

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FORM 10-K
For Fiscal Year Ended: December 31, 1997 Commission File No.17533

FEDERAL REALTY INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

District of Columbia 52-0782497

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

1626 East Jefferson Street, Rockville, Maryland 20852

(Address of principal executive offices) (Zip Code)

(301) 998-8100

(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares of Beneficial Interest	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange
7.95% Series A Cumulative Redeemable Preferred Shares	New York Stock Exchange

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

6.82% Medium-Term Notes
7.48% Senior Debentures
8 7/8% Senior Notes
8% Senior Notes
6 5/8% Senior Notes
Subordinated Debt Securities*

* None issued, registered pursuant to a shelf registration

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No .

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

At February 23, 1998, the aggregate market value of Common Shares of
Beneficial Interest of Federal Realty Investment Trust held by nonaffiliates was
\$1.0 billion based upon the closing price of such Shares on the New York Stock
Exchange.

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

Class	Outstanding at February 23, 1998
Common Shares of Beneficial Interest	39,772,422

DOCUMENTS INCORPORATED BY REFERENCE

PART III

Portions of the Trust's Proxy Statement in connection with its Annual Meeting to be held on May 6, 1998 (hereinafter called "1998 Proxy Statement"). Specifically, the Sections entitled "Summary Compensation Table", "Employment Agreements", "Aggregated Option Exercises in 1997 and December 31, 1997 Option Values", "Retirement and Disability Plans", and "Compensation Committee Interlocks and Insider Participation", "Ownership of Shares by Trustees and Officers", and "Certain Transactions" appearing in the 1998 Proxy Statement are incorporated herein by reference.

The Exhibit Index for this report is found on page 29. This report, including Exhibits, contains 323 pages.

Item 1. Business

Federal Realty Investment Trust is an owner, operator and redeveloper of retail properties. Founded in 1962 as a District of Columbia business trust of unlimited duration, the Trust is a self-administered equity real estate investment trust. The Trust consolidates the financial statements of various entities which it controls. At December 31, 1997 the Trust owned 101 retail properties and one apartment complex.

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

An important part of the Trust's strategy is to acquire older, well-located properties in prime, densely populated and affluent areas and to enhance their operating performance through a program of renovation, expansion, reconfiguration and retenancing. The Trust's traditional focus has been on community and neighborhood shopping centers that are anchored by supermarkets, drug stores or high volume, value oriented retailers that provide consumer necessities. Late in 1994 the Trust expanded this strategy to include retail buildings and shopping centers in prime established main street shopping areas. The Trust continually evaluates its properties for renovation, retenancing and expansion opportunities. Similarly, the Trust regularly reviews its portfolio and from time to time considers selling certain of its properties. For several years the Trust has been seeking sites in its core markets suitable for the construction of new retail properties. Several sites have been identified and beginning in 1998 the Trust is focusing considerable time and resources on ground up development.

The Trust's portfolio of properties has grown from 42 as of January 1, 1993 to 102 at December 31, 1997. During this five year period the Trust acquired 65 retail properties for approximately \$648 million. During this same period five shopping centers were sold. Also during this period the Trust spent over \$224 million to renovate, expand, improve and retenant its properties. The majority of the acquisitions were funded with cash. Of the properties not fully acquired by cash, one was acquired by means of capital and ground leases, one was acquired for common shares of the Trust and the assumption of a mortgage, one was acquired for cash and the assumption of a municipal bond issue and the others were acquired for cash with minority investments by third parties. This growth was financed through borrowing and equity offerings, since each year the Trust has distributed all or the majority of its cash provided by operating activities to its shareholders.

The Trust's 101 retail properties, consisting of 56 shopping centers and 45 main street retail properties, are located in 14 states and the District of Columbia. Twenty-one of the properties are located in the Washington, D.C. metropolitan area; nineteen are in California; fourteen are in Connecticut; eleven are in Pennsylvania, primarily in the Philadelphia area; ten are in New Jersey; seven are in Illinois; three are in Virginia; four are in Massachusetts; six are in New York; two are in Florida; and there is one in each of the following states: Georgia, Michigan, North Carolina and Oregon. No single property accounts for over 10% of the Trust's revenues.

The Trust has approximately 2,175 tenants, ranging from sole proprietors to major national retailers; no one tenant or corporate group of tenants accounts for 5% or more of revenue. The Trust's leases with these tenants are classified as operating leases and typically are structured to include minimum rents, percentage rents based on tenants' sales volumes and reimbursement of certain operating expenses and real estate taxes.

The Trust continues to seek older, well-located shopping centers and retail buildings to acquire and then to enhance their revenue potential through a program of renovation, retenanting and remerchandising. The Trust has also located sites where it intends to develop new retail properties. During each of the years ended December 31, 1997, 1996 and 1995, retail properties have contributed 96% of the Trust's total revenue.

