

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended: June 30, 2002

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Commission File No. 1-07533  
-----

FEDERAL REALTY INVESTMENT TRUST  
-----

(Exact name of registrant as specified in its charter)

Maryland

52-0782497

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

1626 East Jefferson Street, Rockville, Maryland

20852-4041

-----  
(Address of principal executive offices)

(Zip Code)

(301)998-8100  
-----

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

Yes ☒ . No \_\_\_\_.

-----

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

Class

Outstanding at August 5, 2002

-----  
Common Shares of Beneficial Interest

-----  
43,237,528

This report, including exhibits, contains 102 pages.

FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

June 30, 2002

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FEDERAL REALTY INVESTMENT TRUST

S.E.C. FORM 10-Q

June 30, 2002

PART I. FINANCIAL INFORMATION

The following financial information is submitted in response to the requirements of Form 10-Q and does not purport to be financial statements prepared in accordance with generally accepted accounting principles since they do not include all disclosures which might be associated with such statements. In the opinion of management, information contained in these financial statements fairly presents, in all material respects, the financial condition and results of operations of the Company.

## Federal Realty Investment Trust

## CONSOLIDATED BALANCE SHEETS

	June 30, 2002 (unaudited)	December 31, 2001
(in thousands, except share data)		
ASSETS		
Real estate, at cost		
Operating	\$ 1,843,170	\$ 1,782,318
Development	337,490	321,986
	-----	-----
	2,180,660	2,104,304
Less accumulated depreciation and amortization	(421,250)	(395,767)
	-----	-----
	1,759,410	1,708,537
Other Assets		
Cash	18,723	17,563
Mortgage notes receivable	48,629	35,607
Accounts and notes receivable	14,611	15,483
Prepaid expenses and other assets, principally property taxes and lease commissions	44,229	44,733
Tax deferred exchange escrows	55,128	6,006
Debt issue costs, net of accumulated amortization of \$5,486 and \$4,840, respectively	6,175	6,952
	-----	-----
	\$ 1,946,905	\$ 1,834,881
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Obligations under capital leases	\$ 104,513	\$ 100,293
Mortgages and construction loans payable	419,634	350,043
Notes payable	171,374	174,843
Accounts payable and accrued expenses	68,814	64,014
Dividends payable	23,930	21,664
Security deposits	6,352	6,026
Prepaid rents	8,184	10,400
Senior notes and debentures	385,000	410,000
5 1/4% Convertible subordinated debentures	75,000	75,289
Investors' interest in consolidated assets	31,045	33,018
Commitments and contingencies		
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, \$.01 par		
7.95% Series A Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25 per share), 4,000,000 shares issued in 1997	100,000	100,000
8.5% Series B Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25 per share), 5,400,000 shares issued in 2001	135,000	135,000
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 44,644,869 and 41,524,165 issued, respectively	447	417
Additional paid in capital	809,535	730,835
Accumulated dividends in excess of Trust net income	(338,292)	(322,428)
	-----	-----
	706,690	643,824
Less: 1,457,328 and 1,452,926 common shares in treasury - at cost, respectively	(28,088)	(27,990)
Deferred compensation on restricted shares	(12,434)	(15,005)
Notes receivable from employee stock plans	(8,587)	(7,245)
Accumulated other comprehensive income (loss)	(4,522)	(4,293)
	-----	-----
	653,059	589,291
	-----	-----
	\$ 1,946,905	\$ 1,834,881
	=====	=====

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

## Federal Realty Investment Trust

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)		Six months ended June 30,	
		2002	2001
		-----	-----
(In thousands, except per share data)			
Revenue			
Rental income	\$ 141,965	\$ 132,998	
Interest and other income	2,118	3,597	
Other property income	6,981	5,897	
	-----	-----	
	151,064	142,492	
Expenses			
Rental	31,817	29,860	
Real estate taxes	15,187	13,257	
Interest	31,773	34,680	
Administrative	6,496	6,455	
Restructuring expenses	8,489	-	
Depreciation and amortization	31,752	28,595	
	-----	-----	
	125,514	112,847	
Operating income before investors' share of operations and discontinued operations			
	25,550	29,645	
Investors' share of operations	(2,276)	(2,806)	
	-----	-----	
Income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations			
	23,274	26,839	
Income from operations of discontinued assets	1,276	1,663	
	-----	-----	
Income before gain on sale of real estate net of loss on abandoned developments held for sale			
	24,550	28,502	
Gain on sale of real estate net of loss on abandoned developments held for sale	9,454	7,898	
	-----	-----	
Net income	34,004	36,400	
Dividends on preferred stock	(9,712)	(3,975)	
	-----	-----	
Net income available for common shareholders	\$ 24,292	\$ 32,425	
	=====	=====	
Earnings per common share, basic			
Income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations	\$ 0.34	\$ 0.59	
Discontinued operations	0.03	0.04	
Gain on sale of real estate net of loss on abandoned developments held for sale	0.23	0.20	
	-----	-----	
	\$ 0.60	\$ 0.83	
	=====	=====	
Weighted average number of common shares, basic	40,286	38,908	
	=====	=====	
Earnings per common share, diluted			
Income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations	\$ 0.34	\$ 0.59	
Discontinued operations	0.03	0.04	
Gain on sale of real estate net of loss on abandoned developments held for sale	0.23	0.20	
	-----	-----	
	\$ 0.60	\$ 0.83	
	=====	=====	
Weighted average number of common shares, diluted	41,568	39,946	
	=====	=====	

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

## Federal Realty Investment Trust

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)	Three months ended June 30,	
	2002	2001
-----		
(In thousands, except per share data)		
Revenue		
Rental income	\$ 71,466	\$ 67,160
Interest and other income	958	1,740
Other property income	3,404	3,193
	-----	-----
	75,828	72,093
Expenses		
Rental	16,445	15,002
Real estate taxes	7,448	6,750
Interest	15,133	17,530
Administrative	3,497	3,322
Depreciation and amortization	15,927	14,629
	-----	-----
	58,450	57,233
	-----	-----
Operating income before investors' share of operations and discontinued operations	17,378	14,860
Investors' share of operations	(1,579)	(1,428)
	-----	-----
Income before gain on sale of real estate and discontinued operations	15,799	13,432
Income from operations of discontinued assets	435	837
	-----	-----
Income before gain on sale of real estate	16,234	14,269
Gain on sale of real estate	19,101	7,898
	-----	-----
Net income	35,335	22,167
Dividends on preferred stock	(4,856)	(1,987)
	-----	-----
Net income available for common shareholders	\$ 30,479	\$ 20,180
	=====	=====
Earnings per common share, basic		
Income before gain on sale of real estate	\$ 0.27	\$ 0.29
Discontinued operations	0.01	0.02
Gain on sale of real estate	0.47	0.20
	-----	-----
	\$ 0.75	\$ 0.51
	=====	=====
Weighted average number of common shares, basic	40,798	38,984
	=====	=====
Earnings per common share, diluted		
Income before gain on sale of real estate	\$ 0.27	\$ 0.29
Discontinued operations	0.01	0.02
Gain on sale of real estate	0.46	0.20
	-----	-----
	\$ 0.74	\$ 0.51
	=====	=====
Weighted average number of common shares, diluted	42,136	40,027
	=====	=====

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

## Federal Realty Investment Trust

## CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

(In thousands, except share data)	Six months ended June 30,					
	2002			2001		
	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Additional Paid-in Capital
<b>Common Shares of Beneficial Interest</b>						
Balance, beginning of year	41,524,165	\$ 417	\$730,835	40,910,972	\$ 410	\$723,078
Exercise of stock options	669,136	6	14,072	-	-	-
Shares issued to purchase partnership interest	-	-	-	328,116	3	6,759
Shares issued under dividend reinvestment plan	69,579	1	1,787	81,836	1	1,602
Performance and Restricted Shares granted, net of Restricted Shares retired	96,989	-	2,346	95,259	1	1,849
Net proceeds from sale of shares	2,185,000	22	56,561	-	-	-
Shares issued to purchase operating partnership units	100,000	1	2,769	-	-	-
Accelerated vesting of options and restricted shares	-	-	1,165	-	-	-
Balance, end of period	44,644,869	\$ 447	\$809,535	41,416,183	\$ 415	\$733,288
<b>Accumulated Dividends in Excess of Trust Net Income</b>						
Balance, beginning of year		(\$322,428)			(\$306,287)	
Net income		34,004			36,400	
Dividends declared to common shareholders		(40,155)			(37,402)	
Dividends declared to preferred shareholders		(9,713)			(3,975)	
Balance, end of period		(\$338,292)			(\$311,264)	
<b>Common Shares of Beneficial Interest in Treasury</b>						
Balance, beginning of year	(1,452,926)	(\$27,990)		(1,441,594)	(\$27,753)	
Performance and Restricted Shares forfeited	(4,402)	(98)		(294)	(5)	
Balance, end of period	(1,457,328)	(\$28,088)		(1,441,888)	(\$27,758)	
<b>Deferred Compensation on Restricted Shares</b>						
Balance, beginning of year	(666,656)	(\$15,005)		(735,875)	(\$17,254)	
Performance and Restricted Shares issued, net of forfeitures	(73,821)	(1,763)		(71,869)	(1,392)	
Vesting of Performance and Restricted Shares	188,246	4,334		109,303	2,601	
Balance, end of period	(552,231)	(\$12,434)		(698,441)	(\$16,045)	
<b>Subscriptions receivable from employee stock plans</b>						
Balance, beginning of year	(218,555)	(\$7,245)		(242,638)	(\$6,734)	
Subscription and tax loans issued	(88,469)	(2,612)		-	(853)	
Subscription loans paid	63,329	1,270		19,540	298	
Balance, end of period	(243,695)	(\$8,587)		(223,098)	(\$7,289)	
<b>Accumulated other comprehensive income (loss)</b>						
Balance, beginning of year		(\$4,293)			-	
Change due to recognizing gain on securities		53			-	
Change in valuation on interest rate swap		(282)			(\$809)	
Balance, end of period		(\$4,522)			(\$809)	
<b>Comprehensive income</b>						
Net income		\$ 34,004			\$ 36,400	
Change due to recognizing gain on securities		53			-	
Change in valuation on interest rate swap		(282)			(809)	

Total comprehensive income

\$ 33,775  
=====

\$ 35,591  
=====

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



## Federal Realty Investment Trust

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Six months ended June 30,

2002

2001

(In thousands)

## OPERATING ACTIVITIES

Net income	\$ 34,004	\$ 36,400
Items not requiring cash outlays		
Depreciation and amortization, including discontinued operations	32,030	28,957
Gain on sale of real estate	(19,101)	(7,898)
Loss on abandoned developments held for sale	9,647	-
Non-cash portion of restructuring expense	5,806	-
Other, net	1,810	1,914
Changes in assets and liabilities		
Decrease in accounts receivable	3,872	1,168
Increase in prepaid expenses and other assets before depreciation and amortization	(2,106)	(4,345)
(Decrease) increase in operating accounts payable, security deposits and prepaid rent	(2,047)	677
Increase in accrued expenses	341	1,164
	-----	-----
Net cash provided by operating activities	64,256	58,037

## INVESTING ACTIVITIES

Acquisition of real estate	-	(41,761)
Capital expenditures - development	(94,554)	(84,411)
Capital expenditures - other	(28,920)	(18,241)
Proceeds from sale of real estate	7,394	16,255
(Issuance) repayment of mortgage notes receivable, net	(7,534)	3,477
	-----	-----
Net cash used in investing activities	(123,614)	(124,681)

## FINANCING ACTIVITIES

Borrowing of short-term debt, net	-	80,500
Proceeds from mortgage and construction financing, net of costs	69,850	74,480
Issuance of common shares, net of subscriptions receivable	67,890	(506)
Payments on mortgages, capital leases and notes payable	(29,197)	(27,071)
Dividends paid	(46,301)	(39,905)
(Decrease) in minority interest, net	(1,724)	(736)
	-----	-----
Net cash provided by financing activities	60,518	86,762

Increase in cash	1,160	20,118
Cash at beginning of period	17,563	11,357
	-----	-----
Cash at end of period	\$ 18,723	\$ 31,475
	=====	=====

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

Federal Realty Investment Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2002

(unaudited)

NOTE A - ACCOUNTING POLICIES AND OTHER DATA

Federal Realty Investment Trust is an equity real estate investment trust specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. The Trust operates its portfolios of properties in three geographic operating regions; Northeast, Mid-Atlantic and West. As of June 30, 2002, the Trust owns or has an interest in 58 community and neighborhood shopping centers comprising over 12 million square feet, primarily located in densely populated and affluent communities throughout the Northeast and Mid-Atlantic United States. In addition, the Trust owns 56 urban retail and mixed-use properties comprising over 2 million square feet located in strategic metropolitan markets across the United States and one apartment complex.

Reference should be made to the notes to financial statements included in the Annual Report to shareholders for the year ended December 31, 2001 which contain the accounting policies and other data of Federal Realty Investment Trust (the "Trust").

The following table sets forth the reconciliation between basic and diluted EPS:

Numerator	Six months ending June 30,		Three months ending June 30,	
	2002	2001	2002	2001
Net income available for common shareholders - basic	\$ 24,292	\$ 32,425	\$ 30,479	\$ 20,180
Income attributable to operating partnership units	514	760	650	461
	-----	-----	-----	-----
Net income available for common shareholders - diluted	\$ 24,806	\$ 33,185	\$ 31,129	\$ 20,641
	=====	=====	=====	=====
Denominator				
Denominator for basic EPS-				
Weighted average shares	40,286	38,908	40,798	38,984
Effect of dilutive securities				
Stock options and awards	396	133	469	138
Operating partnership units	886	905	869	905
	-----	-----	-----	-----
Denominator for diluted EPS	41,568	39,946	42,136	40,027
	=====	=====	=====	=====

Risk Management. The Trust enters into derivative contracts, which qualify as cash flow hedges under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", in order to manage interest rate risk. Derivatives are not purchased for speculation. During 2001, to hedge its exposure to interest rates on its \$125 million term loan, the Trust entered into interest rate swaps, which fixed the LIBOR interest rate on the term loan at 5.27%. The current interest rate on the term loan is LIBOR plus 95 basis points, thus fixing the interest rate at 6.22% on notional amounts totaling \$125 million. The Trust is exposed to credit loss in the event of non-performance by the counterparties to the interest rate protection agreement should interest rates exceed the cap. However, management does not anticipate non-performance by the counterparties. The counterparties have long-term debt ratings of A- or above by S&P and AA2 or above by Moody's. Although the Trust's cap is not exchange traded, there are a number of financial institutions which enter into these types of transactions as part of their day-to-day activities. The interest rate swaps mature concurrently with the \$125 million term loan on December 19, 2003. The swaps were documented as cash flow hedges and designated as effective at inception of the swap contract. Consequently, the unrealized gain or loss upon measuring

the swaps at their fair value is recorded as a component of other comprehensive income within stockholders' equity and either a derivative instrument asset or liability is recorded on the balance sheet. At June 30, 2002, a cumulative unrealized loss of \$4.6 million, representing the difference between the current market value and the 6.22% fixed interest rate on the swap, was recorded in other comprehensive income with a corresponding derivative liability on the balance sheet. Interest expense of approximately \$3.2 million will be reclassified from other comprehensive income into current earnings over the next twelve months to bring the effective interest rate up to 6.22%.

Reclassifications. Certain components of rental income, other property income, rental expense, real estate tax expense and depreciation and amortization expense on the June 30, 2001 Statement of Operations have been reclassified to Income from operations of discontinued assets to assure comparability of all periods presented. In addition, certain components of accounts and notes receivable, tax deferred exchange escrows and notes receivable from employee stock plans on the December 31, 2001 Balance Sheet and the June 30, 2001 Statement of Common Shareholders Equity have been reclassified to assure comparability of all periods presented.

#### NOTE B - REAL ESTATE ASSETS AND ENCUMBRANCES

On February 1, 2002, to complete the buyout of the minority partner at Santana Row, the Trust received the minority partner's interest in Santana Row in exchange for a \$2.6 million investment in a partnership. A \$5.9 million loan made by the Trust to the partnership on January 12, 2001 is due January 12, 2003 and is secured by real property.

On April 11, 2002 the Trust sold the street retail property located at 252 Greenwich Avenue in Greenwich, Connecticut for \$16.5 million resulting in a gain of \$7.0 million.

On April 30, 2002 the Trust sold three street retail properties, two in Westport, Connecticut and one in Westfield, New Jersey, for \$19.2 million resulting in a gain of \$6.9 million.

On June 6, 2002 the Trust sold the Uptown Shopping Center located in Portland, Oregon for \$20.8 million resulting in a gain of \$4.5 million.

The proceeds from the sales of the four street retail properties and the Uptown Shopping Center are being held in escrow by a qualified intermediary for purposes of executing tax-deferred property exchanges.

On June 18, 2002 a partnership, in which an entity of the Trust is the general partner, sold the street retail property located at 6410 Hollywood Boulevard in Hollywood, California for \$2.3 million resulting in a gain of \$700,000. The proceeds from the sale were received by the partnership at closing.

During the first six months of 2002, the Trust made an additional mortgage loan of \$1.5 million to an existing borrower with an interest rate of 10.0%. \$1.2 million of notes were repaid to the Trust during the first six months of 2002. In addition, the Trust loaned \$7.2 million to the hotel venture at Santana Row. The loan bears interest at rates ranging from 12% to 15% and has a ten year term. During the first five years interest is payable from cash flow, if available. If cash flow is not sufficient to pay interest in full, the unpaid amount will accrue and bear interest at the same rate as the principal. On July 3, 2002 a \$10 million loan, which was secured by a shopping center in Paramus, New Jersey, was repaid.

NOTE C - MORTGAGES AND CONSTRUCTION LOANS PAYABLE, NOTES PAYABLE AND OTHER LONG TERM DEBT

At June 30, 2002 there was \$44.0 million borrowed under the Trust's \$300 million syndicated credit facility. The maximum amount drawn during the quarter was \$100.0 million. The weighted average interest rate on borrowings for the six months ended June 30, 2002 was 2.7%. The 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 June 30, 2002 the Trust was in compliance with all loan covenants.

On April 22, 2002 the Trust's \$25 million, 8% Senior Notes were paid off through borrowings on the Trust's syndicated credit facility. In addition, the Trust's \$289,000, 5.25% Convertible Subordinated Debentures were paid off on April 29, 2002 and the \$3.4 million note issued in connection with a land purchase in Portland, Oregon was paid off on June 18, 2002.

