Litigation. There are no actions, suits or proceedings pending (nor,

to the knowledge of the Borrower, are there any actions, suits or proceedings threatened, nor is there any reasonable basis therefor) against or in any other way relating adversely to or affecting the Borrower, any Subsidiary or any other Loan Party or any of its respective property in any court or before any arbitrator of any kind or before or by any other Governmental Authority which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, and there are no strikes, slow downs, work stoppages or walkouts or other labor disputes in progress or threatened relating to the Borrower, any Subsidiary or any other Loan Party which, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

(j) Taxes. All federal, state and other tax returns of the Borrower, any

Subsidiary or Loan Party required by Applicable Law to be filed have been duly filed, and all federal, state and other taxes, assessments and other governmental charges or levies upon the Borrower, any Subsidiary and each Loan Party and its respective properties, income, profits and assets which are due and payable have been paid, except any such nonpayment which is at the time permitted under Section 8.6. None of the United States income tax returns of the Borrower, its Subsidiaries or any Loan Party is under audit as of the Agreement Date. All charges, accruals and reserves on the books

of the Borrower, each of its Subsidiaries and each other Loan Party in respect of any taxes or other governmental charges are in accordance with GAAP.

(k) Financial Statements. The Borrower has furnished to each Lender copies

of (i) the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal year ending December 31, 1997, and the related consolidated statements of income, retained earnings and cash flow for the fiscal year ending on such date, with the opinion thereon of Grant Thornton LLP, and (ii) the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal quarter ending September 30, 1998, and the related consolidated statements of income, retained earnings and cash flow of the Borrower and its consolidated Subsidiaries for the three fiscal quarter period ending on such date. Such balance sheets and statements (including in each case related schedules and notes) are complete and correct and present fairly, in accordance with GAAP consistently applied throughout the periods involved, the consolidated financial position of the Borrower and its consolidated Subsidiaries as at their respective dates and the results of operations and the cash flow for such periods (subject, as to interim statements, to changes resulting from normal year-end adjustments). None of the Borrower, any of its consolidated Subsidiaries nor any other Loan Party has on the Agreement Date any material contingent liabilities, liabilities, liabilities for taxes, unusual or long-term commitments or unrealized or forward anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said financial statements. Each of the Borrower, its Subsidiaries and the other Loan Parties is Solvent.

(l) Unencumbered Pool Properties. Except for Non-Conforming Properties,

each of the Unencumbered Pool Properties qualifies as an Eligible Property. Each Non-Conforming Property continues to satisfy those requirements of an Eligible Property that it satisfied at the time of its acceptance as an Unencumbered Pool Property.

(m) No Material Adverse Change. Since December 31, 1997, there has been no

material adverse change in the consolidated financial condition, results of operations, business or prospects of the Borrower and its consolidated Subsidiaries taken as a whole.

(n) ERISA. Each member of the ERISA Group has fulfilled its obligations

under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

(o) Absence of Defaults. Neither the Borrower, any Subsidiary nor any

other Loan Party is in default under its declaration of trust, articles of incorporation, bylaws, partnership agreement or other similar organizational documents, and no event has occurred, which has not been remedied,

cured or waived: (i) which constitutes a Default or an Event of Default; or (ii) which constitutes, or which with the passage of time, the giving of notice, or both would constitute, a default or event of default by the Borrower, any Subsidiary or any Loan Party under any agreement (other than this Agreement) or judgment, decree or order to which the Borrower, any Subsidiary or other Loan Party is a party or by which the Borrower, any Subsidiary or Loan Party or any of their respective properties may be bound where such default or event of default could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Environmental Laws. In the ordinary course of business, each of the

Borrower and its Subsidiaries conducts an ongoing review of the effect of Environmental Laws on its respective business, operations and properties, including without limitation, its respective Real Property Assets, in the course of which the Borrower or such Subsidiary identifies and evaluates associated liabilities and costs (including, without limitation, determining whether any capital or operating expenditures are required for clean-up or closure of properties presently or previously owned, determining whether any capital or operating expenditures are required to achieve or maintain compliance with Environmental Laws or required as a condition of any Governmental Approval, any contract, or any related constraints on operating activities, determining whether any costs or liabilities exist in connection with off-site disposal of wastes or Hazardous Materials, and determining whether any actual or potential liabilities to third parties, including employees, and any related costs and expenses exist). The Borrower, its Subsidiaries and the other Loan Parties have obtained all Governmental Approvals which are required under Environmental Laws, and are in compliance with all terms and conditions of such Governmental Approvals, which the failure to obtain or to comply with could reasonably be expected to have a Material Adverse Effect. Each of the Borrower, its Subsidiaries and the other Loan Parties is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in the Environmental Laws the failure with which to comply could reasonably be expected to have a Material Adverse Effect. Except as set forth in Schedule 7.1.(p) and except as could not be reasonably expected to have a Material Adverse Effect, neither the Borrower, any Subsidiary nor any other Loan Party is aware of, or has received notice of, any past, present, or future events, conditions, circumstances, activities, practices, incidents, actions, or plans which, with respect to the Borrower, any of its Subsidiaries or any other Loan Party may interfere with or prevent compliance or continued compliance with Environmental Laws, or may give rise to any common-law or legal liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study, or investigation, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic, or other Hazardous Material; and there is no civil, criminal, or administrative action, suit, demand, claim, hearing, notice, or demand letter, notice of violation, investigation, or proceeding pending or, to the knowledge of the Borrower, any Subsidiary or any other Loan Party, after due inquiry, threatened, against the Borrower, any Subsidiary or any other Loan Party relating in any way to Environmental Laws.

(q) Investment Company; Public Utility Holding Company. Neither the

Borrower, any Subsidiary nor any other Loan Party is (i) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended,

(ii) a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (iii) subject to any other Applicable Law which purports to regulate or restrict its ability to borrow money or to consummate the transactions contemplated by this Agreement or to perform its obligations under any Loan Document to which it is a party.

(r) Margin Stock. Neither the Borrower, any Subsidiary nor any other Loan

Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulations G or U of the Board of Governors of the Federal Reserve System.

(s) Affiliate Transactions. Except for transactions permitted under

Section 10.11., neither the Borrower, any Subsidiary nor any other Loan Party is a party to or bound by any agreement or arrangement (whether oral or written) to which any Affiliate of the Borrower, any Subsidiary or other Loan Party is a party.

(t) Intellectual Property. The Borrower and each Subsidiary owns or has

the right to use, under valid license agreements or otherwise, all patents, licenses, franchises, trademarks, trademark rights, trade names, trade name rights, trade secrets and copyrights (collectively, "Intellectual Property") necessary to, or used in, the conduct of its businesses as now conducted and as contemplated by the Loan Documents, without known conflict with any patent, license, franchise, trademark, trade secret, trade name, copyright, or other proprietary right of any other Person.

(u) Accuracy and Completeness of Information. All written information,

reports and other papers and data furnished to the Administrative Agent or any Lender by, on behalf of, or at the direction of, the Borrower, any Subsidiary or any other Loan Party were, at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the recipient a true and accurate knowledge of the subject matter, or, in the case of financial statements, present fairly, in accordance with GAAP consistently applied throughout the periods involved, the financial position of the Persons involved as at the date thereof and the results of operations for such periods. No fact is known to the Borrower which has had, or may in the future have (so far as the Borrower can reasonably foresee), a Material Adverse Effect which has not been set forth in the financial statements referred to in Section 7.1.(k) or in such information, reports or other papers or data or otherwise disclosed in writing to the Administrative Agent and the Lenders prior to the Effective Date. No document furnished or written statement made to the Administrative Agent or any Lender in connection with the negotiation, preparation or execution of this Agreement or any of the other Loan Documents contains or will contain any untrue statement of a fact material to the creditworthiness of the Borrower, any Subsidiary or any other Loan Party or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading.

(v) REIT Status. The Borrower qualifies as a REIT.

(w) Not Plan Assets. The assets of the Borrower, its Subsidiaries and the

other Loan Party do not and will not constitute "plan assets", within the meaning of ERISA, the Internal

Revenue Code and the respective regulations promulgated thereunder. The execution, delivery and performance of this Agreement, and the borrowing and repayment of amounts hereunder, do not and will not constitute "prohibited transactions" under ERISA or the Internal Revenue Code.

(x) Business. As of the Agreement Date, the Borrower, its Subsidiaries and

the other Loan Parties are primarily engaged in the business of acquiring, owning, managing and developing directly or indirectly shopping centers, residential and multi-family residential apartment complexes, together with providing services related thereto.

(y) Year 2000. The Borrower has reviewed the areas within its businesses

and operations which could be adversely affected by, and has developed or is developing a program to address on a timely basis, the risk that certain computer applications used by the Borrower may be unable to recognize and perform properly date sensitive functions involving dates prior to and after December 31, 1999 (the "Year 2000 Problem"). The Year 2000 Problem is not expected to materially and adversely affect the Borrower.

SECTION 7.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC.

All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of the Borrower, any Subsidiary or any other Loan Party to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or any of the other Loan Documents (including, but not limited to, any such statement made in or in connection with any amendment thereto or any statement contained in any certificate, financial statement or other instrument delivered by or on behalf of the Borrower or any other Loan Party prior to the Agreement Date and delivered to the Administrative Agent or any Lender in connection with closing the transactions contemplated hereby) shall constitute representations and warranties made by the Borrower under this Agreement. All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made at and as of the Agreement Date, the Effective Date and at and as of the date of the occurrence of any Credit Event, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and accurate on and as of such earlier date) and except for changes in factual circumstances specifically permitted hereunder. All such representations and warranties shall survive the effectiveness of this Agreement, the execution and delivery of the Loan Documents and the making of the Loan.

ARTICLE VIII. AFFIRMATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 13.6., all of the Lenders) shall otherwise consent in the manner provided for in Section 13.6., the Borrower shall:

SECTION 8.1 PRESERVATION OF EXISTENCE AND SIMILAR MATTERS.

Except as otherwise permitted under Section 10.7., preserve and maintain, and cause each Subsidiary and each other Loan Party to preserve and maintain, its respective existence, rights, franchises, licenses and privileges in the jurisdiction of its incorporation or formation and qualify

and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization and where the failure to be so authorized and qualified could reasonably be expected to have a Material Adverse Effect.

SECTION 8.2 COMPLIANCE WITH APPLICABLE LAW AND MATERIAL CONTRACTS.

Comply, and cause each Subsidiary and each other Loan Party to comply, with (a) all Applicable Law, including the obtaining of all Governmental Approvals, the failure to comply with which could reasonably be expected to have a Material Adverse Effect, and (b) all terms and conditions of all Material Contracts to which it is a party.

SECTION 8.3 MAINTENANCE OF PROPERTY.

In addition to the requirements of any of the other Loan Documents, (a) protect and preserve, and cause each Subsidiary and other Loan Party to protect and preserve, all of its material properties, including, but not limited to, all Real Property Assets and all Intellectual Property, and maintain in good repair, working order and condition all tangible properties, ordinary wear and tear excepted and (b) from time to time make or cause to be made all needed and appropriate repairs, renewals, replacements and additions to such properties, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

SECTION 8.4 CONDUCT OF BUSINESS.

At all times carry on, and cause its Subsidiaries and the other Loan Parties to carry on, the businesses as described in Section 7.1.(x).

SECTION 8.5 INSURANCE.