The Trust amended its by-laws in 1996 to permit investments west of the Mississippi River. Investments are not required to be based on specific allocation by type of property. The extent to which the Trust might mortgage or otherwise finance investments varies with the investment involved and the economic climate.

The success of the Trust depends upon, among other factors, the trends of the economy, including interest rates, construction costs, retailing trends, income tax laws, increases or decreases in operating expenses, governmental regulations, population trends, zoning laws, legislation and the ability of the Trust to keep its properties leased at profitable levels. The Trust competes for tenants with other real estate owners and the Trust's properties account for only a small fraction of the retail space available for lease. The Trust competes for investment opportunities and debt and equity capital with individuals, partnerships, corporations, financial institutions, life insurance companies, pension funds, trust funds and other real estate investment trusts.

Investments in real property create a potential for environmental liability on the part of the current and previous owners of, or any mortgage lender on, such real property. If hazardous substances are discovered on or emanating from any property, the owner or operator of the property may be held liable for costs and liabilities relating to such hazardous substances. The Trust has environmental insurance on 65 of its properties. Subject to certain exclusions and deductibles, the

insurance provides coverage for unidentified, pre-existing conditions and for future contamination caused by tenants and third parties.

The Trust's current policy is to require an environmental study on each property it seeks to acquire. On recent acquisitions, any substances identified prior to closing which present an immediate environmental hazard have been or are in the process of remediation. Costs related to the abatement of asbestos which increase the value of Trust properties are capitalized. Other costs are expensed. In 1997 and 1996 approximately \$1.3 million and \$970,000, respectively, of which \$732,000 and \$540,000, respectively, was capitalized abatement costs, was spent on environmental matters. The Trust has budgeted approximately \$2.5 million for 1998 for environmental matters, a majority of which is projected for asbestos abatement. (See Note 5 of Notes to Consolidated Financial Statements.)

Current Developments -----

In 1997 the Trust acquired eighteen retail properties at a cost of \$258.2 million. Five shopping centers were acquired: San Jose Town & Country Village in San Jose, California for \$42.8 million which is to be developed into a main street project; Pike 7 Shopping Center in Tysons Corner, Virginia for \$31.5 million; Magruder's and Courthouse Centers in Rockville, Maryland for a combined price of \$12.6 million; and Peninsula Shopping Center in Palos Verdes, California for \$43.5 million. Thirteen main street retail properties were acquired: six properties in California for approximately \$40.2 million; five properties in New York for approximately \$65.3 million; one property in Portland, Oregon for \$15.7 million; and one property in Chicago, Illinois for \$4.2 million. In addition the Trust invested \$10.4 million in mortgage notes receivable, most of which are convertible into ownership interests in the properties by which they are secured.

Other real estate transactions during 1997 included the purchase of land underlying four of its properties for approximately \$14.4 million. The land had previously been leased. The Trust also purchased two tracts of land in Bethesda, Maryland for future development for approximately \$6.6 million.

During 1997 the Trust spent \$50.3 million in renovating, expanding and retenanting its properties. These improvements included \$9.4 million on the redevelopment of Wynnewood Shopping Center; \$5.1 million on the second phase of the redevelopment of Brick Plaza; \$4.5 million on the redevelopment of Troy Shopping Center; \$2.3 million on the redevelopment of Crossroads Shopping Center; and \$3.1 million on the redevelopment of Gratiot Plaza.

The Trust initially funded the majority of its 1997 acquisitions, capital improvement projects and investments in mortgages with borrowings under its revolving credit facilities. Borrowings on these revolving credit facilities were then repaid from long term debt and equity issues. On February 4, 1997 the Trust sold 3 million common shares to an institutional investor for \$28 per share, netting \$83.9 million. On July 29, 1997 the

Trust sold \$40 million of 6.82% Medium Term Notes, netting \$39.8 million. On October 6, 1997 the Trust issued 4 million 7.95% Series A Cumulative Redeemable Preferred Shares at \$25 per share in a public offering, netting approximately \$96.8 million.

At December 31, 1997 the Trust had 221 full-time employees.

Item 2. Properties

Retail Properties

The following table sets forth information concerning each retail property in which the Trust owns an equity interest or has a leasehold interest as of December 31, 1997. Except as otherwise noted, retail properties are 100% owned in fee by the Trust.