At June 30, 2002 there was \$130.7 million borrowed under the construction loan for the Santana Row development in San Jose, California. The loan, which initially bears interest at LIBOR plus 212.5 basis points, matures April 16, 2004 with two one-year extension options, subject to certain operating and other conditions. The interest rate on the loan will decrease to LIBOR plus 187.5 basis points then to LIBOR plus 162.5 basis points upon achievement of certain leasing, occupancy and net operating income hurdles. There is no assurance that these conditions and hurdles will be met. The construction loan requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to gross asset value. At June 30, 2002 the Trust was in compliance with all loan covenants.

At June 30, 2002 there was \$24.3 million borrowed under the construction loan for the Trust's Woodmont East development in Bethesda, Maryland. The loan, which has a current floating interest rate of LIBOR plus 120 basis points, matures August 29, 2002 with two one-year extension options. No principal payments are due until maturity. The property secures the construction loan facility.

#### NOTE D - SHAREHOLDERS' EQUITY

During the first six months of 2002, options for 427,500 shares at prices ranging from \$25.16 to \$27.15 per share, fair market value at the dates of award, were awarded to certain officers, employees and Trustees of the Trust. The options vest over periods ranging from six months to three years.

On June 12, 2002 the Trust issued 2.2 million common shares at \$25.98 per share, (\$27.35 gross, before a 5% underwriters discount), netting \$56.6 million.

#### NOTE E - INTEREST EXPENSE

The Trust incurred interest totaling \$43.2 million during the first six months of 2002 and \$42.7 million during the first six months of 2001 of which \$11.4 million and \$8.0 million, respectively, was capitalized in connection with development projects. Interest paid was \$42.4 million in the first six months of 2002 and \$41.2 million in the first six months of 2001.

#### NOTE F - COMMITMENTS AND CONTINGENCIES

Pentagon Row is a mixed-use project with the retail component being developed by the Trust and the residential component being developed by an unrelated developer. In October 2000 the general contractor on the project was replaced by the Trust and the residential developer because of schedule delays and other events that caused the Trust and the residential developer to conclude that the original contractor was either unable or unwilling to comply with its contractual obligations. The Trust and the residential developer filed suit against the original contractor to recover damages that are being incurred as a result of defaults under the contract. The original contractor filed a counterclaim against the Trust and the residential developer. On May 9, 2002 the Trust and the residential developer entered into a settlement agreement with the original contractor in which a full settlement, totaling \$5 million payable to the Trust and the residential developer, was reached for all claims and counterclaims between the parties involved. On June 7, 2002 the original contractor paid into an escrow account the agreed upon settlement amount. This settlement was distributed, \$3 million to the Trust, which offset the Trust's cost of the development, and \$2 million to the residential developer, in July 2002.

In addition, 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.

The Trust has committed to invest approximately \$6.9 million in six restaurant joint ventures in lieu of tenant allowances. The Trust will participate in profits, losses and cash flow in accordance with

the terms of each individual venture. As of June 30, 2002 the Trust has invested approximately \$2 million; \$700,000 of which has been capitalized and \$1.3 million of which has been expensed in the second quarter of 2002 to reflect the Trust's estimate of the permanent impairment of its investment in two of these ventures due principally to declining economic conditions.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986 Rockville Plaza Company ("RPC"), an unaffiliated third party, has the right to require the Trust and the two other minority partners to purchase from half to all of RPC's 37.5% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value, the Trust's estimated liability upon exercise of the put option is approximately \$27.5 million. In conjunction with a redevelopment currently taking place at the property, the Trust has agreed to acquire an additional 7.5% interest in Congressional Plaza from RPC in exchange for funding approximately \$7 million of RPC's share of the redevelopment cost. This funding will take place through 2002 and the transaction will be completed in 2003.

Under the terms of various other partnerships, which own shopping center properties with a cost of approximately \$71 million, the partners may exchange their 796,773 operating units for cash or exchange into the same number of common shares of the Trust, at the option of the Trust. During the second quarter of 2002 the Trust issued 100,000 common shares of the Trust valued at \$2.8 million in exchange for 100,000 operating units and cash of \$205,000 in exchange for an additional 7,816 operating units.

Under the terms of four other partnership agreements, which own street retail properties in southern California with a cost of approximately \$61 million, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the other 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, for two of the partnerships, a limited number of common shares of the Trust at the election of the other partners. In certain partnerships, if the other partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms.

# NOTE G - COMPONENTS OF RENTAL INCOME

The components of rental income for the periods ended June 30 are as follows (in thousands):

	Six months		Three months	
	2002	2001	2002	2001
	----	----	----	----
Retail Properties				
Minimum rents	\$115,410	\$106,644	\$57,936	\$53,679
Cost reimbursements	22,193	21,809	11,385	11,543
Percentage rents	2,797	3,084	1,358	1,202
Apartments	1,565	1,461	787	736
	-----	-----	-----	-----
	\$141,965	\$132,998	\$71,466	\$67,160
	=====	=====	=====	=====

# NOTE H - RESTRUCTURING EXPENSE

On February 28, 2002 the Trust adopted a new business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores, or high volume, value oriented retailers that provide consumer necessities. The Trust will complete Bethesda Row, Pentagon Row and Santana Row but does not plan to develop any new large-scale, mixed-use, ground-up development projects. Rather, the Trust will seek to acquire income producing centers and may seek opportunities to develop ground-up grocery anchored shopping centers, all in and around the Trust's existing markets, and will identify and execute redevelopment opportunities in its existing portfolio. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

In connection with this change in business plan the Trust recorded a charge of \$18.2 million. This charge includes a restructuring charge of \$8.5 million made up of \$6.9 million of severance and other compensation costs for several senior officers of the Trust related to the management restructuring, as well as the write-off of \$1.6 million of the Trust's development costs. Charges against the reserve totaled \$8.3 million for the six months of 2002 resulting in a remaining reserve balance of \$200,000 at June 30, 2002 which is expected to be utilized in the third quarter of 2002. An additional component of the restructuring charge is an impairment loss of \$9.7 million representing the estimated loss on the abandonment of development projects held for sale, primarily the Tanasbourne development project located in Portland, Oregon, thereby adjusting the value of these assets to their estimated fair value. The Trust is marketing these properties, components of the Trust's western region, for sale. The current carrying value of these properties, classified on the Trust's consolidated balance sheet as real estate under development, is \$8.4 million.

NOTE I - DISCONTINUED OPERATIONS

During the second quarter of 2002 the Trust sold six properties for a combined gain of \$19.1 million. The net income from these properties, reported as income from operations of discontinued assets in accordance with Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", was \$1.3 million and \$1.7 million for the six months ended June 30, 2002 and 2001, respectively. Four of these properties were components of the Trust's northeast region and two were components of the Trust's western region.



# NOTE J - SEGMENT INFORMATION

The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West.

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

Six months ended June 30, 2002	Northeast	Mid- Atlantic	West	Other	Total
Rental income	\$ 58,981	\$ 66,213	\$ 16,771		\$ 141,965
Other income	2,712	3,180	1,089		6,981
Interest income - mortgage notes	1,910	-	928		2,838
Rental expense	(10,963)	(14,630)	(6,224)		(31,817)
Real estate tax	(7,875)	(5,804)	(1,508)		(15,187)
Net operating income	44,765	48,959	11,056		104,780
Interest and other income (expense)				\$ (720)	(720)
Interest expense				(31,773)	(31,773)
Administrative expense				(6,496)	(6,496)
Restructuring expense				(8,489)	(8,489)
Depreciation and Amortization	(13,930)	(13,352)	(4,050)	(420)	(31,752)
Income before investors' share of operations and discontinued operations	\$ 30,835	\$ 35,607	\$ 7,006	(\$47,898)	\$ 25,550
Capital expenditures	\$ 7,035	\$ 18,747	\$ 111,472		\$ 137,254
Real estate assets	\$ 744,406	\$ 812,217	\$ 624,037		\$2,180,660
Six months ended June 30, 2001	Northeast	Mid- Atlantic	West	Other	Total
Rental income	\$ 56,991	\$ 60,383	\$ 15,624		\$ 132,998
Other income	2,198	2,641	1,058		5,897
Interest income - mortgage notes	2,100	-	506		2,606
Rental expense	(12,367)	(12,504)	(4,989)		(29,860)
Real estate tax	(7,423)	(4,608)	(1,226)		(13,257)
Net operating income	41,499	45,912	10,973		98,384
Interest and other income				\$ 991	991
Interest expense				(34,680)	(34,680)
Administrative expense				(6,455)	(6,455)
Depreciation and Amortization	(13,361)	(11,682)	(3,112)	(440)	(28,595)
Income before investors' share of operations and discontinued operations	\$ 28,138	\$ 34,230	\$ 7,861	(\$40,584)	\$ 29,645
Capital expenditures	\$ 9,106	\$ 31,084	\$ 99,913		\$ 140,103
Real estate assets	\$ 762,885	\$ 737,554	\$ 480,563		\$1,981,002

Three months ended June 30, 2002	Northeast	Mid- Atlantic	West	Other	Total
Rental income	\$ 29,697	\$ 33,239	\$ 8,530		\$ 71,466
Other income	1,063	1,857	484		3,404
Interest income - mortgage notes	1,028	-	849		1,877
Rental expense	(5,544)	(7,340)	(3,561)		(16,445)
Real estate tax	(3,838)	(2,856)	(754)		(7,448)
	-----	-----	-----		-----
Net operating income	22,406	24,900	5,548		52,854
Interest and other income (expense)				\$ (919)	(919)
Interest expense				(15,133)	(15,133)
Administrative expense				(3,497)	(3,497)
Depreciation and Amortization	(6,937)	(6,764)	(2,029)	(197)	(15,927)
	-----	-----	-----	-----	-----
Income before investors' share of operations and discontinued operations	\$ 15,469	\$ 18,136	\$ 3,519	(\$19,746)	\$ 17,378
	=====	=====	=====	=====	=====
Capital expenditures	\$ 6,185	\$ 8,525	\$ 63,191		\$ 77,901
	=====	=====	=====		=====
Real estate assets	\$ 744,406	\$ 812,217	\$ 624,037		\$2,180,660
	=====	=====	=====		=====

  

Three months ended June 30, 2001	Northeast	Mid- Atlantic	West	Other	Total
Rental income	\$ 28,729	\$ 30,341	\$ 8,090		\$ 67,160
Other income	1,160	1,664	369		3,193
Interest income - mortgage notes	907	-	345		1,252
Rental expense	(5,779)	(6,297)	(2,926)		(15,002)
Real estate tax	(3,851)	(2,292)	(607)		(6,750)
	-----	-----	-----		-----
Net operating income	21,166	23,416	5,271		49,853
Interest and other income				\$ 488	488
Interest expense				(17,530)	(17,530)
Administrative expense				(3,322)	(3,322)
Depreciation and Amortization	(6,776)	(6,019)	(1,621)	(213)	(14,629)
	-----	-----	-----	-----	-----
Income before investors' share of operations and discontinued operations	\$ 14,390	\$ 17,397	\$ 3,650	(\$20,577)	\$ 14,860
	=====	=====	=====	=====	=====
Capital expenditures	\$ 2,369	\$ 15,949	\$ 50,987		\$ 69,305
	=====	=====	=====		=====
Real estate assets	\$ 762,885	\$ 737,554	\$ 480,563		\$1,981,002
	=====	=====	=====		=====

There are no transactions between geographic areas.

FEDERAL REALTY INVESTMENT TRUST  
FORM 10-Q

June 30, 2002

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"). The Trust and its representatives may from time to time make written or oral statements that are "forward-looking", 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,

- . changes in our business strategy;
- . general economic and business conditions which will affect the credit worthiness of tenants;
- . financing availability and cost;
- . retailing trends and rental rates;
- . risks of real estate development and acquisitions, including the risk that potential acquisitions or development projects may not perform in accordance with expectations;
- . our ability to satisfy the rules to qualify for taxation as a REIT for federal income tax purposes and to operate effectively within the limitations imposed by these rules;
- . government approvals, actions and initiatives including the need for compliance with environmental and safety requirements, and changes in laws and regulations or the interpretation thereof; and
- . competition with other real estate companies, real estate projects and technology.

We identify forward-looking statements by using words or phrases such as "anticipate", "believe", "estimate", "expect", "intend", "may be", "objective", "plan", "predict", "project", and "will be" and similar words or phrases, or the negatives thereof or other similar variations thereof or comparable terminology. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

## LIQUIDITY AND CAPITAL RESOURCES

Federal Realty meets its liquidity requirements through net cash provided by operating activities, along with 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, substantial capital outlays for property acquisitions, major renovation and development projects and balloon debt repayments generally require debt or equity funding. Proceeds from the sale of selected assets provides an additional source of capital. From 1998 until November 2001, the Trust relied primarily on debt to fund these capital needs, and accordingly, debt as a percentage of total capitalization steadily increased over that period. In November 2001 the Trust issued \$135 million of preferred stock and in June 2002 the Trust issued 2.2 million common shares at \$25.98 per share, (\$27.35 gross, before a 5% underwriters discount), netting \$56.6 million and debt as a percentage of total capitalization has therefore decreased. In the future, the Trust will look to common, preferred and joint-venture equity in addition to debt and property dispositions to fund capital needs.

Net cash provided by operating activities was \$64.3 million in the first half of 2002 and \$58.0 million in the first half of 2001 of which \$46.3 million and \$39.9 million, respectively, was distributed to shareholders. As more fully described below, contributions from newly acquired, retenanted, redeveloped and development properties, such as Pentagon Row, were the primary sources of this increase.

Net cash used in investing activities was \$123.6 million during the first half of 2002 and \$124.7 million during the first half of 2001. No real estate was acquired in the first half of 2002. Cash outlays to acquire real estate in the first half of 2001 totaled \$41.8 million. During these two periods, the Trust expended an additional \$123.5 million and \$102.7 million, respectively, in capital improvements to its properties. The Trust invested \$8.7 million during the first half of 2002 and \$723,000 during the first half of 2001 in mortgage notes receivable with an average weighted interest rate of 11.7% and 10%, respectively. \$1.2 million and \$4.2 million of notes receivable were repaid during the first half of 2002 and 2001, respectively.

On February 1, 2002, to complete the buyout of the minority partner at Santana Row, the Trust received the minority partner's interest in Santana Row in exchange for a \$2.6 million investment in a partnership. A \$5.9 million loan made by the Trust to the partnership on January 12, 2001 is due January 12, 2003.

On April 11, 2002 the Trust sold the street retail property located at 252 Greenwich Avenue in Greenwich, Connecticut for \$16.5 million resulting in a gain of \$7.0 million.

On April 30, 2002 the Trust sold three street retail properties, two in Westport, Connecticut and one in Westfield, New Jersey, for \$19.2 million resulting in a gain of \$6.9 million.

On June 6, 2002 the Trust sold the Uptown Shopping Center located in Portland, Oregon for \$20.8 million resulting in a gain of \$4.5 million.

The proceeds from the sales of the four street retail properties and the Uptown Shopping Center are being held in escrow by a qualified intermediary for purposes of executing tax-deferred property exchanges.

On June 18, 2002 a partnership, in which an entity of the Trust is the general partner, sold the street retail property located at 6410 Hollywood Boulevard in Hollywood, California for \$2.3 million resulting in a gain of \$700,000. The proceeds from the sale were received by the partnership at closing. In addition, the proceeds of \$6 million previously held by a qualified intermediary from the 2001 sale of the street retail property located at 101 East Oak Street in Chicago, Illinois were released to the Trust as no exchange property that met the Trust's investment criteria was found.

Of the \$123.5 million spent in the first half of 2002 on the Trust's existing real estate portfolio, approximately \$94.6 million was invested in development projects in San Jose, California and in Arlington, Virginia. The remaining \$28.9 million of capital expenditures relates to improvements to common areas, tenant work and various redevelopments including the Congressional Apartments in Rockville, Maryland, the completion of tenant work at the Trust's Woodmont East development in Bethesda, Maryland and the redevelopment of retail buildings in San Antonio, Texas.

Net cash provided by financing activities, before dividend payments, was \$106.8 million in the first half of 2002 and \$126.7 million in the first half of 2001. During the first half of 2002 the Trust borrowed \$68.7 million and \$1.1 million on its Santana Row and Woodmont East construction loans, respectively. The \$56.6 million of proceeds from a 2.2 million share common stock offering in June 2002 were used to pay down on the Trust's syndicated credit facility, which the Trust uses to fund many capital needs prior to obtaining longer term financing. Maturities of \$25 million of 8% Senior Notes, \$289,000 of 5.25% Convertible Subordinated Debentures and a \$3.4 million note were paid during the first six months of 2002. At June 30, 2002 there was \$44.0 million borrowed under this credit facility. The maximum amount drawn during the first six months of 2002 was \$100.0 million. The weighted average interest rate on borrowings for the six months ended June 30, 2002 was 2.7%. The facility requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. As of August 7, 2002 there was \$44.0 million borrowed under the credit facility.

Capital requirements for the remainder of 2002 will depend upon acquisition opportunities, the rate of completion of Santana Row and the level of improvements and redevelopments on existing properties. The Trust's credit facility, with \$256 million available at June 30, 2002, and the \$164 million remaining on the Santana Row construction loan, are anticipated to be sufficient to fund the Trust's acquisition, development and redevelopment needs through the end of 2002. In addition, the Trust currently has \$55 million being held in escrow by a qualified intermediary for purposes of executing tax-deferred property exchanges available to fund acquisition activity.

Longer term, the Trust will need additional capital in order to fund acquisitions, expansions and redevelopments and to refinance its maturing debt. Sources of this funding may be additional debt, both secured and unsecured, additional equity and joint venture relationships. In addition, the Trust may sell or exchange certain of its properties as a source of funding.

#### Santana Row

In 2002, the Trust's single largest capital need is the development of Santana Row, a multi-phase mixed-use project being built on 42 acres in San Jose, California in the heart of Silicon Valley. The project will consist of residential, retail and hotel components, creating a community with the feel of an urban district. Phase 1 of the project includes Santana Row, the "1,500 foot long main street" and nine buildings which will contain approximately 538,000 square feet of retail space, 501 residential units, a 214 room hotel and the supporting infrastructure. The first building, containing 40,000 square feet and occupied by Crate & Barrel, opened on June 27, 2002. Seven buildings comprising approximately 400,000 square feet of retail space are expected to be completed during the third and fourth quarters of 2002 with the ninth building being completed thereafter. The Trust estimates the total cost of Phase 1 to be approximately \$500 million. As of June 30, 2002, the Trust has incurred costs of \$329 million including the purchase of the land; the Trust estimates that it will spend approximately \$132 million in the remainder of 2002 and the balance in 2003 to complete the first phase of the project.