In addition to the requirements of any of the other Loan Documents, maintain, and cause each Subsidiary and Loan Party to maintain, insurance with financially sound and reputable insurance companies against such risks and in such amounts as is customarily maintained by Persons engaged in similar businesses or as may be required by Applicable Law. Not in limitation of the foregoing, the Borrower shall, and shall cause its Subsidiaries and the other Loan Parties to, maintain builder's risk insurance during any period of construction and, upon completion, "all risk" insurance in an amount at least equal to the greater of (i) 80% of the replacement cost of the improvements, if any, on each of its Real Property Assets, and (ii) an amount sufficient to avoid the application of any coinsurance clause contained in the related insurance policy, with insurers having an A.M. Best policyholder's rating of not less than A- and financial size category of not less than X, which insurance shall in any event not provide for materially less coverage than the insurance in effect on the Agreement Date. The Borrower will deliver to the Lenders (i) upon request of any Lender through the Administrative Agent from time to time full information as to the insurance carried, (ii) within 5 days of receipt of notice from any insurer a copy of any notice of cancellation or material change in coverage from that existing on the Agreement Date and (iii) promptly upon receipt, notice of any cancellation or nonrenewal of coverage by the Borrower, any Subsidiary or any other Loan Party.

SECTION 8.6 PAYMENT OF TAXES AND CLAIMS.

Pay or discharge, and cause each Subsidiary and other Loan Party to pay and discharge, when due (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it, and (b) all lawful claims of materialmen, mechanics, carriers, warehousemen and landlords for labor, materials, supplies and rentals which, if unpaid, might become a Lien on any properties of such Person; provided, however, that this Section shall not require the payment or discharge of any such tax, assessment, charge, levy or claim which is being contested in good faith by appropriate proceedings which operate to suspend the collection thereof and for which adequate reserves have been established on the books of the Borrower, such Subsidiary or such other Loan Party, as applicable, in accordance with GAAP.

SECTION 8.7 VISITS AND INSPECTIONS.

Permit, and cause each Subsidiary and other Loan Party to permit, representatives or agents of the Administrative Agent or any Lender, from time to time, as often as may be reasonably requested and at the expense of the Administrative Agent (unless an Event of Default shall be continuing in which case the exercise by the Administrative Agent of its rights under this Section shall be at the expense of the Borrower) or such Lender, but only during normal business hours, to: (a) visit and inspect all properties of the Borrower, such Subsidiary or such other Loan Party; (b) inspect and make extracts from their respective relevant books and records, including but not limited to management letters prepared by independent accountants; and (c) discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial conditions, results of operations and business prospects. If requested by the Administrative Agent, the Borrower shall execute an authorization letter addressed to its accountants authorizing the Administrative Agent or any Lender to discuss the financial affairs of the Borrower and any Subsidiary with its accountants.

SECTION 8.8 USE OF PROCEEDS.

Use the proceeds of the Loan for general corporate purposes including, but not limited to, (a) the acquisition, renovation and development of Real Property Assets, (b) the repayment of existing Indebtedness and (c) general working capital needs. The Borrower shall not, and shall not permit any Subsidiary or any other Loan Party to, use any part of such proceeds to purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any margin stock (within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

SECTION 8.9 ENVIRONMENTAL MATTERS.

Comply, and cause all of its Subsidiaries to comply, in all material respects with all Environmental Laws. If the Borrower, any Subsidiary or any other Loan Party shall (a) receive notice that any violation of any Environmental Law may have been committed or is about to be committed by such Person, (b) receive notice that any administrative or judicial complaint or order has been filed or is about to be filed against the Borrower, any Subsidiary or any other Loan Party alleging violations of any Environmental Law or requiring the Borrower, or Subsidiary or any other Loan Party to take any action in connection with the release of Hazardous Materials or (c) receive

any notice from a Governmental Authority or private party alleging that the Borrower, or Subsidiary or any other Loan Party may be liable or responsible for costs associated with a response to or cleanup of a release of a Hazardous Materials or any damages caused thereby, and such notices, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, the Borrower shall provide the Administrative Agent with a copy of such notice within 10 days after the receipt thereof by the Borrower or any of the Subsidiaries. The Borrower and the Subsidiaries shall promptly take all actions necessary to prevent the imposition of any Liens on any of their respective properties arising out of or related to any Environmental Laws.

SECTION 8.10 BOOKS AND RECORDS.

Maintain, and cause each of the Subsidiaries to maintain, books and records pertaining to its business operations in such detail, form and scope as is consistent with good business practice in accordance with GAAP.

SECTION 8.11 REIT STATUS.

At all times maintain its status as a REIT.

SECTION 8.12 FURTHER ASSURANCES.

At the Borrower's cost and expense, upon request of the Administrative Agent, duly execute and deliver or cause to be duly executed and delivered, to such Arranging Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be necessary or advisable in the opinion of the Administrative Agent to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

SECTION 8.13 ADDITIONAL SUBSIDIARIES.

Within 5 Business Days of any Person becoming a Material Subsidiary after the Agreement Date, deliver to the Administrative Agent each of the following in form and substance satisfactory to the Administrative Agent: (a) a Guaranty executed by such Material Subsidiary and (b) the items that would have been delivered under Sections 6.1.(a)(iii), (ix) through (xiii) and (xvii) if such Material Subsidiary had been one on the Agreement Date; provided, however, a

Non-Guarantor Subsidiary shall not be required to provide an Accession Agreement nor any of the items referred to in Sections 6.1.(a)(iii) or (xi); provided,

further, however, promptly (and in any event within 5 Business Days) of a Non-

Guarantor Subsidiary ceasing to be subject to the restriction which prevented it from delivering a Accession Agreement pursuant to this Section, such Non-Guarantor Subsidiary shall deliver such Accession Agreement and the items referred to in Sections 6.1.(a)(iii) and (xi).

SECTION 8.14 EXCHANGE LISTING.

Maintain at least one class of common shares of the Borrower having trading privileges on the New York Stock Exchange or the American Stock Exchange or which is the subject of price quotations in the over-the-counter market as reported by the National Association of Securities

ARTICLE IX. INFORMATION

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 13.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 13.6., the Borrower shall furnish to each Lender (or to the Administrative Agent if so provided below) at its Lending Office (but without duplication with respect to any Lenders which shall also receive such materials pursuant to the Revolving Credit Agreement):

SECTION 9.1 QUARTERLY FINANCIAL STATEMENTS.

As soon as available and in any event within 60 days after the close of each of the first, second and third fiscal quarters of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for such period, setting forth in each case in comparative form the figures for the corresponding periods of the previous fiscal year, all of which shall be certified by the chief financial officer or chief accounting officer of the Borrower, in his or her opinion, to present fairly, in accordance with GAAP, the consolidated financial position of the Borrower and its Subsidiaries as at the date thereof and the results of operations for such period (subject to normal year-end adjustments).

SECTION 9.2 YEAR-END STATEMENTS.

As soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for such fiscal year, setting forth in comparative form the figures as at the end of and for the previous fiscal year, all of which shall be certified by (i) the chief financial officer or chief accounting officer of the Borrower, in his or her opinion, to present fairly, in accordance with GAAP, the financial position of the Borrower and its Subsidiaries as at the date thereof and the result of operations for such period and (ii) independent certified public accountants of recognized national standing acceptable to the Requisite Lenders, whose opinion shall be unqualified.

SECTION 9.3 COMPLIANCE CERTIFICATE.

At the time the financial statements and reports are furnished pursuant to Sections 9.1. and 9.2., a certificate in the form of Exhibit N (a "Compliance Certificate") executed by the chief financial officer or chief accounting officer of the Borrower: (a) setting forth in reasonable detail as at the end of such quarterly accounting period or fiscal year, as the case may be, the calculations required to establish whether or not the Borrower, and when appropriate its consolidated Subsidiaries, were in compliance with the covenants contained in Sections 10.1., 10.4., and 10.6.; and (b) stating that, to the best of his or her knowledge, information and belief, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default and its nature, when it occurred and whether it is continuing and the steps being taken by the Borrower with

respect to such event, condition or failure.

SECTION 9.4 OTHER INFORMATION.

(a) not later than 30 days after the last day of each fiscal year of the Borrower, pro forma projected consolidated income statements for the Borrower and its Subsidiaries reflecting the forecasted results of operations of the Borrower and its Subsidiaries on an annual basis for the three succeeding fiscal years thereafter;

(b) at the time the financial statements and reports are furnished pursuant to Sections 9.1. and 9.2., operating statements for each Unencumbered Pool Property for the immediately preceding fiscal quarter or fiscal year of the Borrower, as applicable, in each case certified by a representative of the Borrower as being true and correct in all material respects;

(c) at the time the financial statements and reports are furnished pursuant to Section 9.2., a property budget for each Unencumbered Pool Property for the coming fiscal year of the Borrower;

(d) as soon as available and in any event within 60 days after the end of each fiscal quarter of the Borrower, a statement demonstrating a comparison between the cost budget of each Real Property Asset in development to the actual disbursements made, together with a description of each such Real Property Asset setting forth the ownership, scope, status of completion and occupancy, if applicable, of each such Real Property Asset, certified by the chief financial officer or chief accounting officer of the Borrower to the best of his or her knowledge as being complete and correct;

(e) promptly upon receipt thereof, copies of all reports, if any, submitted to the Borrower or its Board of Trustees by its independent public accountants including, without limitation, any management report;

(f) within 10 days of the filing thereof, copies of all registration statements (excluding the exhibits thereto and any registration statements on Form S-8 or its equivalent), reports on Forms 10-K, 10-Q and 8-K (or their equivalents) and all other periodic reports which the Borrower, any Subsidiary or any other Loan Party shall file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor) or any national securities exchange;

(g) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed and promptly upon the issuance thereof copies of all press releases issued by the Borrower, any Subsidiary or any other Loan Party;

(h) within 60 days after the end of each fiscal quarter of the Borrower, an updated Schedule 7.1.(f), certified by the chief financial officer or chief accounting officer of the Borrower as true, correct and complete as of the date such updated schedules are delivered;

(i) if and when any member of the ERISA Group (i) gives or is required to give notice

to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(j) to the extent the Borrower, any Subsidiary or any other Loan Party is aware of the same, prompt notice of the commencement of any proceeding or investigation by or before any Governmental Authority and any action or proceeding in any court or other tribunal or before any arbitrator against or in any other way relating adversely to, or adversely affecting, the Borrower, such Subsidiary or such Loan Party or any of their respective properties, assets or businesses which, if determined or resolved adversely to such Person, could reasonably be expected to have a Material Adverse Effect, and prompt notice of the receipt of notice that any United States income tax returns of the Borrower, any of its Subsidiaries or any other Loan Party are being audited;

(k) a copy of any amendment to the declaration of trust, articles of incorporation, bylaws, partnership agreement or other similar organizational documents of the Borrower, any Subsidiary or any other Loan Party within 60 days of the effectiveness thereof;

(l) prompt notice of any change in the senior management of the Borrower and any change in the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any Subsidiary or any other Loan Party which has had or could reasonably be expected to have a Material Adverse Effect;

(m) prompt notice of the occurrence of any Default or Event of Default or any event which constitutes or which with the passage of time, the giving of notice, or otherwise, would constitute a default or event of default by the Borrower, any Subsidiary or any other Loan Party under any Material Contract to which any such Person is a party or by which any such Person or any of its respective properties may be bound or under any document, instrument or agreement evidencing or securing any Indebtedness of such Person;

(n) prompt notice of the entry of any order, judgment or decree (not adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) in excess of \$2,500,000 against the Borrower, any Subsidiary or any other Loan Party or any of their respective properties or assets;

(o) any notification of a violation of any material Applicable Law or any inquiry shall have been received by the Borrower, any Subsidiary or any other Loan Party from any Governmental Authority;

(p) prompt notice of the acquisition, incorporation or other creation of any Subsidiary, the purpose for such Subsidiary, the nature of the assets and liabilities thereof;

(q) prompt notice of the proposed sale, transfer or other disposition of any Unencumbered Pool Property and notice within 30 days of the consummation of any sale, transfer or other disposition by the Borrower or any Subsidiary of any other material asset owned directly or indirectly by the Borrower and its Subsidiaries taken as a whole to any Subsidiary, Affiliate or other Person;

(r) prompt notice of any strikes, slow downs, work stoppages or walkouts or other labor disputes in progress or threatened relating to the Borrower, any Subsidiary or any other Loan Party if such action could reasonably be expected to have a Material Adverse Effect;

(s) within 30 days of entering into any Material Contract after the Agreement Date, a copy to the Administrative Agent of such Material Contract;

(t) prompt notice of any change in any rating assigned by a Rating Agency to any series of rated senior unsecured long term indebtedness of the Borrower; and

(u) from time to time and promptly upon each request, such data, certificates, reports, statements, opinions of counsel, documents or further information regarding the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any of its Subsidiaries or any other Loan Party as the Administrative Agent or any Lender may reasonably request.