	Year Completed	Year Acquired	Square Feet	Number of Tenants	Acres	Occupancy (1) Overall/Economic	Principal Tenants
Allwood Clifton, NJ 07013 (2)	1958	1988	53,000	8	5	100% / 100%	Grand Union Mandee Shop
Andorra Philadelphia, PA 19128 (3)	1953	1988	257,000	44	23	97% / 97%	Acme Markets Andorra Theater
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	279,000	27	22	98% / 98%	Lord & Taylor Acme Markets
Barracks Road Charlottesville, VA 22905 (3)	1958	1985	479,000	83	39	98% / 97%	Harris Teeter Kroger Superfresh
Bethesda Row Bethesda, MD 20814 (2) (6)	1945-1991	1993	276,000	71	8	99% / 99%	Barnes and Noble Giant Food Giant Pharmacy
Blue Star Watchung, NJ 07060 (2)	1959	1988	392,000	32	55	98% / 97%	Caldor Shop Rite Toys R Us
Brick Plaza Brick Township, NJ 08723 (2)	1958	1989	375,000	32	42	96% / 94%	A&P Supermarket Sony Theatre Steinbach's
Bristol Bristol, CT 06010	1959	1995	296,000	38	22	98% / 98%	Bradlees Super Stop & Shop TJ Maxx
Brunswick North Brunswick, NJ 08902 (2)	1957	1988	262,000	23	22	100% / 100%	Caldor Grand Union Schwartz Furniture
Clifton Clifton, NJ 07013 (2)	1959	1988	80,000	13	8	96% / 96%	Acme Markets Rickel Home Center

	Year Completed	Year Acquired	Square Feet(1)	Number of Tenants	Acres	Occupancy (1) Overall/Economic	Principal Tenants
Congressional Plaza Rockville, MD 20852 (4)	1965	1965	341,000	47	22	100% / 99%	Buy Buy Baby Fresh Fields Tower Records
Courthouse Center Rockville, MD 20852 (5)	1970	1997	38,000	12	1	98% / 98%	Rockville Interiors
Crossroads Highland Park, IL 60035	1959	1993	173,000	25	15	99% / 99%	Comp USA Gold Standard Liquors Golfsmith
Dedham Dedham, MA 02026	1959	1993	251,000	33	18	90% / 90%	Ames Cherry & Webb
Eastgate Chapel Hill, NC 27514	1963	1986	159,000	31	17	100% / 99%	Food Lion Southern Season
Ellisburg Circle Cherry Hill, NJ 08034	1959	1992	255,000	35	27	100% / 99%	Bed, Bath & Beyond Ross Dress For Less Shop Rite
Escondido Promenade Escondido, CA 92029 (7)	1987	1996	223,000	55	18	92% / 92%	Toys R Us TJ Maxx
Falls Plaza Falls Church, VA 22046	1962	1967	63,000	11	6	100% / 100%	Giant Food CVS Pharmacy
Feasterville Feasterville, PA 19047	1958	1980	104,000	9	12	94% / 94%	Office Max Genuardi Markets
Federal Plaza Rockville, MD 20852	1970	1989	242,000	38	18	97% / 97%	Comp USA TJ Maxx
Finley Square Downers Grove, IL 60515	1974	1995	307,000	18	21	100% / 90%	Bed, Bath & Beyond Service Merchandise
Flourtown Flourtown, PA 19031	1957	1980	187,000	20	15	100% /100%	K Mart Genuardi Markets
Fresh Meadows Queens, NY 11365	1949	1997	405,000	69	147	95% / 95%	Cineplex Odeon Filene's K Mart

	Year Completed	Year Acquired	Square Feet(1)	Number of Tenants	Acres	Occupancy (1) Overall / Economic	Principal Tenants
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	204,000	35	17	94% / 81%	Borders Books Bed, Bath & Beyond
Garden Market Western Springs, IL 60558	1958	1994	134,000	21	12	90% / 90%	Dominick's
Governor Plaza Glen Burnie, MD 21961 (3)	1963	1985	252,000	22	26	99% / 99%	Office Depot Syms
Gratiot Plaza Roseville, MI 48066	1964	1973	149,000	3	20	100% / 100%	Bed, Bath and Beyond, Drug Emporium
Hamilton Hamilton, NJ 08690 (2)	1961	1988	185,000	14	18	100% / 100%	Shop Rite Steven's Furniture A. C. Moore
Huntington Huntington, NY 11746 (2)	1962	1988	274,000	11	21	99% / 96%	Bed, Bath and Beyond, Service Merchandise, Toys R Us
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	18	6	100% / 100%	Super Crown Fresh Fields
Lancaster Lancaster, PA 17601 (2)	1958	1980	107,000	17	11	100% / 100%	Giant Eagle A.C. Moore
Langhorne Square Levittown, PA 19056	1966	1985	208,000	28	21	97% / 79%	Drug Emporium Marshalls
Laurel Centre Laurel, MD 20707	1956	1986	384,000	52	26	86% / 86%	Giant Food Marshalls Toys R Us
Lawrence Park Broomall, PA 19008 (2)	1972	1980	340,000	40	28	77% / 77%	Acme Markets Rickel Home Center, TJ Maxx
Loehmann's Plaza Fairfax, VA 22042 (8)	1971	1983	242,000	52	18	98% / 97%	Loehmann's Dress Shop Linens N Things
Magruder's Center Rockville, MD 20852 (5)	1955	1997	109,000	22	5	99% / 94%	Magruder's Tuesday Morning