On April 17, 2001, the Trust closed on a \$295 million construction loan. The loan, which initially bears interest at LIBOR plus 212.5 basis points, matures April 16, 2004 with two one-year extension options, subject to certain operating and other conditions. The interest rate on the loan will decrease to LIBOR plus 187.5 basis points then to LIBOR plus 162.5 basis points upon the achievement of certain leasing, occupancy and net operating income hurdles. There is no assurance that these conditions and hurdles will be met. The construction loan requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to gross asset value. As of June 30, 2002, \$130.7 million was borrowed under the loan. As of August 7, 2002 there was \$151.3 million borrowed under the construction loan.

The success of Santana Row will depend on many factors which cannot be assured and are not entirely within the Trust's control. These factors include among others, the demand for retail and residential space, the cost of operations, including utilities and insurance, the availability and cost of capital and the general economy, particularly in the Silicon Valley.

The Trust has not determined the scope of future phases of Santana Row and will not do so until the success of Phase 1 and future demand for rental space is determined. However, as Phase 1 utilizes only part of the retail and residential entitlements of the property, and as Phase 1 contains infrastructure for future phases, the Trust expects to identify and execute economically viable additional phases to the project.

#### CONTINGENCIES

Pentagon Row is a mixed-use project with the retail component being developed by the Trust and the residential component being developed by an unrelated developer. In October 2000 the general contractor on the project was replaced by the Trust and the residential developer because of schedule delays and other events that caused the Trust and the residential developer to conclude that the original contractor was either unable or unwilling to comply with its contractual obligations. The Trust and the residential developer filed suit against the original contractor to recover damages that are being incurred as a result of defaults under the contract. The original contractor filed a counterclaim against the Trust and the residential developer. On May 9, 2002 the Trust and the residential developer entered into a settlement agreement with the original contractor in which a full settlement, totaling \$5 million payable to the Trust and the residential developer, was reached for all claims and counterclaims between the parties involved. On June 7, 2002 the original contractor paid into an escrow account the agreed upon settlement amount. This settlement was distributed, \$3 million to the Trust, which offset the Trust's cost of the development, and \$2 million to the residential developer, in July 2002.

In addition, 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.

The Trust has committed to invest approximately \$6.9 million in six restaurant joint ventures in lieu of tenant allowances. The Trust will participate in profits, losses and cash flow in accordance with the terms of each individual venture. As of June 30, 2002 the Trust has invested approximately \$2 million; \$700,000 of which has been capitalized and \$1.3 million of which has been expensed in the second quarter of 2002 to reflect the Trust's estimate of the permanent impairment of its investment in two of these ventures due principally to declining economic conditions.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986 Rockville Plaza Company ("RPC"), an unaffiliated third party, has the right to require the Trust and the two other minority partners to purchase from half to all of RPC's 37.5% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value, the Trust's estimated liability upon exercise of the put option is approximately \$27.5 million. In conjunction with a redevelopment currently taking place at the property, the Trust has agreed to acquire an additional 7.5% interest in Congressional Plaza from RPC in exchange for funding approximately \$7 million of RPC's share of the redevelopment cost. This funding will take place through 2002 and the transaction will be completed in 2003.

Under the terms of various other partnerships, which own shopping center properties with a cost of approximately \$71 million, the partners may exchange their 796,773 operating units for cash or exchange into the same number of common shares of the Trust, at the option of the Trust. During the second quarter of 2002 the Trust issued 100,000 common shares of the Trust valued at \$2.8 million in exchange for 100,000 operating units and cash of \$205,000 in exchange for an additional 7,816 operating units.

Under the terms of four other partnership agreements, which own street retail properties in southern California with a cost of approximately \$61 million, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the other 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, for two of the partnerships, a limited number of common shares of the Trust at the election of the other partners. In certain partnerships, if the other partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms.



## 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 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. Nevertheless, funds from operations, as presented by the Trust, may not be comparable to funds from operations as presented by other real estate investment trusts.

The reconciliation of net income to funds from operations is as follows:

	Six months ending June 30,		Three months ending June 30,	
	2002	2001	2002	2001
	----	----	----	----
Net income available for common shareholders - basic	\$ 24,292	\$ 32,425	\$ 30,479	\$ 20,180
(Gain) on sale of real estate net of loss on abandoned developments held for sale	(9,454)	(7,898)	(19,101)	(7,898)
Depreciation and amortization of real estate assets	29,058	26,375	14,521	13,509
Amortization of initial direct costs of leases	2,371	1,976	1,200	1,007
Income attributable to operating partnership units	514	760	650	461
	-----	-----	-----	-----
Funds from operations for common shareholders	\$ 46,781	\$ 53,638	\$ 27,749	\$ 27,259
	=====	=====	=====	=====

SIX MONTHS ENDED JUNE 30, 2002 and 2001

### Consolidated Results

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 6.7% from \$133.0 million in the first six months of 2001 to \$142.0 million in the first six months of 2002. On a same center basis, rental income increased 3.9%, due primarily to the favorable impact of redeveloped and retenanted centers, as well as increases associated with lease rollovers. Same center basis for the six months ended June 30, 2002 excludes Williamsburg Shopping Center in Williamsburg, Virginia, 101 E. Oak Street in Chicago, Illinois and 70/10 Austin Street in Forest Hills, New York which were sold in 2001, Friendship Center in Washington, D.C. which was purchased on September 21, 2001, the office building located at 580

Market Street in San Francisco, California which was exchanged for the minority partner's interest in Santana Row and properties under development in 2001 and 2002, including Pentagon Row in Arlington, Virginia and Santana Row in San Jose, California. Same center basis, as defined above, includes properties which have been redeveloped or expanded. Same center rental income, excluding the contribution from property redevelopments and expansions, increased 3.0%.

Other property income includes items, which although recurring, tend to fluctuate more than rental income from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income increased 18.4% from \$5.9 million in 2001 to \$7.0 million in 2002 due to increases in lease termination fees, utility reimbursements and the income earned at the Pentagon Row project which began phasing into service in the second quarter of 2001. On a same center basis, other property income increased 9.6%, primarily due to the increased lease termination fees and utility reimbursements.

Interest and other income includes interest earned on mortgage notes receivable, overnight cash investments, including tax-deferred exchange escrow deposits, as well as a provision for estimated losses related to various unconsolidated restaurant joint ventures. This provision of \$1.3 million represents the Trust's best estimate of the diminution of value of these investments which the Trust believes to be permanent based upon the current economic climate surrounding these ventures. Interest and other income decreased \$1.5 million from \$3.6 million in 2001 to \$2.1 million in 2002 due to these joint venture costs.

Rental expenses increased 6.6% from \$29.9 million in the first half of 2001 to \$31.8 million in the first half of 2002. Expenses for the Pentagon Row project and pre-opening expenses at Santana Row were the major causes of this increase. Rental expense as a percentage of property income, rental income plus other property income, remained constant at 21.5% in 2001 compared to 21.4% in 2002. On a same center basis, rental expenses decreased 6.8% from \$29.0 million in 2001 to \$27.1 million in 2002, primarily due to decreased snow removal costs and lower bad debt in 2002. Same center rental expense, excluding the effect of property redevelopments and expansions, decreased 7.2%.

Real estate taxes increased 14.6% from \$13.3 million in the first half of 2001 to \$15.2 million in the first half of 2002. On a same center basis, real estate taxes increased 11.7% due primarily to increased taxes on recently redeveloped properties and overall increases in tax assessments. Same center real estate taxes, excluding the effect of property redevelopments and expansions, increased 10.1%.

Depreciation and amortization expenses increased 11.0% from \$28.6 million in the first half of 2001 to \$31.8 million in the first half of 2002 reflecting the impact of recent new developments, tenant work and property redevelopments which were placed in service

throughout 2001 and the first half of 2002.

During the first half of 2002 the Trust incurred interest of \$43.2 million, of which \$11.4 million was capitalized, as compared to 2001's \$42.7 million of which \$8.0 million was capitalized. The modest increase in interest expense reflects the additional construction debt issued to fund the Trust's capital improvement programs offset by the decrease in interest expense on the Trust's syndicated credit facility, reflecting the pay-down on the credit facility with the proceeds from the November 2001 preferred stock offering and the June 2002 common stock offering, as well as lower interest rates on the Trust's variable rate debt. The ratio of earnings to combined fixed charges and preferred dividends was 1.05x and 1.35x for the first half of 2002 and 2001, respectively. The ratio of earnings to fixed charges was 1.24x and 1.47x during the first half of 2002 and 2001, respectively. The ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to combined fixed charges and preferred dividends was 1.36x for the first half of 2002 and 1.94x for the first half of 2001. Excluding the one-time restructuring charge of \$8.5 million in the first quarter of 2002, the Trust's ratio of earnings to combined fixed charges and preferred dividends was 1.18x and 1.35x for the first half of 2002 and 2001, respectively; the ratio of earnings to fixed charges was 1.39x and 1.47x during the first half of 2002 and 2001, respectively; and the ratio of EBITDA to combined fixed charges and preferred dividends was 1.49x for the first half of 2002 and 1.94x for the first half of 2001.

Administrative expenses remained constant at \$6.5 million in both periods. Administrative expenses as a percentage of revenue decreased from 4.5% in the first half of 2001 to 4.3% in the first half of 2002.

On February 28, 2002 the Trust adopted a new business plan which returns the Trust's primary focus to its traditional business of acquiring and redeveloping community and neighborhood shopping centers that are anchored by supermarkets, drug stores, or high volume, value oriented retailers that provide consumer necessities. The Trust will complete Bethesda Row, Pentagon Row and Santana Row but does not plan to develop any new large-scale, mixed-use, ground-up development projects. Rather, the Trust will seek to acquire income producing centers and may seek opportunities to develop ground-up grocery anchored shopping centers, all in and around the Trust's existing markets, and will identify and execute redevelopment opportunities in its existing portfolio. Concurrent with the adoption of the business plan, the Trust adopted a management succession plan and restructured its management team.

In connection with this change in business plan the Trust recorded a charge of \$18.2 million. This charge includes a restructuring charge of \$8.5 million made up of \$6.9 million of severance and other compensation costs for several senior officers of the Trust related to the management restructuring, as well as the write-off of \$1.6 million of the Trust's development costs. Charges

against the reserve totaled \$8.3 million for the six months of 2002 resulting in a remaining reserve balance of \$200,000 at June 30, 2002 which is expected to be utilized in the third quarter of 2002. An additional component of the restructuring charge is an impairment loss of \$9.7 million representing the estimated loss on the abandonment of development projects held for sale, primarily the Tanasbourne development project located in Portland, Oregon, thereby adjusting the value of these assets to their estimated fair value. The Trust is marketing these properties, components of the Trust's western region, for sale. The current carrying value of these properties, classified on the Trust's consolidated balance sheet as real estate under development, is \$8.4 million.

On April 11, 2002 the Trust sold the street retail property located at 252 Greenwich Avenue in Greenwich, Connecticut for \$16.5 million resulting in a gain of \$7.0 million.

On April 30, 2002 the Trust sold three street retail properties, two in Westport, Connecticut and one in Westfield, New Jersey, for \$19.2 million resulting in a gain of \$6.9 million.

On June 6, 2002 the Trust sold the Uptown Shopping Center located in Portland, Oregon for \$20.8 million resulting in a gain of \$4.5 million.

The proceeds from the sales of the four street retail properties and the Uptown Shopping Center are being held in escrow by a qualified intermediary for purposes of executing tax-deferred property exchanges.

On June 18, 2002 a partnership, in which an entity of the Trust is the general partner, sold the street retail property located at 6410 Hollywood Boulevard in Hollywood, California for \$2.3 million resulting in a gain of \$700,000. The proceeds from the sale were received by the partnership at closing.

On April 27, 2001 the Trust sold the Williamsburg Shopping Center in Williamsburg, Virginia for \$16.7 million resulting in a gain of \$7.9 million.

Investors' share of operations represents the minority interest in the income of certain properties. The \$500,000 decrease from \$2.8 million for the first six months of 2001 to \$2.3 million for the first six months of 2002 is due to the Trust's 2001 purchase of the minority interest in nine street retail buildings in southern California and three street retail buildings in Forest Hills, New York and the operating unit holders share of the first quarter 2002 loss.

During the second quarter of 2002 the Trust sold six properties for a combined gain of \$19.1 million. The net income from these properties, reported as income from operations of discontinued assets, was \$1.3 million and \$1.7 million for the six months ended June 30, 2002 and 2001, respectively. Four of these properties were

components of the Trust's northeast region and two were components of the Trust's western region.

As a result of the foregoing items, income before gain on sale of real estate net of loss on abandoned developments held for sale and discontinued operations decreased from \$26.8 million during the first half of 2001 to \$23.3 million during the first half of 2002, while net income decreased from \$36.4 million during the first half of 2001 to \$34.0 million during the first half of 2002. Net income available for common shareholders decreased from \$32.4 million during the first six months of 2001 to a \$24.3 million during the first six months of 2002, as a result of the foregoing items and as a result of an increase of \$5.7 million in preferred dividends on the 8.5% preferred shares issued in November 2001.

Growth in net income and funds from operations during the remainder of 2002 will be primarily dependent on contributions from the core portfolio. Growth of net income from the core portfolio is, in part, dependent on the general economy, the financial health of the Trust's tenants and on controlling expenses, some of which are beyond the complete control of the Trust, such as snow removal, insurance and real estate tax assessments. The current weakening of the retail and overall economic environment could adversely impact the Trust by increasing vacancies and decreasing rents. In past weak retail and real estate environments, however, 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. The Trust's properties were 95.9% leased at June 30, 2002 and 95.6% leased at June 30, 2001.

Growth in the core portfolio, however, will be offset by expenses at Santana Row. Leasing, marketing and pre-opening expenses at Santana Row prior to its scheduled opening in fall 2002 and additional depreciation and interest expense as the project is phased into operations will have a dilutive effect on 2002 and 2003 earnings.

Growth in net income is also dependent on the amount of the Trust's leverage and interest rates. The Trust's leverage is increasing as it finances its development projects. In addition, to the extent variable-rate debt is unhedged, the Trust will continue to have exposure to changes in market interest rates. If interest rates increase, net income and funds from operations, as well as the ultimate cost of the Trust's development projects, will be negatively impacted. Net income available for common shareholders' and funds from operations will also be reduced by the November 2001 issuance of the 8.5% Series B Cumulative Redeemable Preferred Shares.

## Segment Results

The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West.

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

	For the six months ended June 30,	
	2002	2001
-----		
Rental income		
Northeast	\$ 58,981	\$ 56,991
Mid-Atlantic	66,213	60,383
West	16,771	15,624
	-----	-----
Total	\$ 141,965	\$ 132,998
	=====	=====
For the six months ended June 30,		
	2002	2001
-----		
Net operating income, including interest income on mortgage notes receivable		
Northeast	\$ 44,765	\$ 41,499
Mid-Atlantic	48,959	45,912
West	11,056	10,973
	-----	-----
	\$ 104,780	\$ 98,384
	=====	=====

### The Northeast

The Northeast region is comprised of forty-eight assets, extending from suburban Philadelphia north through New York and its suburbs into New England and west to Illinois and Michigan.

When comparing the first half of 2002 with 2001, rental income increased 3.5% from \$57.0 million in 2001 to \$59.0 million in 2002. On a same center basis, excluding 101 E. Oak Street and 70/10 Austin Street which were sold in 2001, rental income increased 4.5% from \$56.4 million in 2001 to \$59.0 million in 2002, due to increases at recently redeveloped and retenanted shopping centers such as Brunswick, Dedham, Fresh Meadows, Garden Market and Wynnewood as well as increases associated with lease rollovers. Same center rental income, excluding the contribution from property redevelopments and expansions, increased 3.7%.

Net operating income, including interest income on mortgage notes receivable, increased 7.9% from \$41.5 million in 2001 to \$44.8

million in 2002. On a same center basis, as defined above, net operating income increased 9.5% from \$40.9 million in 2001 to \$44.8 million in 2002, primarily due to increases at the recently redeveloped and retenanted shopping centers, lease rollovers and significantly lower common area maintenance costs, specifically snow removal costs. Same center net operating income, excluding the contribution from property redevelopments and expansions, increased 8.5%.

#### The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, including Pentagon Row, which was substantially completed in 2002, extending from Baltimore south to metropolitan Washington, D.C. and further south through Virginia and North Carolina into Florida.

When comparing the first half of 2002 with 2001, rental income increased 9.7% from \$60.4 million in 2001 to \$66.2 million in 2002. On a same center basis, excluding Williamsburg Shopping Center which was sold in 2001, Friendship Center which was purchased in 2001 and Pentagon Row which is being phased into service throughout 2001 and 2002, rental income increased 1.6%, due primarily to successful retenancing at several shopping centers and street retail properties, as well as the increased rental income from the Trust's Woodmont East project in Bethesda, Maryland which was open and occupied for a full six months in 2002. These increases were offset by higher vacancy levels at three of the region's shopping centers. There were no significant contributions from redevelopments or expansions in this region during the six months ended June 30 2002 and 2001.

When comparing the first half of 2002 with 2001, net operating income increased 6.6% from \$45.9 million in 2001 to \$49.0 million in 2002. On the same center basis as defined above, net operating income increased 1.0%, with the increased rental income offset by increased real estate taxes.

#### The West

The Western region is comprised of thirty-four assets, including Santana Row, which is currently under development, extending from Texas to the West Coast.

When comparing the first half of 2002 with 2001 on a same center basis, which excludes 580 Market Street which was exchanged for the minority partner's interest in Santana Row and Santana Row, which is currently under development, rental income increased 11.0% from \$15.1 million in 2001 to \$16.7 million in 2002, due to increases from the recently redeveloped and retenanted properties in the Los Angeles area and in San Francisco, California as well as increases associated with lease rollovers. Same center rental income, excluding the contribution from redevelopments and expansions, increased 7.1%. On an overall basis, rental income increased 7.3%, from \$15.6 million in 2001 to \$16.8 million in 2002.

On a same center basis as defined above, net operating income, including interest income on mortgage notes receivable, increased 20.6% from \$10.5 million in 2001 to \$12.6 million in 2002, due primarily to increases from the recently redeveloped and retenanted properties in the Los Angeles area and San Francisco, California and higher participating interest income on mortgage notes receivable. Same center net operating income, excluding the contribution from redevelopments and expansions, increased 17.1%. Overall net operating income remained constant at \$11.0 million in 2001 and \$11.1 million in 2002, reflecting the above mentioned increases offset by the marketing, leasing and start-up costs associated with Santana Row.