ARTICLE X. NEGATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 13.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 13.6., the Borrower shall not, directly or indirectly:

SECTION 10.1 FINANCIAL COVENANTS.

Permit:

(a) Leverage. The ratio of (i) the Total Liabilities of the Borrower and

its Subsidiaries

determined on a consolidated basis to (ii) Gross Asset Value, to be greater than
0.60 to 1.00 at any time.

(b) Interest Coverage. The ratio of (i) the EBITDA of the Borrower and its
Subsidiaries determined on a consolidated basis for the four consecutive fiscal
quarter period most recently ended to (ii) the Interest Expense of the Borrower
and its Subsidiaries determined on a consolidated basis for such four-fiscal
quarter period, to be less than 1.75 to 1.00 at the end of such four-fiscal
quarter period.

(c) Fixed Charge Coverage. The ratio of (i) EBITDA of the Borrower and its
Subsidiaries determined on a consolidated basis for the four consecutive fiscal
quarter period most recently ended to (ii) Fixed Charges of the Borrower and its
Subsidiaries determined on a consolidated basis for such four-fiscal quarter
period, to be less than 1.60 to 1.00 at the end of such four-fiscal quarter
period.

(d) Unencumbered Asset Test. The ratio of (i) the Unencumbered Asset Value
to (ii) the sum of (A) the Unsecured Indebtedness of the Borrower and its
Subsidiaries determined on a consolidated basis plus (B) to the extent not
already included in clause (A), the Capitalized Lease Obligations of the
Borrower and its Subsidiaries determined on a consolidated basis, to be less
than 1.67 to 1.00 at any time.

(e) Unencumbered Asset Cash Flow Coverage. The ratio of (i) the Net
Operating Income for all Unencumbered Pool Properties for the four consecutive
fiscal quarter period most recently ended minus Replacement Reserves for such
four-quarter period to (ii) the sum of Interest Expense on Unsecured
Indebtedness of the Borrower and its Subsidiaries for such four-quarter period
determined on a consolidated basis plus to the extent not already included in
this clause (ii), all interest expense attributable to payments made in respect
of Capitalized Lease Obligations by the Borrower and its Subsidiaries during
such four-quarter period determined on a consolidated basis, to be less than
1.75 to 1.00 at the end of such four-fiscal quarter period.

(f) Minimum Shareholder's Equity. The aggregate amount of the
Shareholder's Equity of the Borrower determined on a consolidated basis at the
end of any fiscal quarter to be less than (i) \$445,000,000 plus (ii) 75% of the
Net Proceeds of all Equity Issuances (other than issuances of operating
partnership units) effected by the Borrower or any of its Subsidiaries at any
time after June 30, 1997 plus (iii) 100% of the value generated by the issuance
of operating partnership units after June 30, 1997.

(g) Secured Debt Ratio. The ratio of (i) the Secured Indebtedness of the
Borrower and its Subsidiaries determined on a consolidated basis to (ii) Gross
Asset Value, to be greater than 0.35 to 1.00 at any time.

(h) Variable Rate Debt. The ratio of (i) the aggregate outstanding
principal amount of Variable Rate Debt of the Borrower and its Subsidiaries
determined on a consolidated basis to (ii) the Gross Asset Value of the Borrower
and its Subsidiaries determined on a consolidated basis, to be greater than 0.35
to 1.00 at any time.

SECTION 10.2 INDEBTEDNESS.

Create, incur, assume, or permit or suffer to exist, or permit any Subsidiary or other Loan Party to create, incur, assume, or permit or suffer to exist, any Indebtedness other than the following:

- (a) the Obligations;
- (b) Indebtedness set forth on Schedule 7.1.(g);
- (c) Subordinated Debt;

(d) intercompany Indebtedness among the Borrower and its Wholly Owned Subsidiaries; provided, however, that the obligations of each obligor of such Indebtedness shall be subordinate to the Obligations on terms acceptable to the Requisite Lenders in their sole discretion; and

(e) other Indebtedness created, incurred or assumed after the Agreement Date so long as immediately prior to the creation, incurring or assumption thereof, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 10.1.

Notwithstanding anything set forth in this Section 10.2. to the contrary so long as each Non-Guarantor Subsidiary owns an Unencumbered Pool Property, such Non-Guarantor Subsidiary shall not create, incur, assume, or permit or suffer to exist any Indebtedness other than (x) Indebtedness of the types described in clauses (a) and (b) of the definition of Indebtedness owing to the Borrower and (y) Indebtedness of the types described in clauses (a), (b) and (d) of the definition of Indebtedness in an aggregate amount not to exceed at any time outstanding the lesser of (i) 5% of the Unencumbered Asset Value attributable to Unencumbered Pool Properties owned or leased by such Non-Guarantor Subsidiaries or (ii) \$2,500,000.

SECTION 10.3 DERIVATIVES OBLIGATIONS.

Become or remain liable, or permit any Subsidiary to become or remain liable, on or under any Derivatives Obligation other than the following:

(a) Derivatives Obligations in existence as of the Agreement Date and set forth in Schedule 10.3.; and

(b) Derivatives Obligations under Interest Rate Agreements (i) with respect to the Loan and (ii) indexed to interest rates or yields on United States Treasury Bills or Notes with respect to other Indebtedness incurred or anticipated to be incurred by the Borrower or any of its Subsidiaries to finance the acquisition of Real Property Assets.

SECTION 10.4 PERMITTED INVESTMENTS.

(a) Make any Investment in or otherwise own, and shall not permit any Subsidiary to

make any Investment in or otherwise own, any of the following items which would cause the value of such holdings of the Borrower and its Subsidiaries determined on a consolidated basis to exceed the following percentages of Gross Asset Value:

(i) Capital Stock of any Unconsolidated Affiliate, such that the aggregate value of such Capital Stock calculated on the basis of the lower of cost or market, exceeds 5% of Gross Asset Value;

(ii) Investments in partnerships, joint ventures and other non-corporate Persons accounted for on an equity basis (determined in accordance with GAAP), such that the aggregate book value of such Investments exceeds 10% of Gross Asset Value;

(iii) Mortgages in favor of the Borrower or any Subsidiary, such that the aggregate book value of Indebtedness secured by such Mortgages exceeds 10% of Gross Asset Value;

(iv) unimproved real estate (excluding unimproved real estate on which development of a property has commenced), such that the aggregate book value of all such unimproved real estate exceeds 5% of Gross Asset Value; and

(v) Real Property Assets Under Construction, such that the aggregate amount of related Construction in Process exceeds 15% of Gross Asset Value.

(b) In addition to the foregoing limitations, the aggregate value of the Investments subject to the limitations in the preceding clauses (i) through (iv) shall not exceed 30% of Gross Asset Value.

SECTION 10.5 LIENS; AGREEMENTS REGARDING LIENS; OTHER MATTERS.

(a) Create, assume, incur or permit or suffer to exist, or permit any Subsidiary or any other Loan Party to create, assume, incur or permit or suffer to exist, any Lien (other than Permitted Liens) upon any of its properties, assets, income or profits of any character whether now owned or hereafter acquired if immediately prior to the creation, assumption or incurring of such Lien, or immediately thereafter, a Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 10.1; provided that for so long as the Revolving Credit Agreement remains in effect and continues to include the prohibition on restrictions on Liens currently set forth in Section 10.5(b) of the Revolving Credit Agreement, this Section 10.5(a) shall have no force or effect, but upon the complete termination of the Revolving Credit Agreement and the irrevocable payment in full of all indebtedness and other amounts due thereunder, without further act or deed on the part of the Administrative Agent, the Lenders, the Borrower or any Guarantor, this Section 10.5(a) shall be in full force and effect.

(b) Enter into, assume or otherwise be bound by, or permit any Material Subsidiary or any Wholly Owned Subsidiary to enter into assume or otherwise be bound by any agreement (other than the Loan Documents), prohibiting the creation or assumption of any Lien upon its properties

or assets, whether now owned or hereafter acquired except for (A) any agreement (i) evidencing Indebtedness which the Borrower or such Subsidiary may create, incur, assume, or permit or suffer to exist under Section 10.2.; (ii) which Indebtedness is secured by a Lien permitted to exist under the immediately preceding subsection (a) and (iii) which prohibits the creation of any other Lien in only the property securing such Indebtedness as of the date such agreement was entered into, (B) provisions contained as of the date hereof in the articles of incorporation, bylaws, declaration of trust, partnership agreement, operating agreement or other comparable organizational document of a Non-Guarantor Subsidiary which prohibit the creation of a Lien upon any equity interest of such Non-Guarantor Subsidiary, and (C) the provisions of the Revolving Credit Agreement; or

(c) Create or otherwise cause or suffer to exist or become effective, or permit any Subsidiary or to create or otherwise cause or suffer to exist or become effective, any consensual encumbrance or restriction of any kind on the ability of any Subsidiary to: (i) pay dividends or make any other distribution on any of the capital stock or other equity interests owned by the Borrower, any Subsidiary or any other Loan Party; (ii) pay any Indebtedness owed to the Borrower, any other Subsidiary or any other Loan Party in accordance with its terms; (iii) make loans or advances to the Borrower, any Subsidiary or any other Loan Party; or (iv) transfer any of its property or assets to the Borrower, any Subsidiary or any other Loan Party, other than (x) any such consensual encumbrances or restrictions in existence as of the date hereof and (y) in the case of any Subsidiary that is not a Wholly Owned Subsidiary, limitations arising after the date hereof that any such dividends, distributions, loans, advances or transfers of property must be on fair and reasonable terms and on an arm's length basis; provided that for so long as the Revolving Credit Agreement remains in effect and continues to include the prohibition on restrictions on Liens currently set forth in Section 10.5(b) of the Revolving Credit Agreement, this Section 10.5(c) shall not prohibit the creation or assumption of any Lien in violation of Section 10.5(b) of the Revolving Credit Agreement, but upon the complete termination of the Revolving Credit Agreement and the irrevocable payment in full of all indebtedness and all other amounts due thereunder, without further act or deed on the part of the Administrative Agent, the Lenders, the Borrower or any Guarantor, this proviso shall be null and void and of no effect.