	Year Completed	Year Acquired	Square Feet (1)	Number of Tenants	Acres	Occupancy (1) Overall / Economic
Mid-Pike Plaza Rockville, MD 20852 (2)	1963	1982	311,000	22	20	99% / 98%
Northeast Philadelphia, PA 19114	1959	1983	302,000	39	19	98% / 98%
Northeast Plaza Atlanta, GA 30329	1952	1986	446,000	46	44	73% / 72%
North Lake Commons Lake Zurich, IL 60047	1989	1994	123,000	22	13	95% / 95%
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	20	11	95% / 90%
Old Town Center Los Gatos, CA 95030 (7) (10)	1962	1997	97,000	7	4	n/a
Pan Am Fairfax, VA 22031	1979	1993	218,000	30	25	96% / 95%
Park & Shop Washington, DC 20036	1930	1995	50,000	11	1	97% / 97%
Peninsula Center Palos Verdes, CA 90274	1962	1997	295,000	70	24	94% / 94%
Perring Plaza Baltimore, MD 21134 (3)	1963	1985	437,000	16	27	100% / 99%
Pike 7 Plaza Vienna, VA 22180 (5)	1968	1997	163,000	27	13	100% / 100%
150 Post Street San Francisco, CA 94108	1965	1997	95,000	29	0.3	98% / 96%
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	11	18	100% / 100%

Principal
Tenants

Mid-Pike Plaza Rockville, MD 20852 (2)	Bally's Total Fitness Filene's Basement Toys R Us
Northeast Philadelphia, PA 19114	Burlington Coat Factory Marshalls
Northeast Plaza Atlanta, GA 30329	Publix Cinema 12 Mars Music
North Lake Commons Lake Zurich, IL 60047	Dominick's
Old Keene Mill Springfield, VA 22152	Discount Pet Supermarket Fresh Fields
Old Town Center Los Gatos, CA 95030 (7) (10)	
Pan Am Fairfax, VA 22031	Micro Center Safeway MJ Designs
Park & Shop Washington, DC 20036	Petco Pizzeria Uno
Peninsula Center Palos Verdes, CA 90274	In Shape TJ Maxx Von's Pavilions
Perring Plaza Baltimore, MD 21134 (3)	Burlington Coat Factory Home Depot Metro Foods
Pike 7 Plaza Vienna, VA 22180 (5)	Staples TJ Maxx
150 Post Street San Francisco, CA 94108	Episode Williams - Sonoma
Queen Anne Plaza Norwell, MA 02061	TJ Maxx Star Markets

	Year Completed	Year Acquired	Square Feet (1)	Number of Tenants	Acres	Occupancy (1) Overall/Economic	Principal Tenants
Quince Orchard Gaithersburg, MD 20877 (6)	1975	1993	240,000	30	16	96% / 96%	Circuit City Dyncorp MJ Designs
Rutgers Franklin, N.J. 08873 (2)	1973	1988	216,000	17	27	95% / 95%	Edwards Super Food K Mart
Saugus Plaza Saugus, MA 01906	1976	1996	171,000	7	19	100% / 100%	K Mart Super Stop & Shop
Shirlington Arlington, VA 22206	1940	1995	361,000	44	16	98% / 98%	Carlyle Grand Cafe Cineplex Odeon
Town & Country San Jose, CA 95128 (7)	1962	1997	320,000	97	39	76% / 76%	AMC Theatre Courtesy Chevrolet Playland
Troy Parsippany-Troy, NJ 07054	1966	1980	202,000	20	19	99% / 99%	Comp USA Pathmark Toys R Us
Tysons Station Falls Church, VA 22043	1954	1978	50,000	16	4	100% / 100%	Linens N Things
Uptown Shopping Center Portland, OR 97210	Various	1997	100,000	67	7	98% / 98%	Elephant's Delicatessen Zupan's Markets
West Falls Falls Church, VA 22046	1960	1972	62,000	16	5	91% / 91%	Staples
Wildwood Bethesda, MD 20814	1958	1969	85,000	35	13	100% / 100%	CVS Pharmacy Sutton Place Gourmet
Williamsburg Williamsburg, VA 23187	1961	1986	250,000	32	21	99% / 99%	Food Lion Peebles Rose's
Willow Grove Willow Grove, PA 19090	1953	1984	227,000	30	14	98% / 98%	Barnes and Noble Marshalls Toys R Us
The Shops at Willow Lawn Richmond, VA 23230	1957	1983	445,000	111	37	91% / 90%	Cineplex Odeon Leggett Stores Hannaford Brothers