Consolidated Results

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 6.4% from \$67.2 million in the second quarter of 2001 to \$71.5 million in the second quarter of 2002. On a same center basis, rental income increased 2.8%, due primarily to the favorable impact of redeveloped and retenanted centers, as well as, increases associated with lease rollovers. Same center basis, in the second quarter of 2002, excludes Williamsburg Shopping Center in Williamsburg, Virginia, 101 E. Oak Street in Chicago, Illinois and 70/10 Austin Street in Forest Hills, New York which were sold in 2001, Friendship Center in Washington, D.C. which was purchased on September 21, 2001, the office building located at 580 Market Street in San Francisco, California which was exchanged for the minority partner's interest in Santana Row and properties under development in 2001 and 2002, including Pentagon Row in Arlington, Virginia and Santana Row in San Jose, California. Same center basis, as defined above, includes properties which have been redeveloped or expanded. Same center rental income, excluding the contribution from property redevelopments and expansions, increased 1.9%.

Other property income includes items, which although recurring, tend to fluctuate more than rental income from period to period, such as utility reimbursements, telephone income, merchant association dues, late fees, lease termination fees and temporary tenant income. Other property income increased 6.6% from \$3.2 million in 2001 to \$3.4 million in 2002 due to the income earned at the Pentagon Row project which began phasing into service in the second quarter of 2001. On a same center basis, other property income remained constant at \$2.9 million.

Interest and other income includes interest earned on mortgage notes receivable, overnight cash investments, including tax-deferred exchange escrow deposits, as well as a provision for estimated losses related to various unconsolidated restaurant joint ventures. This provision of \$1.3 million represents the Trust's best estimate of the diminution of value of these investments which the Trust believes to be permanent based upon the current economic climate surrounding these ventures. Interest and other income decreased \$700,000 from \$1.7 million in 2001 to \$1.0 million in 2002 due to these joint venture costs which offset higher interest earned on mortgage notes receivable.

Rental expenses increased 9.6% from \$15.0 million in the second quarter of 2001 to \$16.4 million in the second quarter of 2002. Expenses for the Pentagon Row project and pre-opening expenses at Santana Row were the major causes of this increase. As a result of the increased expenses at Santana Row in 2002, rental expense as a percentage of property income, rental income plus other property income, increased from 21.3% in 2001 to 22.0% in 2002. On a same center basis, rental expenses decreased 8.3% from \$14.4 million in 2001 to \$13.2 million in 2002, primarily due to decreased snow

removal, bad debt and property management costs in 2002. Same center rental expense, excluding the effect of property redevelopments and expansions, decreased 8.7%.

Real estate taxes increased 10.3% from \$6.8 million in the second quarter of 2001 to \$7.4 million in the second quarter of 2002. On a same center basis, real estate taxes increased 7.3% due primarily to increased taxes on recently redeveloped properties and overall increases in tax assessments. Same center real estate taxes, excluding the effect of property redevelopments and expansions, increased 6.4%.

Depreciation and amortization expenses increased 8.9% from \$14.6 million in the second quarter of 2001 to \$15.9 million in the second quarter of 2002 reflecting the impact of recent new developments, tenant work and property redevelopments which were placed in service throughout 2001 and the first half of 2002.

During the second quarter of 2002 the Trust incurred interest of \$21.7 million, of which \$6.6 million was capitalized, as compared to 2001's \$21.4 million of which \$3.9 million was capitalized. The modest increase in interest expense reflects the additional construction debt issued to fund the Trust's capital improvement programs offset by the decrease in interest expense on the Trust's syndicated credit facility, reflecting the pay-down on the credit facility with the proceeds from the November 2001 preferred stock offering and the June 2002 common stock offering, as well as lower interest rates on the Trust's variable rate debt.

Administrative expenses, while increasing from \$3.3 million in the second quarter of 2001 to \$3.5 million in the second quarter of 2002 remained at 4.6% of revenue.

On April 11, 2002 the Trust sold the street retail property located at 252 Greenwich Avenue in Greenwich, Connecticut for \$16.5 million resulting in a gain of \$7.0 million.

On April 30, 2002 the Trust sold three street retail properties, two in Westport, Connecticut and one in Westfield, New Jersey, for \$19.2 million resulting in a gain of \$6.9 million.

On June 6, 2002 the Trust sold the Uptown Shopping Center located in Portland, Oregon for \$20.8 million resulting in a gain of \$4.5 million.

The proceeds from the sales of the four street retail properties and the Uptown Shopping Center are being held by a qualified intermediary for purposes of executing tax-deferred property exchanges.

On June 18, 2002 a partnership, in which an entity of the Trust is the general partner, sold the street retail property located at 6410 Hollywood Boulevard in Hollywood, California for \$2.3 million resulting in a gain of \$700,000. The proceeds from the sale were

received by the partnership at closing.

On April 27, 2001 the Trust sold the Williamsburg Shopping Center in Williamsburg, Virginia for \$16.7 million resulting in a gain of \$7.9 million.

Investors' share of operations represents the minority interest in the income of certain properties. The \$200,000 increase from \$1.4 million in the second quarter of 2001 to \$1.6 million in the second quarter of 2002 is due to the increased net income of operating unit holders who are allocated income as if they held shares of the Trust. This increase is partially offset by the Trust's 2001 purchase of the minority interest in nine street retail buildings in southern California and three street retail buildings in Forest Hills, New York.

During the second quarter of 2002 the Trust sold six properties for a combined gain of \$19.1 million. The net income from these properties, reported as income from operations of discontinued assets, was \$435,000 and \$837,000 for the three months ended June 30, 2002 and 2001, respectively. Four of these properties were components of the Trust's northeast region and two were components of the Trust's western region.

As a result of the foregoing items, income before gain on sale of real estate and discontinued operations increased from \$13.4 million during the second quarter of 2001 to \$15.8 million during the second quarter of 2002, while net income increased from \$22.2 million during the second quarter of 2001 to \$35.3 million during the second quarter of 2002. Net income available for common shareholders increased from \$20.2 million during the second quarter of 2001 to \$30.5 million during the second quarter of 2002, as a result of the foregoing items, offset by the increase of \$2.9 million in preferred dividends on the 8.5% preferred shares issued in November 2001.

## Segment Results

The Trust operates its portfolio of properties in three geographic operating regions: Northeast, Mid-Atlantic and West.

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

	For the three months ended June 30,	
	2002	2001
-----		
Rental income		
Northeast	\$29,697	\$28,729
Mid-Atlantic	33,239	30,341
West	8,530	8,090
	-----	-----
Total	\$71,466	\$67,160
	=====	=====
	For the three months ended June 30,	
	2002	2001
-----		
Net operating income, including interest income on mortgage notes receivable		
Northeast	\$22,406	\$21,166
Mid-Atlantic	24,900	23,416
West	5,548	5,271
	-----	-----
	\$52,854	\$49,853
	=====	=====

### The Northeast

The Northeast region is comprised of forty-eight assets, extending from suburban Philadelphia north through New York and its suburbs into New England and west to Illinois and Michigan.

When comparing the second quarter of 2002 with 2001, rental income increased 3.4% from \$28.7 million in 2001 to \$29.7 million in 2002. On a same center basis, excluding 101 E. Oak Street and 70/10 Austin Street which were sold in 2001, rental income increased 4.4% from \$28.4 million in 2001 to \$29.7 million in 2002, primarily due to increases at recently redeveloped and retenanted shopping centers such as Brunswick, Dedham, Fresh Meadows, Garden Market and Wynnewood as well as increases associated with lease rollovers. Same center rental income, excluding the contribution from property

redevelopments and expansions, increased 3.8%.

Net operating income, including interest income on mortgage notes receivable, increased 5.9% from \$21.2 million in 2001 to \$22.4 million in 2002. On a same center basis, as defined above, net operating income increased 7.0% from \$20.9 million in 2001 to \$22.4 million in 2002, due to increases at the recently redeveloped and retenanted shopping centers and higher participating interest income on mortgage notes receivable. Same center net operating income, excluding the contribution from property redevelopments and expansions, increased 6.2%.

#### The Mid-Atlantic

The Mid-Atlantic region is comprised of thirty-two assets, including Pentagon Row, which was substantially completed in 2002, extending from Baltimore south to metropolitan Washington, D.C. and further south through Virginia and North Carolina into Florida.

When comparing the second quarter of 2002 with 2001, rental income increased 9.6% from \$30.3 million in 2001 to \$33.2 million in 2002. On a same center basis, excluding Williamsburg Shopping Center which was sold in 2001, Friendship Center which was purchased in 2001 and Pentagon Row which is being phased into service throughout 2001 and 2002, rental income remained constant at \$30.2 million. The increase in rental income which was due primarily to successful retenancing at several shopping centers and street retail properties was offset by higher vacancy levels at three of the region's shopping centers. There were no significant contributions from redevelopments or expansions in this region during the three months ended June 30, 2002 and 2001.

When comparing the second quarter of 2002 with 2001, net operating income increased 6.3% from \$23.4 million in 2001 to \$24.9 million in 2002. On the same center basis as defined above net operating income remained constant at \$23.2 million, with the increased rental income offset by vacancies and increased real estate taxes.

#### The West

The Western region is comprised of thirty-four assets, including Santana Row, which is currently under development, extending from Texas to the West Coast.

When comparing the first quarter of 2002 with 2001 on a same center basis, which excludes 580 Market Street which was exchanged for the minority partner's interest in Santana Row and Santana Row, which is currently under development, rental income increased 9.2% from \$7.8 million in 2001 to \$8.5 million in 2002, due primarily to increases from the recently redeveloped and retenanted properties in the Los Angeles area and in San Francisco, California as well as increases associated with lease rollovers. Same center rental income, excluding the contribution from redevelopments and

expansions, increased 5.0%. On an overall basis, rental income increased 5.4%, from \$8.1 million in 2001 to \$8.5 million in 2002.

On a same center basis as defined above, net operating income, including interest income on mortgage notes receivable, increased 28.6% from \$5.2 million in 2001 to \$6.6 million in 2002, due primarily to increases from the recently redeveloped and retented properties in the Los Angeles area and San Francisco, California and higher participation interest income on mortgage notes receivable. Same center net operating income, excluding the contribution from redevelopments and expansions, increased 24.4%. Overall net operating income increased 5.2% from \$5.3 million in 2001 to \$5.5 million in 2002, reflecting the above mentioned increases offset by the marketing, leasing and start-up costs associated with Santana Row.

PART II - OTHER INFORMATION

Item 2. Changes in Securities and use of Proceeds

During the second quarter of 2002 the Trust issued 100,000 common shares of the Trust valued at \$2.8 million in exchange for 100,000 partnership operating units. The issuance of such shares was exempt from registration under Section 4(2) of the Securities Act of 1933.

Item 4. Submission of Matters to a Vote of Shareholders

At the 2002 Annual Meeting of Shareholders on May 1, 2002 the Shareholders elected Steven J. Guttman and Mark S. Ordan as trustees, to serve for the ensuing three years. Holders of 27.7 million shares and 31.1 million shares voted for each trustee, respectively and holders of 5.2 million shares and 1.7 million shares withheld their votes for each trustee, respectively.

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

(3)(i) Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 filed with the Commission on May 25, 1999 as an exhibit to the Trust's Current Report on Form 8-K is incorporated herein by reference thereto.

(ii) Bylaws of the Trust as amended, filed with the Commission on June 6, 2002 as an exhibit to the Trust's Registration Statement on Form 8-A/A is incorporated herein by reference thereto.

(10)(i) Severance Agreement dated March 1, 2002 between Federal Realty Investment Trust and Larry E. Finger.

(ii) Combined Incentive and Non-Qualified Stock Option Agreement dated February 28, 2002 between Federal Realty Investment Trust and Larry E. Finger.

(iii) Performance Share Award Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 28, 2002.

(iv) Performance Share Award Agreement between Federal Realty Investment Trust and Jeffrey S. Berkes dated February 28, 2002.

(99)(i) Written Statement of Chairman and Chief Executive Officer, President and Chief Operating Officer and Senior Vice President and Chief Financial Officer and Treasurer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

(B) Reports on Form 8-K

A Form 8-K, dated March 31, 2002 was filed on April 29, 2002 in response to Item 5.

A Form 8-K, dated June 3, 2002 was filed on June 4, 2002 in response to Item 4.

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

FEDERAL REALTY INVESTMENT TRUST

August 12, 2002

/s/ Steven J. Guttman

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Steven J. Guttman, Chairman of the  
Board, Chief Executive Officer and  
Trustee (Chief Executive Officer)

August 12, 2002

/s/ Larry E. Finger

-----  
Larry E. Finger, Chief Financial  
Officer (Principal Accounting  
Officer)



EXHIBIT INDEX

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## SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this 1st day of March, 2002 by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Employer"), and LARRY E. FINGER ("Employee").

WHEREAS, Employee has been hired to serve as Employer's Senior Vice President - Chief Financial Officer, and Employer and Employee wish to set forth the terms of a severance agreement for Employee;

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

1. Termination Without Cause. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b), Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 1; provided, however, in the event Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b) under circumstances described in Section 6 below, Employee shall receive such payments and benefits as are set forth in Section 6 in lieu of the payments and benefits under this Section 1; and provided, further, that no payments or benefits shall be payable under this Section 1 unless Employee shall have been employed by Employer for at least six (6) months at the time of the triggering event (i.e., the termination by Employer or the occurrence of any of the events described in 1(b)(i)-(iv) below):

- (a) by Employer other than with Cause (as "Cause" is defined in Section 3, hereof);
- (b) by Employee within six (6) months following the occurrence of one or more of the following events:
  - (i) the nature of Employee's duties or the scope of Employee's responsibilities or authority as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes an actual or constructive demotion of Employee; provided, however, that a change in the position(s) to whom Employee

reports shall not by itself constitute a material modification of Employee's responsibilities;

- (ii) Employer changes the location of its principal office to outside a fifty (50) mile radius of Washington, D.C.;
  - (iii) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of Employee's highest base salary during Employee's employment with Employer; and
  - (iv) this Severance Agreement is not expressly assumed by any successor (directly or indirectly, whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer.
- (c) Decision by Employer to Terminate Without Cause. Employer's decision to terminate Employee's employment Without Cause shall be made by the Board of Trustees.
- (d) Severance Payment Upon Termination Without Cause. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employee will receive as severance pay an amount in cash equal to one (1) year's salary. For the purpose of calculating the amount payable pursuant to this Section 1(d), "salary" shall be an amount equal to Employee's annual base salary in the year of termination. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination.
- (e) Benefits. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employee shall receive "Full Benefits" for nine (9) months. Employer shall have satisfied its obligation to provide Full Benefits to Employee if it (i) pays premiums due in connection with COBRA continuation coverage to continue Employee's medical and dental insurance coverage at not less than the levels of coverage immediately prior to termination of Employee's employment; (ii) maintains at not less than Employee's highest levels of coverage prior to Termination Without Cause individual life insurance policies and accidental death and dismemberment policies for the benefit of Employee and pays the annual premiums associated therewith; (iii) to the extent that Employer maintained a long-term disability policy that provided

coverage to Employee in excess of the coverage provided under Employer's group long-term disability policy, maintains at not less than Employee's highest levels of coverage prior to Termination Without Cause an individual long-term disability policy for the benefit of Employee and pays the annual premiums associated therewith, subject to the limitations of the policy; and (iv) pays the annual premiums associated with Employee's continued participation, at not less than Employee's highest levels of coverage prior to Termination Without Cause, under Employer's group long-term disability policy for a period of one (1) year following Termination Without Cause, subject to the limitations of the policy. Notwithstanding the foregoing, Employee shall be required to pay the premiums and any other costs of such Full Benefits in the same dollar amount that Employee was required to pay for such costs immediately prior to Termination Without Cause.

- (f) Stock Options. Notwithstanding any agreement to the contrary, in the event of any Termination Without Cause other than under circumstances described in Section 6 below, the vesting of options to purchase shares of Employer's common stock granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the twelve (12) months thereafter shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer. The terms of the stock option agreements shall determine the period during which any vested options may be exercisable.
- (g) Outplacement Services. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employer shall make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employer for a period not to exceed six (6) months from the date of Employee's termination.
- (h) Provision of Telephone/Secretary. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employer shall provide Employee for a period not to exceed six (6) months from Employee's date of termination with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone. Such benefits shall not include an office or physical access to Employer's offices and will cease upon commencement by Employee of employment with another employer.

- (i) Notice. If Employee terminates his or her employment pursuant to Section 1(b) hereof other than under circumstances described in Section 6 below and (i) Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of such termination, or (ii) if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of such termination.

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

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

- (a) failure (other than failure due to disability) to substantially perform his or her duties with Employer or an affiliate thereof; which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which Employee is diligently pursuing cure, as determined by the President of Employer in his absolute discretion ("Failure to Perform");
- (b) willful or intentional conduct which is demonstrably injurious to Employer or an affiliate thereof, monetarily or otherwise;
- (c) breach of fiduciary duty involving personal profit; or
- (d) willful violation in the course of performing his or her duties for Employer of any law, rule or regulation (other than traffic violations or misdemeanor offenses). No act or failure to act shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of Employer.
- (e) Decision by Employer to Terminate With Cause. The decision to terminate the employment of Employee with Cause shall be made by the Board of Trustees.

- (f) Payment Upon Termination with Cause. In the event that Employee's employment is terminated with Cause, Employee shall receive all base salary due and payable as of the date of Employee's termination of employment. No payment shall be made for bonus or other compensation. Payment also will be made for accrued, but unused vacation time. The terms of the stock option agreements between Employer and Employee thereunder will determine the terms of the vesting of options and the exercisability of vested options.

4. Severance Benefits Upon Termination Upon Disability. Employer may terminate Employee upon thirty (30) days' prior written notice if (i) Employee's Disability has disabled Employee from rendering service to Employer for at least a six (6) month consecutive period during the term of Employee's employment, (ii) Employee's "Disability" is within the meaning of such defined term in Employer's group long-term disability policy, and (iii) Employee is covered under such policy. In the event of Employee's Termination Upon Disability, Employee shall be entitled to receive as severance pay each month for the year immediately following the date of termination an amount in cash equal to the difference, if any, between (i) the sum of (y) the amount of payments Employee receives or will receive during that month pursuant to the disability insurance policies maintained by Employer for Employee's benefit and (z) the adjustment described in the next sentence and (ii) Employee's base monthly salary on the date of termination due to Disability. The adjustment referred to in clause (z) of the preceding sentence is the amount by which any tax-exempt payments referred to in clause (y) would need to be increased if such payments were subject to tax in order to make the after-tax proceeds of such payments equal to the actual amount of such tax-exempt payments.

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

5. Severance Benefits Upon Termination Upon Death. If Employee dies, Employee's estate shall be entitled to receive an amount in cash equal to Employee's then-current base salary through the last day of the month in which Employee's death occurs plus any bonus previously awarded but unpaid and any accrued vacation pay through the last day of the month in which Employee's death occurs. The terms of the

stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of his or her death and the exercise period for any vested option.