SECTION 10.6 RESTRICTED PAYMENTS.

Declare or make, or permit any Subsidiary or other Loan Party to declare or make, any Restricted Payment; provided, however, that (a) so long as no Event of Default shall have occurred and be continuing or would occur as a result thereof, the Borrower may make distributions to its shareholders during any four-quarter period in an aggregate amount not to exceed 95% of the Borrower's Funds From Operations for such four-quarter period determined on a consolidated basis; (b) Subsidiaries and other Loan Parties may make Restricted Payments to the Borrower; (c) so long as no Event of Default shall have occurred and be continuing or would occur as a result thereof, Subsidiaries may make cash distributions to Persons owning equity interest in them or Borrower may purchase or acquire such equity interests from such Persons and (d) the Borrower may make payments with respect to any Subordinated Debt permitted by the terms of Section 10.2. in accordance with the terms thereof but only, in each case, to the extent required by, and subject to the subordination provisions contained in, the agreements evidencing such Indebtedness was issued. Notwithstanding anything contained in this Section to the contrary, the Borrower may make distributions to its shareholders in the minimum amount necessary to maintain compliance with

Section 8.11. so long as (a) no Event of Default specified in Section 11.1.(a) shall have occurred and be continuing; (b) the Borrower shall not have failed to make two consecutive scheduled payments of interest on any of the Obligations when due which failure shall remain uncured and (c) none of the Obligations have been accelerated as a result of any Event of Default.

SECTION 10.7 MERGER, CONSOLIDATION AND SALES OF ASSETS.

(a) Enter into, or permit any Subsidiary or other Loan Party to enter into, any transaction of merger or consolidation; (b) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) or permit any Subsidiary or other Loan Party to do any of the foregoing; or (c) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, or the capital stock of or other equity interests in any of its Subsidiaries, whether now owned or hereafter acquired or permit any Subsidiary or other Loan Party to do any of the foregoing; provided, however, that:

(i) any Subsidiary of the Borrower may merge or consolidate with the Borrower or a Wholly Owned Subsidiary of the Borrower;

(ii) any Subsidiary or other Loan Party may sell, transfer or dispose of its assets to the Borrower or a Wholly Owned Subsidiary of the Borrower;

(iii) a Wholly Owned Subsidiary may liquidate provided that immediately prior to such liquidation and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence;

(iv) a Subsidiary that is not a Material Subsidiary, does not own an Unencumbered Pool Property and is not a party to a Guaranty or Accession Agreement delivered pursuant to Sections 6.1.(a)(viii) and 8.13., as applicable (an "Exempt Subsidiary"), may merge or consolidate with another Person, so long as immediately prior to such merger or consolidation, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence; and

(v) an Exempt Subsidiary may sell all or substantially all of its business or assets, and the Borrower or any Exempt Subsidiary may sell all or substantially all of the capital stock of or other equity interests in any Subsidiary that is itself an Exempt Subsidiary, so long as immediately prior to any such sale, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence.

Further, neither the Borrower, any Subsidiary nor any other Loan Party shall enter into any sale-leaseback transactions or other transaction by which the Borrower, a Subsidiary or a Loan Party shall remain liable as lessee (or the economic equivalent thereof) of any real or personal property that it has sold or leased to another Person.

SECTION 10.8 NO PLAN ASSETS.

Permit, or permit any Subsidiary or any other Loan Party to permit, any of its respective assets to become or be deemed to be "plan assets" within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder other than the contributions to an Employee Benefit Plan.

SECTION 10.9 FISCAL YEAR.

Change its fiscal year from that in effect as of the Agreement Date.

SECTION 10.10 MODIFICATIONS TO MATERIAL CONTRACTS.

Enter into, or permit any Subsidiary or other Loan Party to enter into, any amendment or modification to any Material Contract which could reasonably be expected to have a Material Adverse Effect or default in the performance of any obligations of any Material Contract or permit any Material Contract to be canceled or terminated more than one month prior to its stated maturity.

SECTION 10.11 TRANSACTIONS WITH AFFILIATES.

Permit to exist or enter into, and will not permit any of its Subsidiaries or any of the other Loan Parties to permit to exist or enter into, any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Borrower or with any director, officer or employee of the Borrower or any other Loan Party, except transactions in the ordinary course of and pursuant to the reasonable requirements of the business of the Borrower or any of its Subsidiaries and upon fair and reasonable terms which are no less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate.

ARTICLE XI. DEFAULT

SECTION 11.1 EVENTS OF DEFAULT.

Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of Applicable Law or pursuant to any judgment or order of any Governmental Authority:

(a) Default in Payment of Principal. The Borrower shall fail to pay when

due (whether upon demand, at maturity, by reason of acceleration or otherwise) the principal of the Loan.

(b) Default in Payment of Other Amounts. The Borrower shall fail to pay

when due any interest on the Loan or any of the other payment Obligations (other than the principal of any Loan) owing by the Borrower under this Agreement or any other Loan Document and such failure shall continue for a period of 3 Business Days after the date upon which the Borrower or any Subsidiary obtains knowledge of such failure.

(c) Default in Performance. (i) The Borrower shall fail to perform or

observe any term, covenant, condition or agreement on its part to be performed or observed contained in Section 8.11.,

Section 9.4.(1) or Article X. or (ii) the Borrower, any Subsidiary or any other Loan Party shall fail to perform or observe any term, covenant, condition or agreement contained in this Agreement or any other Loan Document to which it is a party and not otherwise mentioned in this Section and in the case of this clause (ii) such failure shall continue for a period of 60 days after the earlier of (x) the date upon which the Borrower, such Subsidiary or such Loan Party obtains knowledge of such failure or (y) the date upon which the Borrower has received written notice of such failure from the Administrative Agent.

(d) Misrepresentations. Any written statement, representation or warranty

made or deemed made by or on behalf of the Borrower, any Subsidiary or any other Loan Party under this Agreement or under any other Loan Document, or any amendment hereto or thereto, or in any other writing or statement at any time furnished or made or deemed made by or on behalf of the Borrower, any Subsidiary or any other Loan Party to the Administrative Agent or any Lender, shall at any time prove to have been incorrect or misleading in any material respect when furnished or made.

(e) Indebtedness Cross-Default.

(i) The Borrower, any Subsidiary or any other Loan Party shall fail to pay when due and payable the principal of, or interest on (after giving effect to the expiration of any applicable grace period for the payment of such interest), any Indebtedness (other than the Loan) having an aggregate outstanding principal amount of \$15,000,000 or more; or

(ii) the maturity of any such Indebtedness shall have (x) been accelerated in accordance with the provisions of any indenture, contract or instrument evidencing, providing for the creation of or otherwise concerning such Indebtedness or (y) been required to be prepaid prior to the stated maturity thereof; or

(iii) any other event shall have occurred and be continuing (and any related grace period shall have expired) which would permit any holder or holders of such Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person, to accelerate the maturity of any such Indebtedness or require any such Indebtedness to be prepaid prior to its stated maturity.

(f) Voluntary Bankruptcy Proceeding. The Borrower, any Material Subsidiary

or any other Loan Party shall: (i) commence a voluntary case under the Bankruptcy Code of 1978, as amended or other federal bankruptcy laws (as now or hereafter in effect); (ii) file a petition seeking to take advantage of any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (iii) consent to, or fail to contest in a timely and appropriate manner, any petition filed against it in an involuntary case under such bankruptcy laws or other Applicable Laws or consent to any proceeding or action described in the immediately following subsection; (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign; (v) admit in writing its inability to pay its debts as they become due; (vi) make a general assignment for the benefit of creditors; (vii) make a conveyance fraudulent as to creditors under any Applicable

Law; or (viii) take any corporate or similar action for the purpose of effecting any of the foregoing.

(g) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be

commenced against the Borrower, any Material Subsidiary or any other Loan Party, in any court of competent jurisdiction seeking: (i) relief under the Bankruptcy Code of 1978, as amended or other federal bankruptcy laws (as now or hereafter in effect) or under any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person, or of all or any substantial part of the assets, domestic or foreign, of such Person, and such case or proceeding shall continue undismissed or unstayed for a period of sixty consecutive calendar days, or an order granting the relief requested in such case or proceeding against such Person (including, but not limited to, an order for relief under such Bankruptcy Code of 1978 or such other federal bankruptcy laws) shall be entered.

(h) Contest of Loan Documents. The Borrower or any other Loan Party shall

disavow, revoke or terminate any Loan Document to which it is a party or shall otherwise challenge or contest in any action, suit or proceeding in any court or before any Governmental Authority the validity or enforceability of this Agreement, any Note or any other Loan Document.

(i) Judgment. A judgment or order for the payment of money (not adequately

covered by insurance as to which the insurance company has acknowledged coverage in writing) shall be entered against the Borrower, any Material Subsidiary or any other Loan Party by any court or other tribunal which exceeds, individually or together with all other such judgments or orders entered against the Borrower, the Subsidiaries and the other Loan Parties, \$5,000,000 in amount (or which shall otherwise have a Material Adverse Effect) and such judgment or order shall continue for a period of 30 days without being stayed or dismissed through appropriate appellate proceedings.

(j) Attachment. A warrant, writ of attachment, execution or similar

process shall be issued against any property of the Borrower or any other Loan Party which exceeds, individually or together with all other such warrants, writs, executions and processes, \$5,000,000 in amount and such warrant, writ, execution or process shall not be discharged, vacated, stayed or bonded for a period of 30 days; provided, however, that if a bond has been issued in favor of the claimant or other Person obtaining such warrant, writ, execution or process, the issuer of such bond shall execute a waiver or subordination agreement in form and substance satisfactory to the Administrative Agent pursuant to which the issuer of such bond subordinates its right of reimbursement, contribution or subrogation to the Obligations and waives or subordinates any Lien it may have on the assets of any Loan Party.

(k) ERISA. Any member of the ERISA Group shall fail to pay when due an

amount or amounts aggregating in excess of \$5,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be

entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$5,000,000.

(l) Loan Documents. An Event of Default (as defined therein) shall occur

under any of the other Loan Documents.

(m) Change of Control/Change in Management.

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 20% of the total voting power of the then outstanding voting stock of the Borrower; or

(ii) during any twelve-month period (commencing both before and after the Agreement Date), a majority of the Board of Trustees of the Borrower shall no longer be composed of individuals (i) who were members of such Board of Trustees on the first date of such period, (ii) whose election or nomination to such Board of Trustees was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of such Board of Trustees or (iii) whose election or nomination to such Board of Trustees was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of such Board of Trustees; or

(iii) Steven J. Guttman and any two of Howard S. Biel, Ron D. Kaplan and Cecily A. Ward shall cease for any reason (including death or disability) to be principally involved in the senior management of the Borrower on a full-time basis (such event a "Change in Management") and the Borrower shall fail to replace such individuals with individuals reasonably acceptable to the Requisite Lenders within 120 days of the last day the occurrence of such Change in Management.