	Year Completed	Year Acquired	Square Feet (1)	Number of Tenants	Acres	Occupancy (1) Overall / Economic
Wynnewood Wynnewood, PA 19096	1948	1996	260,000	19	16	85% / 85%
Land for Development						
Woodmont East Bethesda, MD 20814		1997		1	1	
4929 Bethesda Avenue Bethesda, MD 20814		1997			3750sf	
Retail buildings						
Thirteen buildings in CT	1900-1991	1994- 1996	231,000	94		98% / 98%
Seven buildings in Santa Monica, CA (9)	1888 - 1995	1996 - 1997	125,000	24	(11)	100% / 100%
Five buildings in San Diego, CA (9)	1888 - 1995	1996 - 1997	65,000	1	(12)	n/a
Two buildings in CA (9)	1922	1996 - 1997	21,000	9	(13)	96% / 96%
Two buildings in FL	1920	1996	28,000	10		100% / 100%
One building in MA	1930	1995	12,000	8		100% / 100%
Four buildings in NY (9)	1937 - 1987	1997	86,000	22		95% / 93%
One building in NJ	1940	1995	11,000	2		100% / 100%
Three buildings in IL	1920-1927	1995 - 1997	24,000	4		86% / 86%

Principal
Tenants

Wynnewood Wynnewood, PA 19096	Bed, Bath and Beyond Food Fare
Land for Development	
Woodmont East Bethesda, MD 20814	
4929 Bethesda Avenue Bethesda, MD 20814	
Retail buildings	
Thirteen buildings in CT	Barney's Eddie Bauer Saks Fifth Avenue
Seven buildings in Santa Monica, CA (9)	
Five buildings in San Diego, CA (9)	
Two buildings in CA (9)	
Two buildings in FL	Express
One building in MA	
Four buildings in NY (9)	Midway Theatre
One building in NJ	Legg Mason
Three buildings in IL	Foodstuffs Gianni Versace

- (1) Overall occupancy is expressed as a percentage of rentable square feet and includes square feet covered by leases for stores not yet opened. Economic occupancy is expressed as a percentage of rentable square feet, but only includes leases currently generating rental income.
- (2) The Trust has a leasehold interest in this property.
- (3) The Trust owns a 99.9% partnership interest in this center.
- (4) The Trust owns a 55.7% equity interest in this center.
- (5) The Trust owns this property in a "downreit" partnership.
- (6) The Trust owns this property subject to a ground lease.
- (7) The Trust owns the controlling interest in this center. A minority owner has an interest in the profits of the center.
- (8) The Trust has a 1% general partnership interest and manages the partnership. A 99% interest was sold to a limited partner.
- (9) The Trust owns the general partnership interest in these buildings.
- (10) The property is currently under redevelopment
- (11) Occupancy is based on four occupied buildings. The other three buildings are under redevelopment.
- (12) All buildings are under redevelopment.
- (13) Occupancy is based on one occupied building. The other building is under redevelopment.

Apartments
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The following table sets forth information concerning the Trust's apartment development as of December 31, 1997 which is 100% owned by the Trust in fee. This development is not subject to rent control.

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

Apartments

The following table sets forth information concerning the Trust's apartment development as of December 31, 1997 which is 100% owned by the Trust in fee. This development is not subject to rent control.

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

Item 3. Legal Proceedings.

None

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

None

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

Market Quotations

Quarter ended	High	Low	Dividends Paid
December 31, 1997	\$27 11/16	\$ 25	\$.43
September 30, 1997	27 1/4	24 9/16	.42
June 30, 1997	28	25 1/8	.42
March 31, 1997	28 3/4	25 3/4	.42
December 31, 1996	\$28 3/4	\$ 22 5/8	\$.42
September 30, 1996	25	21 3/4	.41
June 30, 1996	23 1/8	20 1/2	.41
March 31, 1996	23 1/8	20 1/4	.41

The number of holders of record for Federal Realty's common shares of beneficial interest at December 31, 1997 was 7,505.

For the years ended December 31, 1997 and 1996, \$.19 and \$.21, respectively, of dividends paid on common shares represented a return of capital.

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

Quarter Ended	1997	1996
March 31	\$.42	\$.41
June 30	.42	.41
September 30	.43	.42
December 31	.43	.42

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

Item 6. Selected Financial Data.