6. Severance Benefits Upon Termination Upon Change in Control.

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

(i) An acquisition in one or more transactions (other than directly from Employer or pursuant to options granted by Employer) of any voting securities of Employer (the "Voting Securities") by any "Person" (as the term is used for purposes of Section 13(d) or 14(d) of the Securities Act of 1934, as amended (the "Exchange Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the combined voting power of Employer's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (A) an employee benefit plan (or a trust forming a part thereof) maintained by (1) Employer or (2) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by Employer (a "Subsidiary"), (B) Employer or any Subsidiary, or (C) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

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

(iii) Approval by shareholders of Employer of

(A) A merger, consolidation or reorganization involving

Employer, unless:

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

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

(3) no Person (other than Employer or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by Employer, or any Subsidiary, or any Person which, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of 20% or more of the then outstanding Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities, and

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

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

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

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by Employer which, by reducing the number of Voting Securities outstanding, increases the proportional number of Voting Securities Beneficially Owned by the Subject Person; provided, however, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional Voting



Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur; or (B) if Employer (1) establishes a wholly-owned subsidiary ("Holding Company"), (2) causes the Holding Company to establish a wholly-owned subsidiary ("Merger Sub"), and (3) merges with Merger Sub, with Employer as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

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

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

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

(i) Employer shall pay to Employee a single cash payment equal to the amount described in Section 1(d) above. If Employee's employment is terminated by Employer by a written notice which specifies a Termination Date at least five (5)

business days later than the date of such notice, the payment shall be made on the Termination Date. If Employee gives less than five (5) business days notice, then such payment shall be made within five (5) business days of the date of such notice;

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

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

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

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

(d) Redemption.

(i) Except as provided in subsection (ii) below, Employer shall within five (5) business days of receipt of written notice from Employee given at any time after the occurrence of a Change in Control but prior to the latest stated expiration date of any option held by Employee on the date of the Change in Control, redeem any Voting Securities held by Employee (whether acquired by exercise of any such option or grant or otherwise), at a price equal to the average closing price of Voting Securities as

quoted on the New York Stock Exchange, or if such Voting Securities are not listed thereon, then the average of the closing "bid" and "ask" prices per share in the over-the-counter securities market for the fifteen (15) trading days prior to the date of such notice;

(ii) If, during the fifteen (15) day trading period, Voting Securities are not listed, quoted or reported on any publicly traded securities market for at least two-thirds (2/3) of the days included in such period, then the redemption price shall be determined as follows: (A) Employee shall designate in a written notice to Employer an appraiser to appraise the value of the Voting Securities to be redeemed; (B) within ten (10) business days of receipt of such notice Employer shall designate an appraiser to appraise the value of the Voting Securities to be redeemed, (C) such designated appraisers shall together designate, within ten (10) business days of the date the appraiser is designated by Employer, a third appraiser to appraise the value of such Voting Securities, (D) each appraiser shall value such Voting Securities within twenty (20) business days of the designation of the third appraiser using generally accepted appraisal methods for valuing such securities based upon the value of all of Employer's assets less all of its liabilities without giving effect for any costs of liquidation or distress sale, if otherwise applicable, and (E) the average of the three (3) values determined by the three (3) appraisers shall constitute the price at which Employer must redeem the Voting Securities covered by Employee's written notice within five (5) business days of the completion of this appraisal process. All costs and expenses associated with any appraisal prepared pursuant to this Section 6(d)(ii) shall be borne entirely by Employer.

(e) Excise Tax Payments.

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

(ii) All mathematical determinations, and all determinations as to whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code), that are required to be made under this Section 6(e), including determinations as to whether a Gross-Up Payment is required, and the amount of such Gross-Up Payment, shall be made by an independent accounting firm selected by the Employee from among the six (6) largest accounting firms in the United States (the "Accounting Firm"), which shall provide its determination (the "Determination"), together with detailed supporting calculations regarding the amount of any Gross-Up Payment and any other relevant matter, both to Employer and the Employee by no later than ten (10) days following the Termination Date, if applicable, or such earlier time as is requested by Employer or the Employee (if the Employee reasonably believes that any of the Payments may be subject to the Excise Tax). If the Accounting Firm determines that no Excise Tax is payable by the Employee, it shall furnish the Employee and Employer with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Employee has substantial authority not to report any Excise Tax on her federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Employee within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to Employer by the Accounting Firm. The cost of obtaining the Determination shall be borne by Employer, any determination by the Accounting Firm shall be binding upon Employer and the Employee, absent manifest error. Without limiting the obligation of Employer hereunder, Employee agrees, in the event that Employer makes a Gross-Up Payment to cover any Excise Tax, to negotiate with Employer in good faith with respect to procedures reasonably requested by Employer which would afford Employer the ability to contest the imposition of such Excise Tax; provided, however, that Employee will not be required to afford Employer any right to contest the applicability of any such Excise Tax to the extent that Employee reasonably determines (based upon the opinion of the Accounting Firm) that such contest is inconsistent with the overall tax interest of Employee.

(iii) As a result of the uncertainty in the application of Sections 4999 and 280G of the Code, it is possible that a Gross-Up Payment (or a portion thereof) will be paid which should not have been paid (an "Excess Payment") or a Gross-Up Payment (or a portion thereof) which should have been paid will not have been paid (an "Underpayment"). An Underpayment shall be deemed to have occurred (A) upon notice (formal or informal) to Employee from any governmental taxing authority that Employee's tax liability (whether in respect of Employee's current taxable year or in respect of any prior taxable year) may be increased by reason of the imposition of the Excise Tax on a Payment or Payments with respect to which Employer has failed to make a sufficient Gross-Up Payment, (B) upon determination by a court, (C) by reason of determination by Employer (which shall include the position taken by Employer, together with its consolidated group, on its federal income tax return) or (D) upon the resolution of the Dispute to Employee's satisfaction. If an Underpayment occurs, Employee shall

promptly notify Employer and Employer shall promptly, but in any event, at least five (5) days prior to the date on which the applicable governmental taxing authority has requested payment, pay to Employee an additional Gross-Up Payment equal to the amount of the Underpayment plus any interest and penalties (other than interest and penalties imposed by reason of Employee's failure to file a timely tax return or pay taxes shown due on Employee's return where such failure is not due to Employer's actions or omissions) imposed on the Underpayment. An Excess Payment shall be deemed to have occurred upon a "Final Determination" (as hereinafter defined) that the Excise Tax shall not be imposed upon a Payment or Payments (or a portion thereof) with respect to which Employee had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when Employee has received from the applicable governmental taxing authority a refund of taxes or other reduction in Employee's tax liability by reason of the Excess Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds Employee and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to Employee's applicable tax return has expired. If an Excess Payment is determined to have been made, the amount of the Excess Payment shall be treated as a loan by Employer to Employee and Employee shall pay to Employer on demand (but not less than ten (10) days after the determination of such Excess Payment and written notice has been delivered to Employee) the amount of the Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to Employee until date of repayment of the Excess Payment to Employer.

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

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

(g) Interest on Amounts Payable. After a Change of Control, if any amounts which are required or determined to be paid or payable or reimbursed or reimbursable to Employee under this Section 6 (or under any other plan, agreement,

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

(h) Disputes; Payment of Expenses. At any time after a Change of Control, all costs and expenses (including legal, accounting and other advisory fees and expenses of investigation) incurred by Employee in connection with (i) any dispute as to the validity, interpretation or application of any term or condition of this Section 6, (ii) the determination in any tax year of the tax consequences to Employee of any amounts payable (or reimbursable) under this Section 6, or (iii) the preparation of responses to an Internal Revenue Service audit of, and other defense of, Employee's personal income tax return for any year which is the subject of any such audit or an adverse determination, administrative proceeding or civil litigation arising therefrom that is occasioned by or related to an audit of the Internal Revenue Service of Employer's income tax returns are, upon written demand by Employee, to be paid by Employer (and Employee shall be entitled, upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling Employer) promptly on a current basis (either directly or by reimbursing Employee). Under no circumstances shall Employee be obligated to pay or reimburse Employer for any attorneys' fees, costs or expenses incurred by Employer.

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

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

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

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

11. Arbitration.

- (a) Any controversy, claim or dispute arising out of or relating to this Severance Agreement or the breach thereof shall be settled by arbitration in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The parties irrevocably consent to the jurisdiction of the federal and state courts located in Maryland for this purpose. Each such arbitration proceeding shall be located in Maryland.
- (b) The arbitrator(s) may, in the course of the proceedings, order any provisional remedy or conservatory measure (including, without limitation, attachment, preliminary injunction or the deposit of specified security) that the arbitrator(s) consider to be necessary, just and equitable. The failure of a party to comply with such an interim order may, after due notice and opportunity to cure with such noncompliance, be treated by the arbitrator(s) as a default, and some or all of the claims or defenses of the defaulting party may be stricken and partial or final award entered against such party, or the arbitrator(s) may impose such lesser sanctions as the arbitrator(s) may deem appropriate. A request for interim or provisional relief by a party to a court shall not be deemed incompatible with the agreement to arbitrate or a waiver of that agreement.

- (c) The parties acknowledge that any remedy at law for breach of this Severance Agreement may be inadequate, and that, in the event of a breach by Employee of Sections 8 or 14, any remedy at law would be inadequate in that such breach would cause irreparable competitive harm to Employer. Consequently, in addition to any other relief that may be available, the arbitrator(s) also may order permanent injunctive relief, including, without limitation, specific performance, without the necessity of the prevailing party proving actual damages and without regard to the adequacy of any remedy at law.
- (d) In the event that Employee is the prevailing party in such arbitration, then Employee shall be entitled to reimbursement by Employer for all reasonable legal and other professional fees and expenses incurred by Employee in such arbitration or in enforcing the award, including reasonable attorney's fees.
- (e) The parties agree that the results of any such arbitration proceeding shall be conclusive and binding upon them.

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

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

14. Restrictions on Competition; Solicitation; Hiring.

- (a) During the term of his or her employment by or with Employer, and for one (1) year from the date of the termination of Employee's employment with Employer (the "Post Termination Period"), Employee shall not, without the prior written consent of Employer, for himself or herself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work on or participate in the acquisition, leasing, financing, pre-development or development of any project or property which was considered and actively pursued by Employer or its affiliates for acquisition, leasing, financing, pre-development or development within one year prior to the date of termination of Employee's employment.



- (b) During the term of his or her employment by or with Employer, and thereafter during the Post Termination Period, Employee shall not, for any reason whatsoever, directly or indirectly, for himself or herself or on behalf of or in conjunction with any other Person:
- (i) so that Employer may maintain an uninterrupted workforce, solicit and/or hire any Person who is at the time of termination of employment, or has been within six (6) months prior to the time of termination of Employee's employment, an employee of Employer or its affiliates, for the purpose or with the intent of enticing such employee away from or out of the employ of Employer or its affiliates, provided that Employee shall be permitted to call upon and hire any member of the Employee's immediate family;
  - (ii) in order to protect the confidential information and proprietary rights of Employer, solicit, induce or attempt to induce any Person who or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, an actual customer, client, business partner, property owner, developer or tenant or a prospective customer, client, business partner, property owner, developer or tenant (i.e., a customer, client, business partner, property owner, developer or tenant who is party to a written proposal or letter of intent with Employer, in each case written less than six (6) months prior to termination of Employee's employment) of Employer, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates, or (B) in any way interfering with the relationship between such Person and Employer or its affiliates; or
  - (iii) solicit, induce or attempt to induce any Person who is or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, a tenant, supplier, licensee or consultant of, or provider of goods or services to Employer or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates or (B) in any way interfering with the relationship between such Person and Employer or its affiliates.

- (c) The above notwithstanding, the restrictions contained in subsections (a) and (b) above shall not apply to Employee in the Post-Termination Period in the event that Employee has ceased to be employed by Employer under circumstances described in Section 6 of this Severance Agreement.
- (d) Because of the difficulty of measuring economic losses to Employer as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to Employer for which it would have no other adequate remedy, Employee agrees that the foregoing covenants, in addition to and not in limitation of any other rights, remedies or damages available to Employer at law, in equity or under this Agreement, may be enforced by Employer in the event of the breach or threatened breach by Employee, by injunctions and/or restraining orders. If Employer is involved in court or other legal proceedings to enforce the covenants contained in this Section 14, then in the event Employer prevails in such proceedings, Employee shall be liable for the payment of reasonable attorneys' fees, costs and ancillary expenses incurred by Employer in enforcing its rights hereunder.
- (e) It is agreed by the parties that the covenants contained in this Section 14 impose a fair and reasonable restraint on Employee in light of the activities and business of Employer on the date of the execution of this Agreement and the current plans of Employer; but it is also the intent of Employer and Employee that such covenants be construed and enforced in accordance with the changing activities, business and locations of Employer and its affiliates throughout the term of these covenants.
- (f) It is further agreed by the parties hereto that, in the event that Employee shall cease to be employed hereunder, and enters into a business or pursues other activities that, at such time, are not in competition with Employer or its affiliates or with any business or activity which Employer or its affiliates contemplated pursuing, as of the date of termination of Employee's employment, within twelve (12) months from such date of termination, or similar activities or business in locations the operation of which, under such circumstances, does not violate this Section 14 or any of Employee's obligations under this Section 14, Employee shall not be chargeable with a violation of this Section 14 if Employer or its affiliates subsequently enter the same (or a similar) competitive business, course of activities or location, as applicable.

- (g) The covenants in this Section 14 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.
- (h) All of the covenants in this Section 14 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against Employer whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by Employer of such covenants. It is specifically agreed that the Post Termination Period, during which the agreements and covenants of Employee made in this Section 14 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this Section 14.
- (i) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Employee shall be prohibited from engaging in any competitive activity described in Section 14 hereof, the period of time for which Employee shall be prohibited pursuant to Section 14 hereof shall be the maximum time permitted by law.

15. No Assignment. Neither this Severance Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either Employer or Employee without the prior written consent of the other party; provided, however, that this provision shall not preclude Employee from designating one or more beneficiaries to receive any amount that may be payable after Employee's death and shall not preclude Employee's executor or administrator from assigning any right hereunder to the person or persons entitled thereto. This Severance Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of Employer, or by any merger or consolidation wherein Employer is not the surviving entity, or by any transfer of all or substantially all of Employer's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Severance Agreement shall be binding upon and shall inure to the benefit of the surviving entity or to the entity to which such assets shall be transferred.

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

17. Waiver. Either party hereto may by written notice to the other: (i) extend the time for performance of any of the obligations or other actions of the other party under this Severance Agreement; (ii) waive compliance with any of the conditions or covenants of the other party contained in this Severance Agreement; (iii) waive or modify performance of any of the obligations of the other party under this Severance Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Severance Agreement shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Severance Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach. No failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights to exercise the same any subsequent time or times hereunder.

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

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

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

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

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

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

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

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

[signatures on next page]

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

\_\_\_\_\_  
Employee's Signature

Employee's Permanent Address:

FEDERAL REALTY INVESTMENT TRUST

By:\_\_\_\_\_

Name:

Title: Chairman, Compensation  
Committee

Address: 1626 East Jefferson Street  
Rockville, Maryland 20852

FEDERAL REALTY INVESTMENT TRUST  
COMBINED INCENTIVE AND NON-QUALIFIED STOCK OPTION  
AGREEMENT FOR EMPLOYEES

AGREEMENT ("Agreement") dated this 28th day of February, 2002, by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Trust"), and LARRY E. FINGER, an employee of the Trust ("Optionee").

WHEREAS, the Trust desires to have Optionee continue in its employ and to provide Optionee with an incentive by sharing in the success of the Trust;

WHEREAS, in order to provide such an incentive to its key employees, the Trust has adopted the Amended and Restated Federal Realty Investment Trust 1993 Long-Term Incentive Plan ("Amended Plan");

WHEREAS, the Trust desires to grant, as set forth herein, to Optionee under the Amended Plan (1) options that qualify as "Incentive Stock Options" within the meaning of Section 422 or any successor provision of the Internal Revenue Code of 1986, as amended ("Code"), and/or (2) options not intended to qualify as Incentive Stock Options ("Non-Qualified Stock Options"); and

WHEREAS, unless otherwise provided herein, capitalized terms used in this Agreement shall have the meaning given them in the Amended Plan;

NOW, THEREFORE, in consideration of the mutual covenants and representations herein contained and intending to be legally bound, the parties hereto agree as follows:

1. Number of Shares and Price. The Trust hereby grants to the Optionee an option ("Option") to purchase the number of Shares set forth on the last page of this Agreement. The exercise price per Share of the Option shall be as is set forth on the last page of this Agreement, such price being the Fair Market Value per Share on the Date of Grant of the Option. The portion of the Option indicated on the last page of this Agreement as an Incentive Stock Option is intended to be an Incentive Stock Option; provided, however, that to the extent, but only to the extent, that the provisions of this Agreement or the nature of any actions taken by the Optionee are inconsistent with the treatment of such portion of the Option as an Incentive Stock Option, such portion of the Option shall be deemed a Non-Qualified Stock Option. The other portion of the Option indicated on the last page of this Agreement is a Non-Qualified Stock Option.

2. Term and Exercise. The Option shall expire ten (10) years from the date hereof, subject to earlier termination as set forth in Section 4. Subject to the provisions of Sections 3 and 4, the Option shall become exercisable in installments as set forth on the last page of this Agreement. Notwithstanding the foregoing, the Option shall not be exercisable in whole, or in part, prior to six months from the Date of Grant, except as provided in Section 3.

3. Change in Control. In the event of a Change in Control, the Option, to the extent it is outstanding and unexercised on the date of such Change in Control, shall become immediately and fully exercisable. The provisions of this Section 3 shall not be applicable to the Option if such Change in Control results from the Optionee's beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of Shares or Trust Voting Securities.

4. Exercise of Option Upon Termination of Employment.

(a) Exercise of Vested Option Upon Termination of Employment.

(i) Termination of Employment. Upon the Optionee's Termination of Employment other than by reason of death, Disability, retirement on or after the Optionee's Normal Retirement Date or following a Change in Control, the Optionee may, within one year from the date of such Termination of Employment, exercise all or any part of the Option to the extent it was exercisable at the date of Termination of Employment; provided, however, if such Termination of Employment is for Cause, the right of the Optionee to exercise the Option shall terminate at the date of Termination of Employment. In no event may the Option be exercised later than the expiration date described in Section 2.