(n) Dissolution. Any order, judgment or decree is entered against the

Borrower, any Material Subsidiary or any other Loan Party decreeing the dissolution or split up of the Borrower, such Subsidiary or such other Loan Party and such order remains undischarged or unstayed for a period in excess of 30 days.

(o) Subordination of Obligations. (i) Any Loan Document shall cease to be

in full force and effect, or (ii) any Obligation shall be subordinated in right of payment to any other liability of the Borrower, and, in either case, such condition or event shall continue for 15 days after the Borrower or any other Loan Party obtains knowledge of such condition or event.

SECTION 11.2 REMEDIES UPON EVENT OF DEFAULT.

Upon the occurrence of an Event of Default the following provisions shall apply:

(a) Acceleration; Termination of Facilities.

(i) Automatic. Upon the occurrence of an Event of Default specified

in Sections 11.1.(f) or 11.1.(g), (A) the principal of, and all accrued interest on, the Loan and the Notes at the time outstanding, and (B) all of the other Obligations of the Borrower, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents shall become immediately and automatically due and payable by the Borrower without presentment, demand, protest, or other notice of any kind, all of which are expressly waived by the Borrower.

(ii) Optional. If any other Event of Default shall have occurred and

be continuing, the Administrative Agent may, and at the direction of the Requisite Lenders shall: declare (1) the principal of, and accrued interest on, the Loan and the Notes at the time outstanding, and (2) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Borrower.

(b) Loan Documents. The Requisite Lenders may direct the Administrative

Agent to, and the Administrative Agent if so directed shall, exercise any and all of its rights under any and all of the other Loan Documents.

(c) Applicable Law. The Requisite Lenders may direct the Administrative

Agent to, and the Administrative Agent if so directed shall, exercise all other rights and remedies it may have under any Applicable Law.

(d) Appointment of Receiver. To the extent permitted by Applicable Law,

the Administrative Agent and the Lenders shall be entitled to the appointment of a receiver for the assets and properties of the Borrower and its Subsidiaries, without notice of any kind whatsoever and without regard to the adequacy of any security for the Obligations or the solvency of any party bound for its payment, to take possession of all or any portion of the business operations of the Borrower and its Subsidiaries and to exercise such power as the court shall confer upon such receiver.

SECTION 11.3 [INTENTIONALLY OMITTED].

SECTION 11.4 ALLOCATION OF PROCEEDS.

If an Event of Default shall have occurred and be continuing and the Obligations have been accelerated, all payments received by the Administrative Agent under any of the Loan Documents, in respect of any principal of or interest on the Obligations or any other amounts payable by the

Borrower hereunder or thereunder, shall be applied by the Administrative Agent in the following order and priority:

(a) amounts due to the Administrative Agent and the Lenders in respect of Fees and expenses due under Section 13.2.;

(b) payments of interest on the Loan to be applied for the ratable benefit of the Lenders;

(c) payments of principal of the Loan to be applied for the ratable benefit of the Lenders;

(d) [Intentionally Omitted]

(e) amounts due to the Administrative Agent and the Lenders pursuant to Sections 12.7. and 13.9.;

(f) payments of all other amounts due under any of the Loan Documents, if any, to be applied for the ratable benefit of the Lenders; and

(g) any amount remaining after application as provided above, shall be paid to the Borrower or whomever else may be legally entitled thereto.

SECTION 11.5 [INTENTIONALLY OMITTED].

SECTION 11.6 PERFORMANCE BY ADMINISTRATIVE AGENT.

If the Borrower shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, the Administrative Agent may perform or attempt to perform such covenant, duty or agreement on behalf of the Borrower after the expiration of any cure or grace periods set forth herein. In such event, the Borrower shall, at the request of the Administrative Agent, promptly pay any amount reasonably expended by the Administrative Agent in such performance or attempted performance to the Administrative Agent, together with interest thereon at the applicable Post-Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, neither the Administrative Agent nor any Lender shall have any liability or responsibility whatsoever for the performance of any obligation of the Borrower under this Agreement or any other Loan Document.

SECTION 11.8 RIGHTS CUMULATIVE.

The rights and remedies of the Administrative Agent and the Lenders under this Agreement and each of the other Loan Documents shall be cumulative and not exclusive of any rights or remedies which any of them may otherwise have under Applicable Law. In exercising their respective rights and remedies the Administrative Agent and the Lenders may be selective and no failure or delay by the Administrative Agent or any of the Lenders in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its

other or further exercise or the exercise of any other power or right.

SECTION 11.9 RESCISSION OF ACCELERATION BY REQUISITE LENDERS.

If at any time after acceleration of the maturity of the Obligations, the Borrower shall pay all arrears of interest and all payments on account of principal of the Obligations which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by Applicable Law, on overdue interest, at the rates specified in this Agreement) and all Events of Default and Defaults (other than nonpayment of principal of and accrued interest on the Obligations due and payable solely by virtue of acceleration) shall be remedied or waived to the satisfaction of the Requisite Lenders, then by written notice to the Borrower, the Requisite Lenders may elect, in the sole discretion of such Requisite Lenders, to rescind and annul the acceleration and its consequences; but such action shall not affect any subsequent Default or Event of Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders to a decision which may be made at the election of the Requisite Lenders; they are not intended to benefit the Borrower and do not give the Borrower the right to require the Lenders to rescind or annul any acceleration hereunder, even if the conditions set forth herein are satisfied.

ARTICLE XII. THE AGENTS

SECTION 12.1 AUTHORIZATION AND ACTION.

Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on such Lender's behalf and to exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The relationship between the Administrative Agent and the Lenders shall be that of principal and agent only and nothing herein shall be construed to deem the Administrative Agent a trustee or fiduciary for any Lender nor to impose on the Administrative Agent duties or obligations other than those expressly provided for herein. At the request of a Lender, the Administrative Agent will forward to such Lender copies or, where appropriate, originals of the documents delivered to the Administrative Agent pursuant to this Agreement or the other Loan Documents. The Administrative Agent will also furnish to any Lender, upon the request of such Lender, a copy of any certificate or notice furnished to the Administrative Agent by the Borrower, any Subsidiary or any other Loan Party, pursuant to this Agreement or any other Loan Document not already delivered to such Lender pursuant to the terms of this Agreement or any such other Loan Document. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of any of the Obligations), the Administrative Agent shall not be required to exercise any discretion or take any action, and the Administrative Agent shall only be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders (or all of the Lenders if explicitly required under any other provisions of this Agreement), and such instructions shall be binding upon all Lenders and all holders of any of the Obligations; provided, however, that, notwithstanding anything in this Agreement to the contrary, the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or any other Loan Document or Applicable Law. Not in

limitation of the foregoing, the Administrative Agent shall not exercise any right or remedy it or the Lenders may have under any Loan Document upon the occurrence of a Default or an Event of Default unless the Requisite Lenders have so directed the Administrative Agent to exercise such right or remedy.

SECTION 12.2 ADMINISTRATIVE AGENT'S RELIANCE, ETC.

Notwithstanding any other provision of any Loan Document, neither the Administrative Agent nor any of the Administrative Agent's directors, officers, agents, employees or counsel shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent: (a) may treat the payee of any Note as the holder thereof until the Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Administrative Agent; (b) may consult with legal counsel (including its own counsel or counsel for the Borrower or any Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender or any other Person and shall not be responsible to any Lender or any other Person for any statements, warranties or representations made by any Person in or in connection with this Agreement or any other Loan Document; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of this Agreement or any other Loan Document or the satisfaction of any conditions precedent under this Agreement or any Loan Document on the part of the Borrower or other Persons or inspect the property, books or records of the Borrower or any other Person; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document, any other instrument or document furnished pursuant thereto or any collateral covered thereby or the perfection or priority of any Lien in favor of the Administrative Agent on behalf of the Lenders in any such collateral; and (f) shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telephone or telecopy) believed by it to be genuine and signed, sent or given by the proper party or parties.

SECTION 12.3 NOTICE OF DEFAULTS.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default, other than a Default or Event of Default under Section 11.1.(a) or (b), unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing with reasonable specificity such Default or Event of Default and stating that such notice is a "notice of default." If any Lender becomes aware of any Default or Event of Default, it shall promptly send to the Administrative Agent such a "notice of default." Further, if the Administrative Agent receives such a "notice of default", the Administrative Agent shall give prompt notice thereof to the Lenders.

SECTION 12.4 PNC AS LENDER.

PNC, as a Lender, shall have the same rights and powers under this Agreement and any other Loan Document as any other Lender and may exercise the same as though it were not an Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include PNC in its individual capacity. PNC and its affiliates may accept deposits from, maintain deposits or credit balances for, invest in, lend money to, act as trustee under indentures of, serve as financial advisor to, and generally engage in any kind of business with the Borrower, any Subsidiary, any other Loan Party or any other affiliate thereof as if it were any other bank and without any duty to account therefor to the other Lenders. Further, the Administrative Agent and any affiliate may accept fees and other consideration from the Borrower for services in connection with this Agreement and otherwise without having to account for the same to the other Lenders.

SECTION 12.5 APPROVALS OF LENDERS.

All communications from the Administrative Agent to any Lender requesting such Lender's determination, consent, approval or disapproval (a) shall be given in the form of a written notice to such Lender, (b) shall be accompanied by a description of the matter or issue as to which such determination, approval, consent or disapproval is requested, or shall advise such Lender where information, if any, regarding such matter or issue may be inspected, or shall otherwise describe the matter or issue to be resolved, (c) shall include, if reasonably requested by such Lender and to the extent not previously provided to such Lender, written materials and a summary of all oral information provided to the Administrative Agent by the Borrower in respect of the matter or issue to be resolved, and (d) shall include the Administrative Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within 10 Business Days (or such lesser or greater period as may be specifically required or permitted under the Loan Documents for the Administrative Agent to respond). Unless a Lender shall give written notice to the Administrative Agent that it objects to the recommendation or determination of the Administrative Agent (together with a written explanation of the reasons behind such objection) within the applicable time period for reply, such Lender shall be deemed to have conclusively approved of or consented to such recommendation or determination.

SECTION 12.6 LENDER CREDIT DECISION, ETC.

Each Lender expressly acknowledges and agrees that neither the Administrative Agent nor any of the Administrative Agent's respective officers, directors, employees, agents, counsel, attorneys-in-fact or other affiliates has made any representations or warranties as to the financial condition, operations, creditworthiness, solvency or other information concerning the business or affairs of the Borrower, any Subsidiary, any other Loan Party or other Person to such Lender and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any such representation or warranty by the Administrative Agent to any Lender. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Lender or counsel to the Administrative Agent, or any of their respective officers, directors, employees and agents, and based on the financial statements of the Borrower, the Subsidiaries or any other Affiliate thereof, and inquiries of such Persons, its independent due diligence of the business and affairs of the Borrower, the Subsidiaries, the other

Loan Parties and other Persons, its review of the Loan Documents, the legal opinions required to be delivered to it hereunder, the advice of its own counsel and such other documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to enter into this Agreement and the transaction contemplated hereby. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or counsel to the Administrative Agent or any of their respective officers, directors, employees and agents, and based on such review, advice, documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under the Loan Documents. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent under this Agreement or any of the other Loan Documents, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower, any other Loan Party or any other Affiliate thereof which may come into possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or other affiliates.