In thousands, except per share data

	YEAR ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
OPERATING DATA					
Rental Income	\$188,529	\$164,887	\$142,841	\$128,133	\$105,948
Income before gain on sale of real estate and extraordinary item	40,129	28,754	23,655	20,466	16,114
Gain (loss) on sale of real estate	6,375	(12)	(545)	---	---
Extraordinary item - gain (loss) on early extinguishment of debt	----	---	---	---	2,016
Net income	46,504	28,742	23,110	20,466	18,130
Net income available for common shareholders	44,627	28,742	23,110	20,466	18,130
Net cash provided by operating activities (1)	72,170	65,648	65,117	45,199	35,183
Dividends declared on common shares	66,636	56,607	51,392	48,196	42,021
Weighted average number of common shares outstanding:					
basic	38,475	33,175	31,481	30,267	26,559
diluted	38,988	33,573	31,860	30,679	27,009
PER SHARE:					
Earnings per common share:					
basic	1.16	.87	.73	.68	.68
diluted	1.14	.86	.72	.67	.67
Dividends declared per common share	1.70	1.66	1.61	1.57	1.55
OTHER DATA					
Funds from Operations (2)	79,733	65,254	57,034	50,404	40,824

BALANCE SHEET DATA

Real estate at cost	\$1,453,639	\$1,147,865	\$1,009,682	\$852,722	\$758,088
Total assets	1,316,573	1,035,306	886,154	751,804	689,803
Mortgage and capital lease obligations	221,573	229,189	222,317	235,705	218,545
Notes payable	119,028	66,106	49,980	61,883	30,519
Senior notes	255,000	215,000	165,000	---	---
Convertible subordinated debentures	75,289	75,289	75,289	75,289	115,167
Redeemable preferred shares	100,000	---	---	---	---
Shareholders' equity	553,810	388,885	327,468	343,222	283,059
Number of common shares outstanding	39,148	35,886	32,160	31,609	28,018

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Federal Realty meets its liquidity requirements through net cash provided by operating activities, long term borrowing through debt offerings and mortgages, medium and short term borrowing under revolving credit facilities, and equity offerings. Because a significant portion of the Trust's net cash provided by operating activities is distributed to shareholders, capital outlays for property acquisitions, renovation projects and debt repayments require funding from borrowing or equity offerings.

Operating activities generated \$72.2 million in 1997, \$65.6 million in 1996 and \$65.1 million in 1995 of which \$62.6 million, \$52.1 million, and \$47.9 million, respectively, was distributed to shareholders. Net cash provided by operating activities increased from \$65.6 million in 1996 to \$72.2 million in 1997, principally due to an \$11.4 million increase in income before gain on sale of real estate and a \$3.2 million increase in depreciation and amortization offset by a \$7.2 million increase in cash used for operating activities such as accounts receivable, prepaid expenses and accounts payable. Net cash provided by operating activities increased from \$65.1 million in 1995 to \$65.6 million in 1996, due principally to a \$5.6 million increase in net income and a \$3.4 million increase in depreciation and amortization offset by an \$8.5 million increase in cash used for operating activities such as accounts receivable and prepaid expenses.

During the three year period 1995 through 1997, the Trust expended over \$568 million in cash to acquire properties and to improve its properties. In addition, during the same period the Trust invested approximately \$25 million in mortgage notes receivable, many of which are convertible into ownership interests in the properties by which they are secured. These expenditures were primarily funded from the proceeds of various debt and equity transactions.

Over the past three years, the Trust expanded its acquisition efforts by entering new geographic markets, primarily on the West Coast, by entering new product markets with its acquisition of main street retail properties in addition to shopping centers, and by increasing the volume of acquisitions. In 1997 the Trust acquired thirteen main street retail properties and five shopping centers at an initial cost of \$258.2 million. On January 22, 1997 the Trust purchased a 5,000 square foot retail building in Chicago, Illinois for cash of \$4.2 million. On March 31, 1997 one of two partnerships, formed to purchase property in California, purchased a 15,000 square foot building in Santa Monica, California for \$4.0 million and the other purchased a 20,000 square foot building in San Diego, California for \$850,000. On September 17, 1997 the latter partnership purchased a second building in Hermosa Beach, California for approximately \$1.5 million in cash. On April 17, 1997 a partnership, which the Trust had organized in December 1996, exercised its purchase option on a retail building in Santa Monica, California. The total cost, including the buyout of the existing tenant, was \$7.1 million. In accordance with the provisions of the

three partnership agreements, the Trust contributed 90% of the purchase costs to the partnerships with the other 10% being contributed by the minority partners.

In 1997 two limited liability companies, 90% owned by the Trust, were formed to acquire property in New York. On August 28, 1997, one of the companies acquired three buildings in Forest Hills, New York for approximately \$12.6 million. On December 16, 1997 the other company purchased a fourth building in Forest Hills for \$3.4 million. The Trust contributed 90% of the acquisition costs in cash to the limited liability companies.