(ii) Disability or Retirement. Upon the Optionee's Disability Date or Termination of Employment by reason of retirement on or after the Optionee's Normal Retirement Date, the Optionee may, within two years after such Disability Date or Termination of Employment, as the case may be, exercise all or a part of the Option to the extent that it was exercisable upon such Disability Date or Termination of Employment. In no event, however, may the Option be exercised later than the expiration date described in Section 2.

(iii) Death. In the event of the death of the Optionee while employed by the Trust or within the additional period of time from the date of the Optionee's Disability Date or Termination of Employment by reason of retirement and prior to the expiration of the Option as provided in Section 4(a)(ii), to the extent all or any part of the Option was exercisable as of (a) the date of death while employed by the



Trust or (b) the Disability Date or the date of Termination of Employment by reason of retirement and did not expire during the applicable additional period provided in Section 4(a)(ii) and prior to the Optionee's death, the right of the Optionee's Beneficiary to exercise the Option shall expire upon the expiration of two years from the date of the Optionee's death (but in no event more than two years from the Optionee's Disability Date or the date of the Optionee's Termination of Employment by reason of retirement, as the case may be) or, if earlier, on the date of expiration of the Option determined pursuant to Section 2. In all other cases of death following the Optionee's Termination of Employment, the Optionee's Beneficiary may exercise the Option within the remaining time, if any, provided in Section 4(a)(i).

(iv) Change in Control. Upon the Optionee's Termination of Employment following a Change in Control, each Option shall remain exercisable for a period ending on the date which is the earlier of (A) the first anniversary of the termination of the Optionee's employment or (B) the expiration date described in Section 2.

(b) Exercise of Unvested Option Upon Termination of Employment. Subject to Section 3, to the extent all or any part of the Option was not exercisable as of the date of Termination of Employment, the unexercisable portion of the Option shall expire at the date of such Termination of Employment.

#### 5. Exercise Procedures.

(a) Method of Exercise. The Option shall be exercisable by written notice to the Trust, which must be received by the Secretary of the Trust not later than 5:00 P.M. local time at the principal executive office of the Trust on the expiration date of the Option. Such written notice shall set forth (a) the number of Shares being purchased and whether those Shares are issuable as a result of the exercise of the Incentive Stock Option portion of the Option or the Non-Qualified Stock Option portion of the Option, (b) the total exercise price for the Shares being purchased, (c) the exact name as it should appear on the stock certificate(s) to be issued for the Shares being purchased, and (d) the address to which the stock certificate(s) should be sent.

(b) Payment of Exercise Price. The exercise price of Shares purchased upon exercise of the Option shall be paid in full (a) in cash, (b) by delivery to the Trust of Shares (which may include Shares issued in connection with the exercise of the Option or, with respect to the exercise of the portion of the Option that is a Non-Qualified Stock Option, Restricted Shares, in each case subject to such rules as the Committee deems

appropriate), (c) in any combination of cash and Shares, or (d) by delivery of such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment in accordance with a cashless exercise program under which, if so instructed by the Optionee, Shares may be issued directly to the Optionee's broker or dealer against receipt of the exercise price in cash from the broker or dealer).

In the event that any Shares shall be transferred to the Trust to satisfy all or any part of the exercise price, the part of the exercise price deemed to have been satisfied by such transfer of Shares shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of Shares transferred to the Trust. The Optionee may not transfer to the Trust in satisfaction of the exercise price any fraction of a Share, and any portion of the exercise price that would represent less than a full Share must be paid in cash by the Optionee. If payment in full or part is to be 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.

(c) Delivery of Certificate. Subject to Section 9 hereof, certificates for the purchased Shares will be issued and delivered to the Optionee as soon as practicable after the receipt of payment of the exercise price in accordance with Section 5(b) above; provided, however, that delivery of any such Shares shall be deemed effected for all purposes when a stock transfer agent of the Trust shall have deposited such certificates in the United States mail, addressed to Optionee, at the address set forth on the last page of this Agreement or to such other address as Optionee may from time to time designate in a written notice to the Trust. The Optionee shall not be deemed for any purpose to be a shareholder of the Trust in respect of any Shares as to which the Option shall not have been exercised, as herein provided, until such Shares have been issued to Optionee by the Trust hereunder.

(d) 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, the Optionee may, instead of exercising an Option as provided in Sections 5(a) and 5(b) above, make a request to the Secretary of the Trust at least ninety (90) days in advance of the expiration of such Option that, at the Committee's next regularly scheduled meeting, or in the event that such Options would expire before such meeting, at a special meeting of the Committee, 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 Trust receives the request from the Optionee. To the extent the Committee in its sole discretion grants such a request from the Optionee with respect to part or all of the Shares as to which the Option is then exercisable, the Committee shall direct the Trust to make 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 Trust 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 such a request.

6. Plan Provisions Control Option Terms; Modifications. The Option is granted pursuant and subject to the terms and conditions of the Amended Plan, the provisions of which are incorporated herein by reference. In the event any provision of this Agreement shall conflict with any of the terms in the Amended Plan as constituted on the Date of Grant, the terms of the Amended Plan as constituted on the Date of Grant shall control. The Option shall not be modified after the Date of Grant except by express written agreement between the Trust and the Optionee; provided, however, that any such modification (a) shall not be inconsistent with the terms of the Amended Plan, and (b) shall be approved by the Committee. No modifications may be made to the Option while the Optionee is subject to Section 16(b) of the Exchange Act except in compliance with Exchange Act Rule 16b-3.

7. Limitations on Transfer. The Option may not be assigned or transferred other than by will or the laws of descent and distribution or, if the Committee determines in its sole discretion, pursuant to a domestic relations order (within the meaning of Exchange Act Rule 16a-12). During the lifetime of the Optionee, except as the preceding sentence provides, only the Optionee personally may exercise rights under this Agreement. The Optionee's Beneficiary may exercise the Optionee's rights hereunder only to the extent they were exercisable under this Agreement at the date of the death of the Optionee and are otherwise currently exercisable.

8. Taxes. The Trust shall be entitled to withhold (or secure payment from the Optionee 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 Shares issuable under this Agreement, or upon a disqualifying disposition of Shares received pursuant to the exercise of the portion of the Option that is an Incentive Stock Option, and the Trust may defer issuance of Shares upon the exercise of the Option unless the Trust is indemnified to its satisfaction against any liability for any such tax. The amount of such withholding

9. No Exercise in Violation of Law. Notwithstanding any of the provisions of this Agreement, the Optionee hereby agrees that he or she will not exercise the Option granted hereby, and that the Trust will not be obligated to issue any Shares to the Optionee hereunder, if the exercise thereof or the issuance of such Shares shall constitute a violation by the Optionee or the Trust of any provision of any law or regulation of any governmental authority. Any determination in this connection by the Committee shall be final, binding and conclusive.

FEDERAL REALTY INVESTMENT TRUST

WITNESS:

Larry E. Finger

FEDERAL REALTY INVESTMENT TRUST  
PERFORMANCE SHARE AWARD AGREEMENT

This Performance Share Award Agreement (this "Agreement") is made as of February 28, 2002 between Federal Realty Investment Trust, a Maryland real estate investment trust (the "Trust"), and Donald C. Wood, an individual employee of the Trust (the "Key Employee").

WHEREAS, the Compensation Committee of the Board of Trustees of the Trust (the "Board of Trustees") has authorized the award by the Trust to the Key Employee under the Trust's Amended and Restated 1993 Long-Term Incentive Plan (the "Amended Plan") of a Performance Share Award for a certain number of shares of beneficial interest of the Trust (the "Shares"); and

WHEREAS, the parties hereto desire to set forth in this Agreement their respective rights and obligations with respect to such Shares.

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

1. Award of Performance Shares.

1.1. The Trust hereby grants to the Key Employee, as of February 28, 2002 (the "Award Date"), Ten Thousand (10,000) Shares (the "Performance Shares"), subject to the restrictions and other terms and conditions set forth herein and in the Amended Plan.

1.2. On or as soon as practicable after the Award Date, the Trust shall cause one or more stock certificates representing the Performance Shares to be registered in the name of the Key Employee. Such stock certificate or certificates shall be subject to a stop-transfer order and such other restrictions as the Board of Trustees or any committee thereof may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are listed and any applicable federal or state securities law, and the Trust may cause a legend or legends to be placed on such certificate or certificates to make appropriate reference to such restrictions.

1.3. The certificate or certificates representing the Performance Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction

Period (as hereinafter defined in Paragraph 4) with respect thereto shall have lapsed. Simultaneously with the execution and delivery of this Agreement, the Key Employee shall deliver to the Trust one or more undated stock powers endorsed in blank relating to the Performance Shares. The Trust shall deliver or cause to be delivered to the Key Employee or, in the case of the Key Employee's death, to the Key Employee's Beneficiary, one or more stock certificates for the appropriate number of Shares, free of all such restrictions, as to which the restrictions herein shall have expired. Upon forfeiture, in accordance with Paragraph 4, of all or any portion of the Performance Shares, the certificate or certificates representing the forfeited Performance Shares shall be canceled.

2. Restrictions Applicable to Performance Shares.

2.1. Beginning on the Award Date, the Key Employee shall have all rights and privileges of a stockholder with respect to the Performance Shares, except that the following restrictions shall apply:

(a) none of the Performance Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or in the Committee's discretion, pursuant to a domestic relations order within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), pledged (subject to Paragraph 5) or sold by the Key Employee during the Restriction Period (as hereinafter defined in Paragraph 4);

(b) all or a portion of the Performance Shares may be forfeited in accordance with Paragraph 4; and

(c) any Shares distributed as a dividend or otherwise with respect to any Performance Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Performance Shares and shall be represented by book entry and held in the same manner as the Performance Shares with respect to which they were distributed.

2.2. Any attempt to dispose of Performance Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective.

3. Performance Period.

The Performance Period shall be the period beginning on January 1, 2002 and ending on December 31, 2011. Within the Performance Period there shall be ten Award Periods; each such Award Period shall begin on January 1 and end on December 31 of the same year.

4. Restriction Period.

4.1. Subject to Paragraphs 4.2 through 4.8, the restrictions set forth in Paragraph 2 shall apply for a period (the "Restriction Period") from the Award Date until such Restriction Period lapses. For any Award Period, the Restriction Period shall lapse with respect to Two Thousand (2,000) Performance Shares if and only if the Committee determines, in accordance with Paragraph 4.2 below, that the Performance Target (as defined in Paragraph 4.2(b)) for that Award Period has been met by the Trust.

4.2. (a) Promptly after the announcement or other publication by the Trust of its final results of operations for each of the first through the tenth Award Periods, the Committee shall determine whether the Performance Target has been met by the Trust for such Award Period, and, if so, shall determine that the Restriction Period shall lapse with regard to the number of Performance Shares specified in Paragraph 4.1 above with respect to such Award Period; provided, however, that the Restriction Period for any particular Performance Shares shall not lapse unless the Key Employee tenders to the Trust (or the Trust otherwise withholds in accordance with Paragraph 4.8) (i) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Performance Shares or (ii) an executed promissory note evidencing the Key Employee's obligation to repay a Tax Loan (as hereinafter defined in Paragraph 5) in the amount of any such tax obligation. The Trust will promptly notify the Key Employee (or the executors or administrators of his estate) of its determinations under this Paragraph 4.2 (the "Determination Notice"). The Trust will file the Determination Notice with the minutes of the Committee.

(b) The Performance Target will have been met or exceeded based upon the application of an annual test, which requires the Trust's total return for the applicable Award Period to exceed the Morgan Stanley REIT Index<sup>1</sup> total return for the same year. If, in any Award Period, the Trust does not meet or exceed the Performance Target (after taking into account the lapsing of Performance Shares resulting therefrom), the Restriction Period will not lapse as to any Performance Shares allocable to such Award Period.

4.3. If there are any Performance Shares as to which the Restriction Period has not lapsed after the Committee has determined the number of Performance

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/1/ Or a substitute index approved by the Committee, in the event the Morgan Stanley REIT Index is not available.

Shares as to which the Restriction Period will lapse with respect to the tenth Award Period (the "Remaining Shares"), then any and all then-remaining Performance Shares as to which the Restriction Period has not lapsed shall terminate and be forfeited.

4.4. The Restriction Period shall lapse as to all Performance Shares upon the occurrence of a Change in Control. In such event, if the Key Employee tenders (or the Trust otherwise withholds in accordance with Paragraph 4.8) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for the Performance Shares, the Trust shall deliver or cause to be delivered to the Key Employee, within ten (10) business days after the Change in Control, one or more stock certificates representing those Performance Shares as to which the Restriction Period shall have lapsed. In the event of a Change in Control, the Trust shall make a payment to the Key Employee in the amount of federal and state income taxes that he will incur as a result of the lapsing of the Restriction Period with respect to all Performance Shares under this Paragraph 4.4 (the "Income Tax Payment"); provided, however, that the Trust shall withhold from such Income Tax Payment and pay to the applicable government taxing authorities, any amounts required to be withheld with respect to the Income Tax Payment under applicable law.

4.5. (a) The Restriction Period shall lapse as to all Performance Shares in the event (i) of the termination of the Key Employee due to Disability (as defined in Paragraph 4.5(b)) or (ii) the Key Employee is terminated by the Trust without Cause (as defined in Paragraph 4.5(b)), if the Key Employee or his legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 4.8) (i) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Restricted Shares or (ii) an executed promissory note evidencing the Key Employee's obligation to repay a Tax Loan (as defined in Paragraph 5) in the amount of any such tax obligation.

(b) For purposes of this Agreement, the terms "Cause" and "Disability" shall have the meanings assigned to them in the Severance Agreement between the Trust and the Key Employee in effect from time to time.

4.6. In the event (i) of the Key Employee's death or (ii) the Key Employee resigns from employment in all capacities with the Trust, the Restriction Period shall lapse as to (x) the number of Performance Shares as to which the Restriction Period was to lapse at the end of the Award Period during which the Key Employee died or resigned from employment in all capacities with the Trust, times (y) (A) the number of months the Key Employee was employed during the Award Period (including, in the event of the Key Employee's death, the month in which his death occurred, as a whole month) (in the event of the Key Employee's resignation from employment in all capacities with the Trust, if the Key Employee resigned before the 16<sup>th</sup>/ day of a month,



that month shall be treated as a month in which he did not work) divided by (B) twelve; provided, however, that the Restriction Period will not lapse as to any Restricted Shares unless the Key Employee or his legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 4.8) (i) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Performance Shares or (ii) an executed promissory note evidencing the Key Employee's or his estate's obligation to repay a Tax Loan (as defined in Paragraph 4) in the amount of any such tax obligation. After the Restriction Period with respect to this number of Performance Shares has lapsed, all rights of the Key Employee to any and all then-remaining Performance Shares as to which the Restriction Period has not lapsed shall terminate and be forfeited.

4.7. If the Key Employee is terminated by the Trust for Cause during the Restriction Period, then all rights of the Key Employee to any and all then-remaining Performance Shares as to which the Restriction Period has not lapsed shall terminate and be forfeited.

4.8. In the event the Key Employee or his legal representative (i) fails to promptly tender to the Trust any required tax withholding amount in accordance with this Paragraph 4 or (ii) elects not to execute a promissory note evidencing his obligation to repay a Tax Loan (in accordance with Paragraph 5) in the amount of any required tax withholding amount, then the Trust shall retain a portion of the Performance Shares sufficient to meet its tax withholding obligation.

5. Tax Loan. (a) The Trust shall extend loans to the Key Employee from time to time to provide him with funds to pay the federal and state taxes that he will incur as a result of the lapsing of the Restriction Period with respect to Performance Shares except with respect to federal and state taxes incurred as a result of the lapsing of the Restriction Period with respect to Performance Shares under Paragraph 4.4 ("Tax Loans"). The Key Employee will execute promissory notes in the form attached to this Agreement to evidence his obligation to repay such Tax Loans. As of each date a Tax Loan is extended to the Key Employee, the dollar amount of such Tax Loan so issued to the Key Employee hereunder shall not exceed 50% of the Fair Market Value of the Shares awarded to the Key Employee hereunder as to which the Restriction Period has then lapsed. As collateral to secure his obligation to repay any Tax Loan extended to him hereunder and any accrued but unpaid Interest on such Tax Loan, the Key Employee hereby (i) pledges to the Trust that number of Performance Shares awarded to him hereunder as to which the Restriction Period has lapsed having an aggregate value which is equal on the date of the Tax Loan to 125% of the amount of such Tax Loan, and (ii) assigns to the Trust all quarterly cash or other dividends paid on such Performance Shares.

(b) In the event of a Change in Control, the Trust shall extend a loan to the Key Employee to provide him with funds to pay the federal and state income taxes that he will incur as a result of receipt of the Income Tax Payment (in accordance with Paragraph 4.4) (the "Change in Control Tax Loan"). The Key Employee will execute a promissory note in the form attached to this Agreement to evidence his obligation to repay such Change in Control Tax Loan.

6. Miscellaneous.

6.1. Definitions; Application of Amended Plan. Capitalized terms used in this Agreement, unless otherwise defined herein, have the respective meanings given to such terms in the Amended Plan. The terms of the Amended Plan are incorporated by reference as if set forth herein in their entirety and, except as specifically provided herein, shall govern the terms of this Performance Share Award Agreement.

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

6.3. Continued Employment. This Agreement shall not confer upon the Key Employee any right with respect to continuance of employment by the Trust.

6.4. Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and shall supersede all prior agreements and understandings, oral or written, between the parties with respect thereto. No provision of this Agreement may be amended, modified or waived at any time unless such amendment, modification or waiver shall be agreed to in writing and signed by both of the parties hereto.

6.5. Assignment. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Key Employee and the assigns and successors of the Trust, but neither this Agreement nor any rights hereunder, subject to Paragraph 2.1(a), shall be assignable or otherwise subject to hypothecation by the Key Employee.

6.6. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid

in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

6.7. Governing Law. This Agreement and its validity, interpretation, performance and enforcement shall be governed by the laws of the State of Maryland other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

6.8. Certain References. References to the Key Employee in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the Key Employee's executors or the administrators, or the person or persons to whom all or any portion of the Restricted Shares may be transferred by will or the laws of descent and distribution, shall be deemed to include such person or persons.

6.9. Headings. The headings of Paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

6.10. Source of Payments. Payments provided under this Agreement, if any, shall be paid in cash from the general funds of the Trust, and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment.

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

IN WITNESS WHEREOF, the Trust has caused this Agreement to be duly executed and the Key Employee has hereunto set his hand effective as of the day and year first above written.