SECTION 12.7 INDEMNIFICATION OF THE ADMINISTRATIVE AGENT.

Each Lender agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) pro rata in accordance with such Lender's respective Commitment Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of the Loan Documents (collectively "Indemnifiable Amounts"), any transaction contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under the Loan Documents; provided, however, that no Lender shall be liable for any portion of such Indemnifiable Amounts to the extent resulting from the Administrative Agent's gross negligence or willful misconduct or, if the Administrative Agent fails to follow the written direction of the Requisite Lenders unless such failure is pursuant to the advice of counsel of which the Lenders have received notice. Without limiting the generality of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees of the counsel(s) of the Administrative Agent's own choosing) incurred by the Administrative Agent in connection with the preparation, execution, administration, or enforcement of, or legal advice with respect to the rights or responsibilities of the parties under, the Loan Documents, any suit or action brought by the Administrative Agent to enforce the terms of the Loan Documents and/or collect any Obligations, any "lender liability" suit or claim brought against the Administrative Agent and/or the Lenders, and any claim or suit brought against the Administrative Agent and/or the Lenders arising under any Environmental Laws, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower. Such out-of-pocket expenses (including counsel fees) shall be advanced by the Lenders on the request of the Administrative Agent notwithstanding any claim or assertion that the Administrative Agent is not entitled to indemnification hereunder upon receipt of an undertaking by the Administrative Agent that the Administrative Agent will reimburse the Lenders if it is actually and finally determined by a court of competent jurisdiction that the Administrative Agent is not so entitled to indemnification. The agreements in this Section shall survive the payment of the Loan

and all other amounts payable hereunder or under the other Loan Documents and the termination of this Agreement. If the Borrower shall reimburse the Administrative Agent for any Indemnifiable Amount following payment by any Lender to the Administrative Agent in respect of such Indemnifiable Amount pursuant to this Section, the Administrative Agent shall share such reimbursement on a ratable basis with each Lender making any such payment.

SECTION 12.8 SUCCESSOR ADMINISTRATIVE AGENT.

The Administrative Agent may resign at any time as Administrative Agent under the Loan Documents by giving written notice thereof to the Lenders and the Borrower. In the event of a material breach of its duties hereunder, the Administrative Agent may be removed as Administrative Agent under the Loan Documents at any time by the Requisite Lenders upon 30-day's prior notice. The Requisite Lenders shall have the right to appoint a successor Administrative Agent and, provided no Default or Event of Default shall have occurred and be continuing, be subject to the Borrower's approval, which approval shall not be unreasonably withheld or delayed (except that Borrower shall, in all events, be deemed to have approved each Lender as a successor Administrative Agent). If no successor Administrative Agent shall have been so appointed by the Requisite Lenders, and shall have accepted such appointment, within 30 days after the resigning Administrative Agent's giving of notice of resignation or the Requisite Lenders' removal of the resigning Administrative Agent, then the resigning or removed Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a Lender, if any Lender shall be willing to serve, and otherwise shall be a commercial bank having total combined assets of at least \$50,000,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent, as applicable, shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations as "Administrative Agent" under the Loan Documents. After any resigning Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article XII. shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

SECTION 12.9 SYNDICATION AND DOCUMENTATION AGENTS.

The Syndication Agent and Documentation Agent in their respective capacities as such, do not assume any responsibility or obligation hereunder, including, without limitation, for servicing, enforcement or collection of the Loan, nor any duties as agents hereunder for the Lenders. The titles of "Syndication Agent" and "Documentation Agent" are solely honorific and imply no fiduciary responsibility on the part and of the Syndication Agent or the Documentation Agent, in their respective capacities as such, to the Administrative Agent, the Borrower or any Lender and the use of such titles do not impose on the Syndication Agent or the Documentation Agent any duties or obligations greater than those of any other Lender or entitle the Syndication Agent or the Documentation Agent to any rights other than those to which any other Lender is entitled.

SECTION 12.10 APPROVALS AND OTHER ACTIONS BY REQUISITE LENDERS.

Each of the following shall require the approval of, or may be taken at the request of, the

Requisite Lenders:

(a) Consent to an increase in the aggregate amount of the Commitments from \$125,000,000 to \$150,000,000, provided that no such consent shall obligate any Lender to increase its Commitment;

(b) Subject to Section 4.4, approval of Eligible Properties as Unencumbered Pool Properties as provided in Section 4.1.;

(c) Termination of the Commitments and acceleration of the Obligations upon the occurrence of an Event of Default as provided in Section 11.2.;

(d) Rescission of acceleration of any of the Obligations as provided in Section 11.8.;

(e) Removing the Administrative Agent for good cause and approving of its replacement as provided in Section 12.8.; and

(f) Except as specifically provided otherwise in Section 13.6., any consent or approval regarding, any waiver of the performance or observance by the Borrower of and the waiver of the continuance of any Default or Event of Default in respect of, any term of this Agreement or any other Loan Document.

ARTICLE XIII. MISCELLANEOUS

SECTION 13.1 NOTICES.

Unless otherwise provided herein, communications provided for hereunder shall be in writing and shall be mailed, telecopied or delivered as follows:

If to the Borrower:

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852-4041
Attention: Legal Department
Telecopy Number: (301) 998-3703
Telephone Number: (301) 998-8333

If to the Administrative Agent:

PNC Bank, National Association
One PNC Plaza, 249 Fifth Avenue
Mail Stop P1-POPP-22-1
Pittsburgh, PA 15222-2707
Attention: Arlene Ohler, Agency Services

(412) 762.8672
(412) 762.3627

With a copy to:

PNC Bank, National Association
1401 Eye Street, N.W., Suite 200
Washington, DC 20005
Attention: Ashley Smith
Telephone Number: (202) 393.2752
Telecopy Number: (202) 393.1545

If to a Lender:

To such Lender's address or telecopy number, as applicable, set forth on its signature page hereto or in the applicable Assignment and Acceptance Agreement.

or, as to each party at such other address as shall be designated by such party in a written notice to the other parties delivered in compliance with this Section. All such notices and other communications shall be effective (i) if mailed, when received; (ii) if telecopied, when transmitted; or (iii) if hand delivered, when delivered. Notwithstanding the immediately preceding sentence, all notices or communications to the Administrative Agent or any Lender under Article II. shall be effective only when actually received. Neither the Administrative Agent nor any Lender shall incur any liability to the Borrower (nor shall the Administrative Agent incur any liability to the Lenders) for acting upon any telephonic notice referred to in this Agreement which the Administrative Agent or such Lender, as the case may be, believes in good faith to have been given by a Person authorized to deliver such notice or for otherwise acting in good faith under hereunder.

SECTION 13.2 EXPENSES.

The Borrower agrees (a) to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of, and any amendment, supplement or modification to, any of the Loan Documents (including due diligence expenses and travel expenses relating to closing), and the consummation of the transactions contemplated thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent, (b) to pay or reimburse the Administrative Agent and the Lenders for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under the Loan Documents, including the reasonable fees and disbursements of their respective counsel (including the allocated fees and expenses of in-house counsel) and any payments in indemnification or otherwise payable by the Lenders to the Administrative Agent pursuant to the Loan Documents, (c) to pay, indemnify and hold the Administrative Agent and the Lenders harmless from any and all recording and filing fees and any and all liabilities with respect to, or resulting from any failure to pay or delay in paying, documentary, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of any of the Loan Documents, or consummation of any amendment, supplement or modification

of, or any waiver or consent under or in respect of, any Loan Document and (d) to the extent not already covered by any of the preceding subsections, to pay or reimburse the Administrative Agent and the Lenders for all their costs and expenses incurred in connection with any bankruptcy or other proceeding of the type described in Sections 11.1.(f) or 11.1.(g), including the reasonable fees and disbursements of counsel to the Administrative Agent and any Lender, whether such fees and expenses are incurred prior to, during or after the commencement of such proceeding or the confirmation or conclusion of any such proceeding.

SECTION 13.3 SETOFF.

Subject to Section 3.3. and in addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon the occurrence and during the continuation of a Default or an Event of Default, the Administrative Agent and each Lender is hereby authorized by the Borrower, at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, but in the case of any Lender only with the prior written consent of the Administrative Agent, to set-off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Administrative Agent, such Lender or any affiliate of the Administrative Agent or such Lender, to or for the credit or the account of the Borrower against and on account of any of the Obligations, irrespective of whether or not the Loan and all other Obligations have declared to be due and payable as permitted by Section 11.2., and although such obligations shall be contingent or unmatured.

SECTION 13.4 ARBITRATION.

UPON DEMAND OF ANY PARTY HERETO, WHETHER MADE BEFORE OR AFTER INSTITUTION OF ANY JUDICIAL PROCEEDING, ANY CLAIM OR CONTROVERSY ARISING OUT OF, OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS ("DISPUTES") BETWEEN OR AMONG ANY SUCH PARTIES SHALL BE RESOLVED BY BINDING ARBITRATION CONDUCTED UNDER AND GOVERNED BY THE COMMERCIAL FINANCIAL DISPUTES ARBITRATION RULES (THE "ARBITRATION RULES") OF THE AMERICAN ARBITRATION ASSOCIATION (THE "AAA") AND THE FEDERAL ARBITRATION ACT. DISPUTES MAY INCLUDE, WITHOUT LIMITATION, TORT CLAIMS, COUNTERCLAIMS, DISPUTES AS TO WHETHER A MATTER IS SUBJECT TO ARBITRATION, CLAIMS BROUGHT AS CLASS ACTIONS, AND CLAIMS ARISING FROM LOAN DOCUMENTS EXECUTED IN THE FUTURE. A JUDGMENT UPON THE AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. NOTWITHSTANDING THE FOREGOING, THIS ARBITRATION PROVISION DOES NOT APPLY TO DISPUTES UNDER OR RELATED TO INTEREST RATE AGREEMENTS TO WHICH ANY LENDER IS A PARTY. ALL ARBITRATION HEARINGS SHALL BE CONDUCTED IN WASHINGTON, D.C. A HEARING SHALL BEGIN WITHIN 90 DAYS OF DEMAND FOR ARBITRATION AND ALL HEARINGS SHALL CONCLUDED WITHIN 120 DAYS OF DEMAND FOR ARBITRATION. THESE TIME LIMITATIONS MAY NOT BE EXTENDED UNLESS A PARTY SHOWS CAUSE FOR EXTENSION AND THEN NO MORE THAN A TOTAL EXTENSION OF 60 DAYS. THE