On September 26, 1997 the Trust purchased the Uptown Shopping Center in Portland, Oregon which consists of 72,000 square feet of retail space and 47 apartment units for \$15.7 million. The Trust funded the acquisition of Uptown with proceeds from the sale of other properties. On October 22, 1997 a limited liability company organized by the Trust acquired the Old Town Center in Los Gatos, California for approximately \$6.2 million. The property is currently under development. The Trust contributed all but \$400,000 of the purchase price and will contribute all amounts necessary to fund the development. The minority partner has an interest in the profits of the property after the Trust receives a stated return on its investment in the property. On October 23, 1997 the Trust purchased, for \$20.5 million, a 109,000 square foot mixed use retail and office building located at 150 Post Street in San Francisco, California. On December 5, 1997 the Trust purchased the retail portion of the Fresh Meadows complex in Queens, New York for \$49.3 million. The 417,000 square foot retail component consists of main street retail shops and two neighborhood strip shopping centers.

On March 5, 1997 the Trust, through a limited liability company organized by the Trust, purchased the 320,000 square foot San Jose Town & Country Village Shopping Center in San Jose, California for \$42.8 million in cash. Plans call for the current shopping center to be demolished to allow the site to be developed into a main street property. The other member of the limited liability company has a minor interest in the profits. On March 31, 1997 the 159,000 square foot Pike 7 Shopping Center in Tysons Corner, Virginia was purchased for \$31.5 million by a partnership formed to own the center. The Trust contributed \$30.9 million to the partnership which was used to pay off existing debt on the center. The other partners contributed the shopping center and its existing debt in exchange for partnership units valued at \$495,000 which are exchangeable, at the option of the Trust, for cash or 18,074 common shares of the Trust.

On December 17, 1997 a limited partnership, Federal Realty Partners L.P., organized by the Trust acquired the Magruder's Center and the Courthouse Center, both located in Rockville, Maryland, for \$12.6 million. The seller contributed the properties to the limited partnership and received 481,378 partnership units valued at \$12.3 million and the Trust contributed \$400,000 in cash. The partnership units are exchangeable, at the option of the Trust, for cash or common shares of the Trust. On December 29, 1997 the Trust purchased the 295,000 square foot Peninsula Shopping Center located in the Los Angeles, California suburb of Palos Verdes for a cash purchase price of \$43.5 million.

The Trust made several other real estate acquisitions in 1997. On January 6, the Trust purchased the fee interest in Shillington, Troy and Feasterville Shopping Centers for \$1.9 million, \$5.7 million and \$2.2 million, respectively. The Trust also contracted to purchase the fee interest in Lawrence Park Shopping Center in June 1998 for \$8.5 million. In connection with the purchase agreement for Lawrence Park, the Trust, in January 1997, lent the seller \$8.4 million at 8% which is due in June 1998. The Trust previously held these properties under capital leases. On February 24, 1997 the Trust purchased a 16 acre tract of land underlying part of the Shops at Willow Lawn for \$4.6 million in cash. On June 3, 1997 the Trust exercised its purchase option on a parcel of land adjacent to its Bethesda Row property in Bethesda, Maryland for \$5.8 million in cash. The land will be used for future development. In connection with the purchase, a \$3.6 million mortgage which the Trust had made to the seller in 1996 was repaid. On July 16, 1997 the Trust purchased a 3,750 square foot parcel of land in Bethesda, Maryland for approximately \$800,000. The land, on which there is a vacant retail building, was purchased in order to allow future expansion of the Trust's Bethesda Row property. Proceeds from the sale of other Trust properties were used to fund the acquisition of the two Bethesda purchases.

In 1997 the Trust invested \$50.3 million in improvements to its properties; these improvements included: (1) \$9.4 million for the redevelopment of Wynnewood Shopping Center; (2) \$5.1 million for the second phase of the redevelopment of Brick Plaza; (3) \$4.5 million for the redevelopment of Troy Shopping Center; (4) \$2.3 million for the redevelopment of Crossroads Shopping Center; and (5) \$3.1 million for the redevelopment of Gratiot Plaza.

On April 24, 1997 the Trust purchased Terranomics Retail Services, a property management and brokerage company, for approximately \$2.0 million, to provide it with leasing and property management services on the west coast.

In 1996 the Trust acquired \$105.6 million of retail property, comprised of three shopping centers and fourteen retail buildings. On October 1, the Trust acquired Saugus Plaza Shopping Center, located in metropolitan Boston, Massachusetts for \$12.7 million in cash. On October 29, 1996 Wynnewood Shopping Center in suburban Philadelphia, Pennsylvania was purchased for a total cash cost of \$21.8 million. On December 31, 1996 the Trust acquired the controlling interest in a Limited Liability Company formed to own Escondido Promenade in suburban San Diego, California for \$14.2 million in cash. The \$23.5 million center is encumbered by \$9.4 million of municipal bonds. The bonds, which mature October 1, 2016, bear interest at a variable rate determined weekly to be the interest rate which would enable the bonds to be remarketed at 100% of their principal amount. The bonds are redeemable on demand by the holders and if they cannot be resold, will be due. The other member of the Limited Liability Company, who is related to the developer of the property, has a minor interest in the profits of the company.