FEDERAL REALTY INVESTMENT TRUST

By: \_\_\_\_\_  
Name:  
Title:

Address:  
1626 East Jefferson Street  
Rockville, Maryland 20852

KEY EMPLOYEE:

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DONALD C. WOOD

Address:

FORM OF

TAX NOTE

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FOR VALUE RECEIVED, Donald C. Wood ("Borrower"), promises to pay to the order of FEDERAL REALTY INVESTMENT TRUST ("Payee") at 1626 East Jefferson Street, Rockville, Maryland 20852, or at such other place as the holder thereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum as set forth on Schedule A hereto, as amended from time to time, together with interest as described below on the principal balance hereof from time to time outstanding, all in accordance with the following terms and provisions:

1. Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan. This promissory note (as the same may be amended, modified or supplemented from time to time, the "Tax Note") represents the Loan referred to in Section 11.07 of the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan (as amended, modified or supplemented from time to time, "the Plan") and Paragraph 5 of the Performance Share Award Agreement between Borrower and Payee dated February 28, 2002 (the "Performance Share Award Agreement"). Capitalized terms used in this Tax Note, unless otherwise defined herein, have the respective meanings given to such terms in the Plan. This Tax Note evidences a recourse, secured loan made by Payee to Borrower to assist Borrower in paying the federal and state tax obligations incurred as a result of Borrower's participation in the Plan. The performance of the Borrower's obligations hereunder is secured by (a) a pledge of that number of Shares as to which the Restriction Period has lapsed under the Performance Share Award Agreement having an aggregate value which is equal, on the date a Loan is made, to 125% of the principal amount of the Loan, and (b) an assignment to Payee of all quarterly cash Dividends paid on such Shares sufficient to pay the Interest (as hereinafter defined) hereon.

2. Interest. The unpaid principal balance of this Tax Note, outstanding from time to time, shall bear Interest at the rate set forth on Schedule A hereto, which rate shall be the lesser of (A) the Trust's borrowing rate and (B) the annual dividend rate per Share divided by the Fair Market Value of a Share on the Date of Grant, as defined in the Performance Share Award Agreement and shall be due and payable quarterly in arrears on each date of payment of a cash dividend on the Shares owned by Borrower pursuant to the Performance Share Award Agreement. If no quarterly cash Dividend is paid on the Shares for a quarter, Interest shall accrue on the last day of the quarter, and shall be satisfied from future cash Dividends paid on such Shares. Any accrued but unpaid

Interest on the Tax Note shall be due and payable on the date the outstanding principal balance of this Tax Note is due and payable.

3. Principal Payments. The outstanding principal balance of this Tax Note is due and payable on the date 13 years from the date of the Loan.

4. Termination of Employment. In the event there is a Termination of Employment of Borrower, the following shall apply:

- a. Termination of Employment by Voluntary Resignation. In the event of Borrower's Termination of Employment by voluntary resignation, the outstanding balance of the Tax Loan and any accrued but unpaid Interest thereon shall be due and payable within ninety (90) days of the date of Borrower's Termination of Employment by voluntary resignation.
- b. Termination of Employment by Disability or Change in Control. In the event of the Termination of Borrower's Employment by reason of Disability or a Change in Control, the outstanding balance of the Tax Note and any accrued but unpaid Interest thereon shall be due and payable within one hundred eighty (180) days of such Termination of Employment.
- c. Termination of Employment by Death or Termination Without Cause. In the event of Borrower's Termination of Employment by reason of death or termination without Cause, the outstanding balance of the Tax Note and any accrued but unpaid Interest thereon shall be due and payable within three hundred sixty-five (365) days of such Termination of Employment.
- d. Termination of Employment for Cause. In the event of Borrower's Termination of Employment that constitutes a Discharge for Cause, the outstanding balance of the Tax Note and any accrued but unpaid Interest thereon shall be due and payable immediately upon the date of Borrower's Termination of Employment for Cause.

5. Prepayment. This Tax Note may be prepaid in whole or in part at any time, and from time to time, without penalty. All partial prepayments shall be applied to the outstanding principal balance of the Tax Note.

6. Default. An Event of Default shall occur hereunder if the Borrower shall fail to repay the balance of this Tax Note and any accrued but unpaid Interest thereon

within the applicable time periods set forth in the foregoing Paragraphs 2, 3 and 4 hereof and such failure shall continue for a period of ten days after written notice thereof has been given to the Borrower by the Payee. Upon the occurrence of an Event of Default, the outstanding balance of this Tax Note and any accrued but unpaid Interest thereon shall become immediately due and payable at the option of the Payee. Any delay by the Payee in exercising, or any failure of the Payee to exercise, the aforesaid option to accelerate with respect to an Event of Default shall not constitute a waiver of its right to exercise such option with respect to that or any subsequent Event of Default.

7. Retention of Security. If there is an Event of Default and Payee exercises its option to accelerate this Tax Note, then in that event Payee shall be entitled to retain that portion of the Shares awarded under the Performance Share Award Agreement as to which the Restriction Period has lapsed that has a Fair Market Value (as of the last day of the applicable time period for repayment as set forth in Paragraphs 2, 3 and 4 of this Tax Note) equal to the sum of the outstanding principal balance of this Tax Note and any accrued but unpaid Interest thereon, such Fair Market Value and balance to be determined as of the date of Payee's notice of acceleration.

8. Waiver; Extensions. Presentment, demand, notice of dishonor, protest and the benefits of the homestead and all other exemptions provided debtors are hereby waived. The Borrower agrees that he shall remain liable for the payment hereof notwithstanding any agreement for the extension of the due date of any amount payable hereunder made by the Payee after the maturity thereof.

9. Notices. All notices, requests, demands and other communications with respect to this Tax Note shall be in writing and shall be delivered by hand or sent by the United States mail, certified postage prepared, return receipt requested, to the following addresses:

If to the Payee:

Federal Realty Investment Trust  
1626 East Jefferson Street  
Rockville, Maryland 20852  
Attn: Legal Department

If to the Borrower:

Donald C. Wood

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the date it is actually received if it is delivered by hand or third business day after the day on which it is deposited in the United States mail. The Borrower or Payee may change its address by notifying the other party of the new address in any manner permitted by this Paragraph 9.

10. Severability. If any provision of this Tax Note, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of the provisions of this Tax Note, or the application of such provision to other persons or circumstances shall not be affected thereby, and each provision of this Tax Note shall be valid and enforceable to the fullest extent permitted by law.

11. Successors and Assigns. This Tax Note shall be binding upon and inure to the benefit of Borrower and Payee, and their respective heirs, administrators, personal representatives, successors and assigns; provided, however, that the Borrower may not assign or delegate his obligations hereunder without the prior written consent of Payee.

12. Governing Law. This Tax Note shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to conflict of law principles.

IN WITNESS WHEREOF, the Borrower has executed this Tax Note.

\_\_\_\_\_  
Donald C. Wood



SCHEDULE A

Date of Advance	Amount Advanced	Interest Rate
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FORM OF

TAX NOTE

[to be used in connection with Change in Control Tax Loan]

\_\_\_\_\_, \_\_\_\_

FOR VALUE RECEIVED, DONALD C. WOOD ("Borrower"), promises to pay to the order of FEDERAL REALTY INVESTMENT TRUST ("Payee") at 1626 East Jefferson Street, Rockville, Maryland 20852, or at such other place as the holder thereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum of \_\_\_\_\_ Dollars and No Cents, together with interest as described below on the principal balance hereof from time to time outstanding, all in accordance with the following terms and provisions:

1. Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan. This promissory note (as the same may be amended, modified or supplemented from time to time, the "Tax Note") represents the Loan referred to in Section 11.07 of the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan (as amended, modified or supplemented from time to time, "the Plan") and Paragraph 5 of the Performance Share Award Agreement between Borrower and Payee dated February 28, 2002 (the "Performance Share Award Agreement"). Capitalized terms used in this Tax Note, unless otherwise defined herein, have the respective meanings given to such terms in the Plan. This Tax Note evidences a recourse, secured loan made by Payee to Borrower to assist Borrower in paying the federal and state tax obligations incurred as a result of Borrower's participation in the Plan. The performance of the Borrower's obligations hereunder is secured by (a) a pledge of that number of Shares as to which the Restriction Period has lapsed under the Performance Share Award Agreement having an aggregate value which is equal, on the date the Loan is made, to 125% of the principal amount of the Loan, and (b) an assignment to Payee of all quarterly cash Dividends paid on such Shares sufficient to pay the Interest (as hereinafter defined) hereon.

2. Interest. The unpaid principal balance of this Tax Note, outstanding from time to time, shall bear Interest at the rate set forth on Schedule A hereto, which rate shall be the lesser of (A) the Trust's borrowing rate and (B) the annual dividend rate per Share divided by the Fair Market Value of a Share on the Date of Grant, as defined in the Performance Share Award Agreement and shall be due and payable quarterly in arrears on each date of payment of a cash dividend on the Shares owned by Borrower pursuant to the Performance Share Award Agreement. If no quarterly cash Dividend is paid on the Shares for a quarter, Interest shall accrue on the last day of the quarter, and shall be

satisfied from future cash Dividends paid on such Shares. Any accrued but unpaid Interest on the Tax Note shall be due and payable on the date the outstanding principal balance of this Tax Note is due and payable.

3. Principal Payments. The outstanding principal balance of this Tax Note is due and payable on the date eight years from the date of the Loan.

4. Prepayment. This Tax Note may be prepaid in whole or in part at any time, and from time to time, without penalty. All partial prepayments shall be applied to the outstanding principal balance of the Tax Note.

5. Default. An Event of Default shall occur hereunder if the Borrower shall fail to repay the balance of this Tax Note and any accrued but unpaid Interest thereon within the applicable time periods set forth in the foregoing Paragraphs 2 and 3 hereof and such failure shall continue for a period of ten days after written notice thereof has been given to the Borrower by the Payee. Upon the occurrence of an Event of Default, the outstanding balance of this Tax Note and any accrued but unpaid Interest thereon shall become immediately due and payable at the option of the Payee. Any delay by the Payee in exercising, or any failure of the Payee to exercise, the aforesaid option to accelerate with respect to an Event of Default shall not constitute a waiver of its right to exercise such option with respect to that or any subsequent Event of Default.

6. Retention of Security. If there is an Event of Default and Payee exercises its option to accelerate this Tax Note, then in that event Payee shall be entitled to retain that portion of the Shares awarded under the Performance Share Award Agreement as to which the Restriction Period has lapsed that has a Fair Market Value (as of the last day of the applicable time period for repayment as set forth in Paragraphs 2 and 3 of this Tax Note) equal to the sum of the outstanding principal balance of this Tax Note and any accrued but unpaid Interest thereon, such Fair Market Value and balance to be determined as of the date of Payee's notice of acceleration.

7. Waiver; Extensions. Presentment, demand, notice of dishonor, protest and the benefits of the homestead and all other exemptions provided debtors are hereby waived. The Borrower agrees that he shall remain liable for the payment hereof notwithstanding any agreement for the extension of the due date of any amount payable hereunder made by the Payee after the maturity thereof.

8. Notices. All notices, requests, demands and other communications with respect to this Tax Note shall be in writing and shall be delivered by hand or sent by the United States mail, certified postage prepared, return receipt requested, to the following addresses:

If to the Payee:

Federal Realty Investment Trust  
1626 East Jefferson Street  
Rockville, Maryland 20852  
Attn: Legal Department

If to the Borrower:

Donald C. Wood

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Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the date it is actually received if it is delivered by hand or third business day after the day on which it is deposited in the United States mail. The Borrower or Payee may change its address by notifying the other party of the new address in any manner permitted by this Paragraph 8.

9. Severability. If any provision of this Tax Note, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of the provisions of this Tax Note, or the application of such provision to other persons or circumstances shall not be affected thereby, and each provision of this Tax Note shall be valid and enforceable to the fullest extent permitted by law.

10. Successors and Assigns. This Tax Note shall be binding upon and inure to the benefit of Borrower and Payee, and their respective heirs, administrators, personal representatives, successors and assigns; provided, however, that the Borrower may not assign or delegate his obligations hereunder without the prior written consent of Payee.

11. Governing Law. This Tax Note shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to conflict of law principles.

IN WITNESS WHEREOF, the Borrower has executed this Tax Note.

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Donald C. Wood

SCHEDULE A

Interest Rate:

4

FEDERAL REALTY INVESTMENT TRUST  
PERFORMANCE SHARE AWARD AGREEMENT

This Performance Share Award Agreement (this "Agreement") is made as of February 28, 2002 between Federal Realty Investment Trust, a Maryland real estate investment trust (the "Trust"), and Jeffrey S. Berkes, an individual employee of the Trust (the "Key Employee").

WHEREAS, the Compensation Committee of the Board of Trustees of the Trust (the "Board of Trustees") has authorized the award by the Trust to the Key Employee under the Trust's Amended and Restated 1993 Long-Term Incentive Plan (the "Amended Plan") of a Performance Share Award for a certain number of shares of beneficial interest of the Trust (the "Shares"); and

WHEREAS, the parties hereto desire to set forth in this Agreement their respective rights and obligations with respect to such Shares.

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

1. Award of Performance Shares.

1.1. The Trust hereby grants to the Key Employee, as of February 28, 2002 (the "Award Date"), Three Thousand Five Hundred (3,500) Shares (the "Performance Shares"), subject to the restrictions and other terms and conditions set forth herein and in the Amended Plan.

1.2. On or as soon as practicable after the Award Date, the Trust shall cause one or more stock certificates representing the Performance Shares to be registered in the name of the Key Employee. Such stock certificate or certificates shall be subject to a stop-transfer order and such other restrictions as the Board of Trustees or any committee thereof may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are listed and any applicable federal or state securities law, and the Trust may cause a legend or legends to be placed on such certificate or certificates to make appropriate reference to such restrictions.

1.3. The certificate or certificates representing the Performance Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction

Period (as hereinafter defined in Paragraph 4) with respect thereto shall have lapsed. Simultaneously with the execution and delivery of this Agreement, the Key Employee shall deliver to the Trust one or more undated stock powers endorsed in blank relating to the Performance Shares. The Trust shall deliver or cause to be delivered to the Key Employee or, in the case of the Key Employee's death, to the Key Employee's Beneficiary, one or more stock certificates for the appropriate number of Shares, free of all such restrictions, as to which the restrictions herein shall have expired. Upon forfeiture, in accordance with Paragraph 4, of all or any portion of the Performance Shares, the certificate or certificates representing the forfeited Performance Shares shall be canceled.

2. Restrictions Applicable to Performance Shares.

2.1. Beginning on the Award Date, the Key Employee shall have all rights and privileges of a stockholder with respect to the Performance Shares, except that the following restrictions shall apply:

(a) none of the Performance Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or in the Committee's discretion, pursuant to a domestic relations order within the meaning of Rule 16a-12 of the Securities Exchange Act of 1934, as amended), pledged (subject to Paragraph 5) or sold by the Key Employee during the Restriction Period (as hereinafter defined in Paragraph 4);

(b) all or a portion of the Performance Shares may be forfeited in accordance with Paragraph 4; and

(c) any Shares distributed as a dividend or otherwise with respect to any Performance Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Performance Shares and shall be represented by book entry and held in the same manner as the Performance Shares with respect to which they were distributed.

2.2. Any attempt to dispose of Performance Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective.

3. Performance Period.

The Performance Period shall be the period beginning on January 1, 2002 and ending on December 31, 2011. Within the Performance Period there shall be ten Award Periods; each such Award Period shall begin on January 1 and end on December 31 of the same year.

4. Restriction Period.

4.1. Subject to Paragraphs 4.2 through 4.8, the restrictions set forth in Paragraph 2 shall apply for a period (the "Restriction Period") from the Award Date until such Restriction Period lapses. For any Award Period, the Restriction Period shall lapse with respect to Seven Hundred (700) Performance Shares if and only if the Committee determines, in accordance with Paragraph 4.2 below, that the Performance Target (as defined in Paragraph 4.2(b)) for that Award Period has been met by the Trust.

4.2. (a) Promptly after the announcement or other publication by the Trust of its final results of operations for each of the first through the tenth Award Periods, the Committee shall determine whether the Performance Target has been met by the Trust for such Award Period, and, if so, shall determine that the Restriction Period shall lapse with regard to the number of Performance Shares specified in Paragraph 4.1 above with respect to such Award Period; provided, however, that the Restriction Period for any particular Performance Shares shall not lapse unless the Key Employee tenders to the Trust (or the Trust otherwise withholds in accordance with Paragraph 4.8) (i) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Performance Shares or (ii) an executed promissory note evidencing the Key Employee's obligation to repay a Tax Loan (as hereinafter defined in Paragraph 5) in the amount of any such tax obligation. The Trust will promptly notify the Key Employee (or the executors or administrators of his estate) of its determinations under this Paragraph 4.2 (the "Determination Notice"). The Trust will file the Determination Notice with the minutes of the Committee.

(b) The Performance Target will have been met or exceeded based upon the application of an annual test, which requires the Trust's total return for the applicable Award Period to exceed the Morgan Stanley REIT Index<sup>1</sup> total return for the same year. If, in any Award Period, the Trust does not meet or exceed the Performance Target (after taking into account the lapsing of Performance Shares resulting therefrom), the Restriction Period will not lapse as to any Performance Shares allocable to such Award Period.

4.3. If there are any Performance Shares as to which the Restriction Period has not lapsed after the Committee has determined the number of Performance

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/1/ Or a substitute index approved by the Committee, in the event the Morgan Stanley REIT Index is not available.



Shares as to which the Restriction Period will lapse with respect to the tenth Award Period (the "Remaining Shares"), then any and all then-remaining Performance Shares as to which the Restriction Period has not lapsed shall terminate and be forfeited.

4.4. The Restriction Period shall lapse as to all Performance Shares upon the occurrence of a Change in Control. In such event, if the Key Employee tenders (or the Trust otherwise withholds in accordance with Paragraph 4.8) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for the Performance Shares, the Trust shall deliver or cause to be delivered to the Key Employee, within ten (10) business days after the Change in Control, one or more stock certificates representing those Performance Shares as to which the Restriction Period shall have lapsed. In the event of a Change in Control, the Trust shall make a payment to the Key Employee in the amount of federal and state income taxes that he will incur as a result of the lapsing of the Restriction Period with respect to all Performance Shares under this Paragraph 4.4 (the "Income Tax Payment"); provided, however, that the Trust shall withhold from such Income Tax Payment and pay to the applicable government taxing authorities, any amounts required to be withheld with respect to the Income Tax Payment under applicable law.

4.5. (a) The Restriction Period shall lapse as to all Performance Shares in the event (i) of the termination of the Key Employee due to Disability (as defined in Paragraph 4.5(b)) or (ii) the Key Employee is terminated by the Trust without Cause (as defined in Paragraph 4.5(b)), if the Key Employee or his legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 4.8) (i) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Restricted Shares or (ii) an executed promissory note evidencing the Key Employee's obligation to repay a Tax Loan (as defined in Paragraph 5) in the amount of any such tax obligation.