EXPEDITED PROCEDURES SET FORTH IN RULE 51 ET. SEQ. OF THE ARBITRATION RULES SHALL BE APPLICABLE TO CLAIMS OF LESS THAN \$1,000,000. ARBITRATORS SHALL BE LICENSED ATTORNEYS SELECTED FROM THE COMMERCIAL FINANCIAL DISPUTE ARBITRATION PANEL OF THE AAA. THE PARTIES DO NOT WAIVE ANY APPLICABLE LAWS EXCEPT AS PROVIDED HEREIN. NOTWITHSTANDING THE PRECEDING BINDING ARBITRATION PROVISIONS, THE PARTIES AGREE TO PRESERVE, WITHOUT DIMINUTION, THE FOLLOWING REMEDIES THAT THE ADMINISTRATIVE AGENT OR THE LENDERS MAY EXERCISE BEFORE OR AFTER AN ARBITRATION PROCEEDING IS BROUGHT. SUBJECT TO THE OTHER TERMS HEREOF, THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO PROCEED IN ANY COURT OF PROPER JURISDICTION OR BY SELF-HELP TO EXERCISE OR PROSECUTE THE FOLLOWING REMEDIES, AS APPLICABLE: (I) ALL RIGHTS TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY OR OTHER SECURITY BY EXERCISING A POWER OF SALE OR UNDER APPLICABLE LAW BY JUDICIAL FORECLOSURE INCLUDING A PROCEEDING TO CONFIRM THE SALE; (II) ALL RIGHTS OF SELF-HELP INCLUDING PEACEFUL OCCUPATION OF REAL PROPERTY AND COLLECTION OF RENTS, SET-OFF, AND PEACEFUL POSSESSION OF PERSONAL PROPERTY; (III) OBTAINING PROVISIONAL OR ANCILLARY REMEDIES INCLUDING INJUNCTIVE RELIEF, SEQUESTRATION, GARNISHMENT, ATTACHMENT, APPOINTMENT OF RECEIVER AND FILING AN INVOLUNTARY BANKRUPTCY PROCEEDING; AND (IV) WHEN APPLICABLE, A JUDGMENT BY CONFESSION OF JUDGMENT. ANY CLAIM OR CONTROVERSY WITH REGARD TO PARTIES' ENTITLEMENT TO SUCH REMEDIES IS A DISPUTE. THE PARTIES HERETO ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED ANY RIGHT THEY MAY HAVE TO A JURY TRIAL WITH REGARD TO A DISPUTE. FURTHER, THE PARTIES AGREE THAT IF (X) THE ADMINISTRATIVE AGENT OR THE LENDERS SHALL BE ENTITLED TO EXERCISE ANY RIGHT OR REMEDY UNDER ARTICLE XI. SOLELY BECAUSE ANY EVENT OR CONDITION HAS OCCURRED OR EXISTS (OR HAS FAILED TO OCCUR OR EXIST) WHICH COULD REASONABLY BE EXPECTED TO HAVE A MATERIAL ADVERSE EFFECT (AS DEFINED HEREIN) AND (Y) THE BORROWER IN GOOD FAITH SHALL DISPUTE THE REQUISITE LENDERS' DETERMINATION OF MATERIALITY AS PERMITTED BY THE LAST SENTENCE OF THE DEFINITION OF THE TERM MATERIAL ADVERSE EFFECT, THEN THE EXERCISE OF SUCH RIGHTS AND REMEDIES SHALL BE SUBJECT TO RESOLUTION OF SUCH DISPUTE PURSUANT TO ARBITRATION IN ACCORDANCE WITH THIS SECTION.

SECTION 13.5 SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Lenders.

(b) Any Lender may make, carry or transfer its portion of the Loan at, to or for the

account of, any of its branch offices or the office of an affiliate of such Lender except to the extent such transfer would result in increased costs to the Borrower.

(c) Any Lender may at any time grant to one or more banks or other financial institutions (each a "Participant") participating interests in its Commitment or the Obligations owing to such Lender; provided, however, (i) any such participating interest must be for a constant and not a varying percentage interest, (ii) no Lender may grant a participating interest in its Commitment, or if the Commitments have been terminated, the aggregate outstanding principal balance of Notes held by it, in an amount less than \$5,000,000 and integral multiples of \$5,000,000 in excess thereof and (iii) after giving effect to any such participation a Lender, the amount of its Commitment, or if the Commitments have been terminated, the aggregate outstanding principal balance of Notes held by it, in which it has not granted any participating interests must be at least \$5,000,000. Except as otherwise provided in Section 13.3., no Participant shall have any rights or benefits under this Agreement or any other Loan Document. In the event of any such grant by a Lender of a participating interest to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, however, such Lender may agree with the Participant that it will not, without the consent of the Participant, agree to (i) increase, or extend the term or extend the time or waive any requirement for the reduction or termination of, such Lender's Commitment, (ii) extend the date fixed for the payment of principal or of interest on the Loans or portions thereof owing to such Lender, (iii) reduce the amount of any such payment of principal, or (iv) reduce the rate at which interest is payable thereon. An assignment or other transfer which is not permitted by subsection (d) or (e) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (c). The selling Lender shall notify the Administrative Agent and the Borrower of the sale of any participation hereunder and the terms thereof.

(d) Any Lender may with the prior written consent of the Administrative Agent and the Borrower (which consent in the case of the Administrative Agent and the Borrower shall not be unreasonably withheld) assign to one or more Eligible Assignees (each an "Assignee") all or a portion of its Commitment and its other rights and obligations under this Agreement and the Notes; provided, however, (i) no such consent by the Borrower shall be required (x) in the case of any assignment to another Lender or any affiliate of such Lender or another Lender or (y) if a Default or Event of Default shall have occurred and be continuing; (ii) any partial assignment shall be in an amount at least equal to \$5,000,000 and integral multiples in of \$5,000,000 in excess thereof and after giving effect to such assignment the assigning Lender retains a Commitment, or if the Commitments have been terminated, holds Notes having an aggregate outstanding principal balance, of at least \$5,000,000 and integral multiples of \$5,000,000 in excess thereof; (iii) each such assignment shall be effected by means of an Assignment and Acceptance Agreement; (iv) the Administrative Agent, in the Administrative Agent's capacity as a Lender, shall not effect any assignment of its Commitment, if after giving effect thereto, the amount of such Commitment would

be less than \$5,000,000 more than the Commitment of any other Lender in its capacity as a Lender, provided that, to the extent that an Event of Default shall occur and be continuing hereunder, the Administrative Agent shall not be required to maintain a Commitment in excess of the commitment of any other Lender hereunder, subject to the right of the Requisite Lenders to remove the Administrative Agent within thirty (30) days following the reduction in the Administrative Agent's Commitment to less than \$5,000,000 more than the Commitment of any other Lender. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be deemed to be a Lender party to this Agreement as of the effective date of the Assignment and Acceptance Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such Assignment and Acceptance Agreement, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (d), the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that new Notes are issued to the Assignee and such transferor Lender, as appropriate. In connection with any such assignment, the transferor Lender shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of \$3,500.

(e) The Administrative Agent shall maintain at the Principal Office a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of each Lender from time to time (the "Register"). The Administrative Agent shall give each Lender and the Borrower notice of the assignment by any Lender of its rights as contemplated by this Section. The Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register and copies of each Assignment and Acceptance Agreement shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice to the Administrative Agent. Upon its receipt of an Assignment and Acceptance Agreement executed by an assigning Lender, together with each Note subject to such assignment (the "Surrendered Note"), the Administrative Agent shall, if such Assignment and Acceptance Agreement has been completed and if the Administrative Agent receives the processing and recording fee described in subsection (d) above, (i) accept such Assignment and Acceptance Agreement, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Borrower.

(f) In addition to the assignments and participations permitted under the foregoing provisions of this Section, any Lender may assign and pledge all or any of its portion of the Loan and its Note to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank, and such portion of the Loan and Notes shall be fully transferable as provided therein. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) A Lender may furnish any information concerning the Borrower, any other Loan Party or any of their respective Subsidiaries in the possession of such Lender from time to time to Assignees and Participants (including prospective Assignees and Participants) subject to compliance

with Section 13.8.

(h) Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in its portion of the Loan held by it hereunder to the Borrower, any other Loan Party or any of their respective Affiliates or Subsidiaries.

(i) Each Lender agrees that, without the prior written consent of the Borrower, or the Administrative Agent, it will not make any assignment hereunder in any manner or under any circumstances that would require registration or qualification of, or filings in respect of, the Loan or its Note under the Securities Act or any other securities laws United States of America or of any other jurisdiction.

SECTION 13.6 AMENDMENTS.

Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement or in any Loan Document to be given by the Lenders may be given, and any term of this Agreement or of any other Loan Document may be amended, and the performance or observance by the Borrower or any Loan Party or Subsidiary of any terms of this Agreement or such other Loan Document or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Requisite Lenders (and, in the case of an amendment to any Loan Document, the written consent of the Borrower). Notwithstanding the foregoing, no amendment, waiver or consent shall, unless in writing, and signed by all of the Lenders (or the Administrative Agent at the written direction of all of the Lenders), do any of the following: (i) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, except as provided in Section 12.10(a), (ii) reduce the principal of, or interest rates that have accrued or that will be charged on the outstanding principal amount of, the Loan or other Obligations; (iii) reduce the amount of any Fees payable hereunder; (iv) postpone any date fixed for any payment of any principal of, interest on, or Fees with respect to, the Loan or any other Obligations; (v) change the Commitment Percentages, except to the extent that an increase in the Commitments is approved in accordance with Section 12.10(a), (vi) amend this Section or amend the definitions of the terms used in this Agreement or the other Loan Documents insofar as such definitions affect the substance of this Section; (vii) release any Guarantor from its obligations under its Guaranty or (viii) modify the definition of the term "Requisite Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof. Further, no amendment, waiver or consent unless in writing and signed by the Administrative Agent, in addition to the Lenders required hereinabove to take such action, shall affect the rights or duties of the Administrative Agent under this Agreement or any of the other Loan Documents. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon and any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose set forth therein. No course of dealing or delay or omission on the part of the Administrative Agent or any Lender in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. Except as otherwise explicitly provided for herein or in any other Loan Document, no notice to or demand upon the Borrower shall

entitle the Borrower to other or further notice or demand in similar or other circumstances.

SECTION 13.7 NONLIABILITY OF ADMINISTRATIVE AGENT AND LENDERS.

The relationship between the Borrower, on the one hand, and the Lenders and the Administrative Agent, on the other, shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender shall have any fiduciary responsibilities to the Borrower and no provision in this Agreement or in any of the other Loan Documents, and no course of dealing between or among any of the parties hereto, shall be deemed to create any fiduciary duty owing by the Administrative Agent or any Lender to any Lender, the Borrower or any Subsidiary. Neither the Administrative Agent nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

SECTION 13.8 CONFIDENTIALITY.

Except as otherwise provided by Applicable Law, the Administrative Agent and each Lender shall utilize all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices but in any event may make disclosure: (a) to any of their respective affiliates (provided they shall agree to keep such information confidential in accordance with the terms of this Section); (b) as reasonably required by any bona fide Assignee, Participant or other transferee in connection with the contemplated transfer of any Commitment or participations therein as permitted hereunder (provided they shall agree to keep such information confidential in accordance with the terms of this Section); (c) as required by any Governmental Authority or representative thereof or pursuant to legal process; (d) to the Administrative Agent's or such Lender's independent auditors and other professional advisors (provided they shall be notified of the confidential nature of the information); and (e) after the happening and during the continuance of an Event of Default, to any other Person, in connection with the exercise by the Administrative Agent or the Lenders of rights hereunder or under any of the other Loan Documents.

SECTION 13.9 INDEMNIFICATION.

(a) The Borrower shall and hereby agrees to indemnify, defend and hold harmless the Administrative Agent, any affiliate of the Administrative Agent and each of the Lenders and their respective directors, officers, shareholders, agents, employees and counsel (each referred to herein as an "Indemnified Party") from and against any and all losses, costs, claims, damages, liabilities, deficiencies, judgments or expenses of every kind and nature (including, without limitation, amounts paid in settlement, court costs and the fees and disbursements of counsel incurred in connection with any litigation, investigation, claim or proceeding or any advice rendered in connection therewith, but excluding lost profits) (the foregoing items referred to herein as "Claims and Expenses") incurred by an Indemnified Party in connection with, arising out of, or by reason of, any suit, cause of action, claim, arbitration, investigation or settlement, consent decree or other proceeding (the foregoing referred to herein as an "Indemnity Proceeding") which is in any way related directly or indirectly to: (i) this Agreement or any other Loan Document or the transactions contemplated thereby; (ii) the

making of the Loan; (iii) any actual or proposed use by the Borrower of the proceeds of the Loan; (iv) the Administrative Agent's or any Lender's entering into this Agreement; (v) the fact that the Administrative Agent and the Lenders have established the credit facility evidenced hereby in favor of the Borrower; (vi) the fact that the Administrative Agent and the Lenders are creditors of the Borrower and have or are alleged to have information regarding the financial condition, strategic plans or business operations of the Borrower and the Subsidiaries; (vii) the fact that the Administrative Agent and the Lenders are material creditors of the Borrower and are alleged to influence directly or indirectly the business decisions or affairs of the Borrower and the Subsidiaries or their financial condition; (viii) the exercise of any right or remedy the Administrative Agent or the Lenders may have under this Agreement or the other Loan Documents; and (ix) any violation or non-compliance by the Borrower or any Subsidiary of any Applicable Law (including any Environmental Law) including, but not limited to, any Indemnity Proceeding commenced by (A) the Internal Revenue Service or state taxing authority or (B) any Governmental Authority or other Person under any Environmental Law, including any Indemnity Proceeding commenced by a Governmental Authority or other Person seeking remedial or other action to cause the Borrower or its Subsidiaries (or its respective properties) (or the Administrative Agent and/or the Lenders as successors to the Borrower) to be in compliance with such Environmental Laws; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party (x) for any acts or omissions of such Indemnified Party in connection with matters described in the preceding clause (viii) that constitute gross negligence or willful misconduct or (y) for Claims and Expenses of a Defaulting Lender to the extent such Claims and Expenses result from the gross negligence or willful misconduct of such Defaulting Lender.

(b) The Borrower's indemnification obligations under this Section shall apply to all Indemnity Proceedings arising out of, or related to, the foregoing whether or not an Indemnified Party is a named party in such Indemnity Proceeding. In this connection, this indemnification shall cover all costs and expenses of any Indemnified Party in connection with any deposition of any Indemnified Party or compliance with any subpoena (including any subpoena requesting the production of documents). This indemnification shall, among other things, apply to any Indemnity Proceeding commenced by other creditors of the Borrower or any Subsidiary, any shareholder of the Borrower or any Subsidiary (whether such shareholder(s) are prosecuting such Indemnity Proceeding in their individual capacity or derivatively on behalf of the Borrower), any account debtor of the Borrower or any Subsidiary or by any Governmental Authority.

(c) This indemnification shall apply to any Indemnity Proceeding arising during the pendency of any bankruptcy proceeding filed by or against the Borrower and/or any Subsidiary.

(d) All out-of-pocket fees and expenses of, and all amounts paid to third-persons by, an Indemnified Party shall be advanced by the Borrower at the request of such Indemnified Party notwithstanding any claim or assertion by the Borrower that such Indemnified Party is not entitled to indemnification hereunder upon receipt of an undertaking by such Indemnified Party that such Indemnified Party will reimburse the Borrower if it is actually and finally determined by a court of competent jurisdiction that such Indemnified Party is not so entitled to indemnification hereunder.

(e) An Indemnified Party may conduct its own investigation and defense of, and may

formulate its own strategy with respect to, any Indemnified Proceeding covered by this Section and, as provided above, all costs and expenses incurred by the Indemnified Party shall be reimbursed by the Borrower. No action taken by legal counsel chosen by an Indemnified Party in investigating or defending against any such Indemnified Proceeding shall vitiate or in any way impair the obligations and duties of the Borrower hereunder to indemnify and hold harmless each such Indemnified Party; provided, however, that (i) if the Borrower is required to indemnify an Indemnified Party pursuant hereto and (ii) the Borrower has provided evidence reasonably satisfactory to such Indemnified Party that the Borrower has the financial wherewithal to reimburse such Indemnified Party for any amount paid by such Indemnified Party with respect to such Indemnified Proceeding, such Indemnified Party shall not settle or compromise any such Indemnified Proceeding without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed).

(f) If and to the extent that the obligations of the Borrower hereunder are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under Applicable Law.

(g) The Borrower's obligations hereunder shall survive any termination of this Agreement and the other Loan Documents and the payment in full of the Obligations, and are in addition to, and not in substitution of, any other of their obligations set forth in this Agreement or any other Loan Document to which it is a party.

SECTION 13.10 TERMINATION; SURVIVAL.

At such time as (a) all of the Commitments have been terminated, (b) none of the Lenders is obligated any longer under this Agreement to make the Loan, and (c) all Obligations (other than obligations which survive as provided in the following sentence) have been paid and satisfied in full, this Agreement shall terminate. Notwithstanding any termination of this Agreement, or of the other Loan Documents, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of Sections 12.7., 13.2. and 13.9. and any other provision of this Agreement and the other Loan Documents, and the waivers of jury trial and submission to jurisdictions contained in Section 13.4., shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 13.11 SEVERABILITY OF PROVISIONS.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 13.12 GOVERNING LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

SECTION 13.13 COUNTERPARTS.

This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

SECTION 13.14 OBLIGATIONS WITH RESPECT TO LOAN PARTIES.

The obligations of the Borrower to direct or prohibit the taking of certain actions by the other Loan Parties as specified herein shall be absolute and not subject to any defense the Borrower may have that the Borrower does not control such Loan Parties.

SECTION 13.15 LIMITATION OF LIABILITY.

Neither the Administrative Agent nor any Lender, nor any affiliate, officer, director, employee, attorney, or agent of either Administrative Agent or any Lender shall have any liability with respect to, and the Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by the Borrower in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. The Borrower hereby waives, releases, and agrees not to sue the Administrative Agent or any Lender or any of Administrative Agent's or any Lender's affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or financed hereby.

SECTION 13.16 ENTIRE AGREEMENT.

This Agreement, the Notes, and the other Loan Documents referred to herein embody the final, entire agreement among the parties hereto and supersede any and all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

SECTION 13.17 CONSTRUCTION.

The Administrative Agent, the Borrower and each Lender acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by the Administrative Agent, the Borrower and each Lender.

SECTION 13.18 LIMITATION OF LIABILITY OF TRUSTEES, ETC.

THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL LOOK SOLELY TO

THE PROPERTY OF THE BORROWER AND THE OTHER LOAN PARTIES FOR THE ENFORCEMENT OF ANY CLAIM AGAINST THE BORROWER AND SUCH LOAN PARTY UNDER OR IN RESPECT OF ANY OF THE LOAN DOCUMENTS AND ACCORDINGLY NEITHER THE TRUSTEES, OFFICERS, EMPLOYEES, AGENTS NOR SHAREHOLDERS OF THE BORROWER SHALL HAVE ANY PERSONAL LIABILITY FOR OBLIGATIONS ENTERED INTO BY OR ON BEHALF OF THE BORROWER OR ANY OTHER LOAN PARTY.

[Signatures on Following Pages]

IN WITNESS WHEREOF, the parties hereto have caused this Term Loan Agreement to be executed by their authorized officers all as of the day and year first above written.

BORROWER:

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Steven J. Guttman

Name: /s/ Steven J. Guttman

Title: Trustee

By: /s/ Ron D Kaplan

Name: Ron D Kaplan

Title: Chief Investment Officer

[Signatures Continued on Next Page]

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent, and as a Lender

By: /s/ Ashley J. Smith

Name: Ashley J. Smith

Title: Assistant Vice President

COMMITMENT AMOUNT:

\$40,000,000

LENDING OFFICE (EACH TYPE OF LOAN):

PNC BANK, National Association
One PNC Plaza
249 Fifth Avenue
Mail Stop P1-POPP-22-1
Pittsburgh, PA 15222-2707
Attn: Arlene Ohler, Agency Services
Telecopier: (412) 762.8672
Telephone: (412) 762.3627

[Signatures Continued on Next Page]

COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK BRANCH, as Syndication Agent
and as a Lender

By: /s/ Douglas P. Traynor

Name: Douglas P. Traynor

Title: Vice President

By: /s/ Christian Berry

Name: Christian Berry

Title: Assistant Treasurer

COMMITMENT AMOUNT:

\$35,000,000

LENDING OFFICE (EACH TYPE OF LOAN):

Commerzbank AG, New York Branch
2 World Financial Center
New York, New York 10281
Attn: Christine Scaffidi, Assistant
Vice President
Telecopier: 212-266-7593
Telephone: 212-266-7396

FLEET NATIONAL BANK, as Documentation
Agent and as Lender

By: /s/ Aron D. Levine

Name: Aron D. Levine

Title: Vice President

COMMITMENT AMOUNT:

\$25,000,000

LENDING OFFICE (EACH TYPE OF LOAN):

Fleet National Bank
75 State Street
Mail Code: MA B0 F11A
Boston, Massachusetts 02109
Attn: Lancy Chan, Loan Administrator
Telecopier: 617-346-3233
Telephone: 617-346-2843

BANK OF MONTREAL, CHICAGO BRANCH

By: /s/ Richard W. Camm

Name: RICHARD W. CAMM

Title: MANAGING DIRECTOR

COMMITMENT AMOUNT:

\$15,000,000

LENDING OFFICE (EACH TYPE OF LOAN):

Bank of Montreal, Chicago Branch
Real Estate Department
115 South LaSalle Street, 12W
Chicago, Illinois 60603
Attn: Josie Nichols, Client Services Supervisor
Telecopier: 312-750-4345
Telephone: 312-750-3748

FIRST UNION, NATIONAL BANK

By: /s/ John A. Schissel

Name: John A. Schissel

Title: Director

COMMITMENT AMOUNT:

\$10,000,000

LENDING OFFICE (EACH TYPE OF LOAN):

83

Consent of Independent Accountants

We have issued our reports dated February 8, 1999 accompanying the consolidated financial statements and schedules included in the Annual Report of Federal Realty Investment Trust on Form 10K for the year ended December 31, 1998. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Federal Realty Investment Trust on Form S-3 (File No. 333-63619, effective September 30, 1998; which pursuant to Rule 429 of the Securities and Exchange Act of 1934 constitutes a post-effective amendment to Registration Statement No. 33-63687 effective December 4, 1995; File No. 33-63955, effective November 3, 1995; and File No. 33-15264, effective August 4, 1987).

Grant Thornton LLP
Washington, D.C.
March 18, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET OF FEDERAL REALTY INVESTMENT TRUST AS OF DECEMBER 31, 1998 AND THE RELATED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS		
	DEC-31-1998	
	DEC-31-1998	
		\$17,230
		0
	17,873	0
		0
	0	1,642,136
	(286,053)	
	1,484,317	
	0	846,928
	0	100,000
		707,724
		(277,777)
1,484,317		0
	232,533	0
		72,761
		0
		0
	55,125	
	37,010	
		0
	0	
		0
		0
		0
		37,010
		.94
		.94

Current assets and current liabilities are not listed since Federal Realty does not prepare a classified balance sheet.