(b) For purposes of this Agreement, the terms "Cause" and "Disability" shall have the meanings assigned to them in the Severance Agreement between the Trust and the Key Employee in effect from time to time.

4.6. In the event (i) of the Key Employee's death or (ii) the Key Employee resigns from employment in all capacities with the Trust, the Restriction Period shall lapse as to (x) the number of Performance Shares as to which the Restriction Period was to lapse at the end of the Award Period during which the Key Employee died or resigned from employment in all capacities with the Trust, times (y) (A) the number of months the Key Employee was employed during the Award Period (including, in the event of the Key Employee's death, the month in which his death occurred, as a whole month) (in the event of the Key Employee's resignation from employment in all capacities with the Trust, if the Key Employee resigned before the 16<sup>th</sup>/ day of a month,

that month shall be treated as a month in which he did not work) divided by (B) twelve; provided, however, that the Restriction Period will not lapse as to any Restricted Shares unless the Key Employee or his legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 4.8) (i) the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restriction Period for such Performance Shares or (ii) an executed promissory note evidencing the Key Employee's or his estate's obligation to repay a Tax Loan (as defined in Paragraph 4) in the amount of any such tax obligation. After the Restriction Period with respect to this number of Performance Shares has lapsed, all rights of the Key Employee to any and all then-remaining Performance Shares as to which the Restriction Period has not lapsed shall terminate and be forfeited.

4.7. If the Key Employee is terminated by the Trust for Cause during the Restriction Period, then all rights of the Key Employee to any and all then-remaining Performance Shares as to which the Restriction Period has not lapsed shall terminate and be forfeited.

4.8. In the event the Key Employee or his legal representative (i) fails to promptly tender to the Trust any required tax withholding amount in accordance with this Paragraph 4 or (ii) elects not to execute a promissory note evidencing his obligation to repay a Tax Loan (in accordance with Paragraph 5) in the amount of any required tax withholding amount, then the Trust shall retain a portion of the Performance Shares sufficient to meet its tax withholding obligation.

5. Tax Loan. (a) The Trust shall extend loans to the Key Employee from time to time to provide him with funds to pay the federal and state taxes that he will incur as a result of the lapsing of the Restriction Period with respect to Performance Shares except with respect to federal and state taxes incurred as a result of the lapsing of the Restriction Period with respect to Performance Shares under Paragraph 4.4 ("Tax Loans"). The Key Employee will execute promissory notes in the form attached to this Agreement to evidence his obligation to repay such Tax Loans. As of each date a Tax Loan is extended to the Key Employee, the dollar amount of such Tax Loan so issued to the Key Employee hereunder shall not exceed 50% of the Fair Market Value of the Shares awarded to the Key Employee hereunder as to which the Restriction Period has then lapsed. As collateral to secure his obligation to repay any Tax Loan extended to him hereunder and any accrued but unpaid Interest on such Tax Loan, the Key Employee hereby (i) pledges to the Trust that number of Performance Shares awarded to him hereunder as to which the Restriction Period has lapsed having an aggregate value which is equal on the date of the Tax Loan to 125% of the amount of such Tax Loan, and (ii) assigns to the Trust all quarterly cash or other dividends paid on such Performance Shares.

(b) In the event of a Change in Control, the Trust shall extend a loan to the Key Employee to provide him with funds to pay the federal and state income taxes that he will incur as a result of receipt of the Income Tax Payment (in accordance with Paragraph 4.4) (the "Change in Control Tax Loan"). The Key Employee will execute a promissory note in the form attached to this Agreement to evidence his obligation to repay such Change in Control Tax Loan.

6. Miscellaneous.

6.1. Definitions; Application of Amended Plan. Capitalized terms used in this Agreement, unless otherwise defined herein, have the respective meanings given to such terms in the Amended Plan. The terms of the Amended Plan are incorporated by reference as if set forth herein in their entirety and, except as specifically provided herein, shall govern the terms of this Performance Share Award Agreement.

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

6.3. Continued Employment. This Agreement shall not confer upon the Key Employee any right with respect to continuance of employment by the Trust.

6.4. Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and shall supersede all prior agreements and understandings, oral or written, between the parties with respect thereto. No provision of this Agreement may be amended, modified or waived at any time unless such amendment, modification or waiver shall be agreed to in writing and signed by both of the parties hereto.

6.5. Assignment. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of the Key Employee and the assigns and successors of the Trust, but neither this Agreement nor any rights hereunder, subject to Paragraph 2.1(a), shall be assignable or otherwise subject to hypothecation by the Key Employee.

6.6. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid

in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

6.7. Governing Law. This Agreement and its validity, interpretation, performance and enforcement shall be governed by the laws of the State of Maryland other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

6.8. Certain References. References to the Key Employee in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the Key Employee's executors or the administrators, or the person or persons to whom all or any portion of the Restricted Shares may be transferred by will or the laws of descent and distribution, shall be deemed to include such person or persons.

6.9. Headings. The headings of Paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

6.10. Source of Payments. Payments provided under this Agreement, if any, shall be paid in cash from the general funds of the Trust, and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment.

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

IN WITNESS WHEREOF, the Trust has caused this Agreement to be duly executed and the Key Employee has hereunto set his hand effective as of the day and year first above written.

FEDERAL REALTY INVESTMENT TRUST

By: \_\_\_\_\_  
Name:  
Title:

Address:  
1626 East Jefferson Street  
Rockville, Maryland 20852

KEY EMPLOYEE:

\_\_\_\_\_  
JEFFREY S. BERKES

Address:

FORM OF  
TAX NOTE

\_\_\_\_\_, \_\_\_\_

FOR VALUE RECEIVED, Jeffrey S. Berkes ("Borrower"), promises to pay to the order of FEDERAL REALTY INVESTMENT TRUST ("Payee") at 1626 East Jefferson Street, Rockville, Maryland 20852, or at such other place as the holder thereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum as set forth on Schedule A hereto, as amended from time to time, together with interest as described below on the principal balance hereof from time to time outstanding, all in accordance with the following terms and provisions:

1. Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan. This promissory note (as the same may be amended, modified or supplemented from time to time, the "Tax Note") represents the Loan referred to in Section 11.07 of the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan (as amended, modified or supplemented from time to time, "the Plan") and Paragraph 5 of the Performance Share Award Agreement between Borrower and Payee dated February 28, 2002 (the "Performance Share Award Agreement"). Capitalized terms used in this Tax Note, unless otherwise defined herein, have the respective meanings given to such terms in the Plan. This Tax Note evidences a recourse, secured loan made by Payee to Borrower to assist Borrower in paying the federal and state tax obligations incurred as a result of Borrower's participation in the Plan. The performance of the Borrower's obligations hereunder is secured by (a) a pledge of that number of Shares as to which the Restriction Period has lapsed under the Performance Share Award Agreement having an aggregate value which is equal, on the date a Loan is made, to 125% of the principal amount of the Loan, and (b) an assignment to Payee of all quarterly cash Dividends paid on such Shares sufficient to pay the Interest (as hereinafter defined) hereon.

2. Interest. The unpaid principal balance of this Tax Note, outstanding from time to time, shall bear Interest at the rate set forth on Schedule A hereto, which rate shall be the lesser of (A) the Trust's borrowing rate and (B) the annual dividend rate per Share divided by the Fair Market Value of a Share on the Date of Grant, as defined in the Performance Share Award Agreement and shall be due and payable quarterly in arrears on each date of payment of a cash dividend on the Shares owned by Borrower pursuant to the Performance Share Award Agreement. If no quarterly cash Dividend is paid on the Shares for a quarter, Interest shall accrue on the last day of the quarter, and shall be satisfied from future cash Dividends paid on such Shares. Any accrued but unpaid

Interest on the Tax Note shall be due and payable on the date the outstanding principal balance of this Tax Note is due and payable.

3. Principal Payments. The outstanding principal balance of this Tax Note is due and payable on the date 13 years from the date of the Loan.

4. Termination of Employment. In the event there is a Termination of Employment of Borrower, the following shall apply:

- a. Termination of Employment by Voluntary Resignation. In the event of Borrower's Termination of Employment by voluntary resignation, the outstanding balance of the Tax Loan and any accrued but unpaid Interest thereon shall be due and payable within ninety (90) days of the date of Borrower's Termination of Employment by voluntary resignation.
- b. Termination of Employment by Disability or Change in Control. In the event of the Termination of Borrower's Employment by reason of Disability or a Change in Control, the outstanding balance of the Tax Note and any accrued but unpaid Interest thereon shall be due and payable within one hundred eighty (180) days of such Termination of Employment.
- c. Termination of Employment by Death or Termination Without Cause. In the event of Borrower's Termination of Employment by reason of death or termination without Cause, the outstanding balance of the Tax Note and any accrued but unpaid Interest thereon shall be due and payable within three hundred sixty-five (365) days of such Termination of Employment.
- d. Termination of Employment for Cause. In the event of Borrower's Termination of Employment that constitutes a Discharge for Cause, the outstanding balance of the Tax Note and any accrued but unpaid Interest thereon shall be due and payable immediately upon the date of Borrower's Termination of Employment for Cause.

5. Prepayment. This Tax Note may be prepaid in whole or in part at any time, and from time to time, without penalty. All partial prepayments shall be applied to the outstanding principal balance of the Tax Note.

6. Default. An Event of Default shall occur hereunder if the Borrower shall fail to repay the balance of this Tax Note and any accrued but unpaid Interest thereon

within the applicable time periods set forth in the foregoing Paragraphs 2, 3 and 4 hereof and such failure shall continue for a period of ten days after written notice thereof has been given to the Borrower by the Payee. Upon the occurrence of an Event of Default, the outstanding balance of this Tax Note and any accrued but unpaid Interest thereon shall become immediately due and payable at the option of the Payee. Any delay by the Payee in exercising, or any failure of the Payee to exercise, the aforesaid option to accelerate with respect to an Event of Default shall not constitute a waiver of its right to exercise such option with respect to that or any subsequent Event of Default.

7. Retention of Security. If there is an Event of Default and Payee exercises its option to accelerate this Tax Note, then in that event Payee shall be entitled to retain that portion of the Shares awarded under the Performance Share Award Agreement as to which the Restriction Period has lapsed that has a Fair Market Value (as of the last day of the applicable time period for repayment as set forth in Paragraphs 2, 3 and 4 of this Tax Note) equal to the sum of the outstanding principal balance of this Tax Note and any accrued but unpaid Interest thereon, such Fair Market Value and balance to be determined as of the date of Payee's notice of acceleration.

8. Waiver; Extensions. Presentment, demand, notice of dishonor, protest and the benefits of the homestead and all other exemptions provided debtors are hereby waived. The Borrower agrees that he shall remain liable for the payment hereof notwithstanding any agreement for the extension of the due date of any amount payable hereunder made by the Payee after the maturity thereof.

9. Notices. All notices, requests, demands and other communications with respect to this Tax Note shall be in writing and shall be delivered by hand or sent by the United States mail, certified postage prepared, return receipt requested, to the following addresses:

If to the Payee:

Federal Realty Investment Trust  
1626 East Jefferson Street  
Rockville, Maryland 20852  
Attn: Legal Department

If to the Borrower:

Jeffrey S. Berkes



Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the date it is actually received if it is delivered by hand or third business day after the day on which it is deposited in the United States mail. The Borrower or Payee may change its address by notifying the other party of the new address in any manner permitted by this Paragraph 9.

10. Severability. If any provision of this Tax Note, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of the provisions of this Tax Note, or the application of such provision to other persons or circumstances shall not be affected thereby, and each provision of this Tax Note shall be valid and enforceable to the fullest extent permitted by law.

11. Successors and Assigns. This Tax Note shall be binding upon and inure to the benefit of Borrower and Payee, and their respective heirs, administrators, personal representatives, successors and assigns; provided, however, that the Borrower may not assign or delegate his obligations hereunder without the prior written consent of Payee.

12. Governing Law. This Tax Note shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to conflict of law principles.

IN WITNESS WHEREOF, the Borrower has executed this Tax Note.

\_\_\_\_\_  
Jeffrey S. Berkes

SCHEDULE A

Date of Advance	Amount Advanced	Interest Rate
	5	

FORM OF

TAX NOTE

[to be used in connection with Change in Control Tax Loan]

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FOR VALUE RECEIVED, JEFFREY S. BERKES ("Borrower"), promises to pay to the order of FEDERAL REALTY INVESTMENT TRUST ("Payee") at 1626 East Jefferson Street, Rockville, Maryland 20852, or at such other place as the holder thereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum of \_\_\_\_\_ Dollars and No Cents, together with interest as described below on the principal balance hereof from time to time outstanding, all in accordance with the following terms and provisions:

1. Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan. This promissory note (as the same may be amended, modified or supplemented from time to time, the "Tax Note") represents the Loan referred to in Section 11.07 of the Federal Realty Investment Trust Amended and Restated 1993 Long-Term Incentive Plan (as amended, modified or supplemented from time to time, "the Plan") and Paragraph 5 of the Performance Share Award Agreement between Borrower and Payee dated February 28, 2002 (the "Performance Share Award Agreement"). Capitalized terms used in this Tax Note, unless otherwise defined herein, have the respective meanings given to such terms in the Plan. This Tax Note evidences a recourse, secured loan made by Payee to Borrower to assist Borrower in paying the federal and state tax obligations incurred as a result of Borrower's participation in the Plan. The performance of the Borrower's obligations hereunder is secured by (a) a pledge of that number of Shares as to which the Restriction Period has lapsed under the Performance Share Award Agreement having an aggregate value which is equal, on the date the Loan is made, to 125% of the principal amount of the Loan, and (b) an assignment to Payee of all quarterly cash Dividends paid on such Shares sufficient to pay the Interest (as hereinafter defined) hereon.

2. Interest. The unpaid principal balance of this Tax Note, outstanding from time to time, shall bear Interest at the rate set forth on Schedule A hereto, which rate shall be the lesser of (A) the Trust's borrowing rate and (B) the annual dividend rate per Share divided by the Fair Market Value of a Share on the Date of Grant, as defined in the Performance Share Award Agreement and shall be due and payable quarterly in arrears on each date of payment of a cash dividend on the Shares owned by Borrower pursuant to the Performance Share Award Agreement. If no quarterly cash Dividend is paid on the Shares for a quarter, Interest shall accrue on the last day of the quarter, and shall be

satisfied from future cash Dividends paid on such Shares. Any accrued but unpaid Interest on the Tax Note shall be due and payable on the date the outstanding principal balance of this Tax Note is due and payable.

3. Principal Payments. The outstanding principal balance of this Tax Note is due and payable on the date eight years from the date of the Loan.

4. Prepayment. This Tax Note may be prepaid in whole or in part at any time, and from time to time, without penalty. All partial prepayments shall be applied to the outstanding principal balance of the Tax Note.

5. Default. An Event of Default shall occur hereunder if the Borrower shall fail to repay the balance of this Tax Note and any accrued but unpaid Interest thereon within the applicable time periods set forth in the foregoing Paragraphs 2 and 3 hereof and such failure shall continue for a period of ten days after written notice thereof has been given to the Borrower by the Payee. Upon the occurrence of an Event of Default, the outstanding balance of this Tax Note and any accrued but unpaid Interest thereon shall become immediately due and payable at the option of the Payee. Any delay by the Payee in exercising, or any failure of the Payee to exercise, the aforesaid option to accelerate with respect to an Event of Default shall not constitute a waiver of its right to exercise such option with respect to that or any subsequent Event of Default.

6. Retention of Security. If there is an Event of Default and Payee exercises its option to accelerate this Tax Note, then in that event Payee shall be entitled to retain that portion of the Shares awarded under the Performance Share Award Agreement as to which the Restriction Period has lapsed that has a Fair Market Value (as of the last day of the applicable time period for repayment as set forth in Paragraphs 2 and 3 of this Tax Note) equal to the sum of the outstanding principal balance of this Tax Note and any accrued but unpaid Interest thereon, such Fair Market Value and balance to be determined as of the date of Payee's notice of acceleration.

7. Waiver; Extensions. Presentment, demand, notice of dishonor, protest and the benefits of the homestead and all other exemptions provided debtors are hereby waived. The Borrower agrees that he shall remain liable for the payment hereof notwithstanding any agreement for the extension of the due date of any amount payable hereunder made by the Payee after the maturity thereof.

8. Notices. All notices, requests, demands and other communications with respect to this Tax Note shall be in writing and shall be delivered by hand or sent by the United States mail, certified postage prepared, return receipt requested, to the following addresses:

If to the Payee:

Federal Realty Investment Trust  
1626 East Jefferson Street  
Rockville, Maryland 20852  
Attn: Legal Department

If to the Borrower:

Jeffrey S. Berkes  
\_\_\_\_\_  
\_\_\_\_\_

Any notice, request, demand or other communication delivered or sent in the manner aforesaid shall be deemed given or made (as the case may be) upon the date it is actually received if it is delivered by hand or third business day after the day on which it is deposited in the United States mail. The Borrower or Payee may change its address by notifying the other party of the new address in any manner permitted by this Paragraph 8.

9. Severability. If any provision of this Tax Note, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of the provisions of this Tax Note, or the application of such provision to other persons or circumstances shall not be affected thereby, and each provision of this Tax Note shall be valid and enforceable to the fullest extent permitted by law.

10. Successors and Assigns. This Tax Note shall be binding upon and inure to the benefit of Borrower and Payee, and their respective heirs, administrators, personal representatives, successors and assigns; provided, however, that the Borrower may not assign or delegate his obligations hereunder without the prior written consent of Payee.

11. Governing Law. This Tax Note shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to conflict of law principles.

IN WITNESS WHEREOF, the Borrower has executed this Tax Note.

\_\_\_\_\_  
Jeffrey S. Berkes

SCHEDULE A

Interest Rate:

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Written Statement of Chairman and Chief Executive Officer, President  
and Chief Operating Officer and Senior Vice President, Chief  
Financial Officer and Treasurer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.  
Section 1350)

The undersigned, the Chairman and Chief Executive Officer, President and Chief Operating Officer and the Senior Vice President, Chief Financial Officer and Treasurer of Federal Realty Investment Trust (the "Company"), each hereby certifies that, to his knowledge on the date hereof:

- (a) the Quarterly Report on Form 10-Q of the Company for the Quarter Ended June 30, 2002 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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Steven J. Guttman  
Chairman and  
Chief Executive Officer  
August 12, 2002

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Donald C. Wood  
President and  
Chief Operating Officer  
August 12, 2002

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Larry E. Finger  
Senior Vice President,  
Chief Financial Officer and  
Treasurer  
August 12, 2002