On February 28, 1996 the Trust purchased, for cash, two retail buildings in Winter Park, Florida for a cost of \$6.8 million. In

1996 the Trust purchased two buildings in Greenwich, Connecticut, one for \$3.2 million in cash on May 6 and another for \$9.5 million in cash on June 4. On December 31, 1996 the Trust made an investment of \$17.6 million for the general partnership interest in two partnerships, one of which owns ten main street retail buildings and the other of which owned a purchase option on a street retail building. The ten buildings, valued at \$28 million, are located in Pasadena, Santa Monica and San Diego, California. Nine of the ten buildings are scheduled to be renovated and retenant. The Trust is contributing 90% of future capital costs. The limited partners who contributed \$10.4 million to the partnerships will receive a cumulative return of \$762,000 per year. All remaining income and cash available for distribution will be allocated 90% to the Trust and 10% to the minority partners until each receives a return of 10% on its deemed investment and then 60% to the Trust and 40% to the minority partner.

During 1996 the Trust invested \$42.4 million in improvements to its properties; these improvements included: (1) \$11.5 million on the final tenant work and construction of an additional 30,000 square feet at Congressional Plaza, which includes the Trust's corporate offices; (2) \$4.7 million on the redevelopment and expansion of a portion of Bethesda Row; (3) \$3.9 million on the redevelopment of Brick Plaza which was begun in 1995; and (4) \$2.3 million to buy out below market leases.

The Trust purchased 19 retail properties during 1995 for a total cost of \$120.6 million. The Trust also purchased a building abutting Flourtown Shopping Center, one of its existing centers, for \$3.1 million. Finley Square Shopping Center in suburban Chicago was purchased on April 27, 1995 for \$18.8 million in cash; Bristol Shopping Center in Bristol, Connecticut was purchased on September 22, 1995 for \$19.6 million, by assuming a \$11.3 million mortgage and by issuing 337,527 common shares valued at \$7.3 million with the balance in cash; Park & Shop Center in Washington, D.C. was purchased on December 1, 1995 for \$11.2 million in cash; and on December 21, 1995 Shirlington Shopping Center in Arlington, Virginia was purchased for \$23.5 million in cash. The retail building acquisitions during 1995 were as follows: seven buildings in West Hartford, Connecticut for \$15.3 million; two buildings in Greenwich, Connecticut for \$14.9 million; one building in Westport, Connecticut for \$5.7 million; one building in Brookline, Massachusetts for \$3.8 million; one building in Westfield, New Jersey for \$2.2 million; two buildings in Evanston, Illinois for \$3.6 million and one building in Bethesda, Maryland, for \$2.0 million.

During 1995, \$33.8 million was expended on improvements to Trust properties. These improvements included: (1)\$3.8 million on the redevelopment of Congressional Plaza in Rockville, Maryland; (2)\$5.5 million to complete the redevelopment and retenanting of Gaithersburg Square in Gaithersburg, Maryland; and (3)\$5.8 million for the first phase of the renovation of Brick Plaza in Brick, New Jersey.

The majority of these acquisitions and improvements, as well as debt repayment requirements, were initially financed with borrowings under the Trust's revolving credit facilities. The Trust uses these credit facilities to fund acquisitions and other cash requirements

until conditions are favorable for issuing equity or long term debt. In December 1997 the Trust replaced its unsecured medium term revolving credit facilities with four banks with a five year syndicated line, thereby increasing the aggregate amount available from \$135 million to \$300 million and decreasing the interest rate from LIBOR plus 75 basis points to LIBOR plus 65 basis points. The syndicated line, as did the prior credit facilities, requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth. At December 31, 1997, 1996 and 1995, \$114.8 million, \$59.4 million and \$40.1 million, respectively, was borrowed under these facilities. The maximum amount borrowed under these facilities during 1997, 1996 and 1995 was \$114.8 million, \$76.2 million and \$66.8 million, respectively. The weighted average interest rate on borrowings during 1997, 1996 and 1995 was 6.5%, 6.4%, and 6.9%, respectively.

Borrowings on these revolving credit facilities were repaid from a variety of long term debt and equity issues. On February 4, 1997 the Trust sold 3 million common shares to an institutional investor for \$28 per share, netting \$83.9 million. On July 29, 1997 the Trust sold \$40 million of 6.82% Medium Term Notes, netting approximately \$39.8 million. On October 6, 1997 the Trust issued 4 million 7.95% Series A Cumulative Redeemable Preferred Shares at \$25 per share in a public offering, netting approximately \$96.8 million.

In August 1996 the Trust issued \$50.0 million of 7.48% Debentures due August 15, 2026, netting approximately \$49.8 million. The debentures, which pay interest semiannually on February 15 and August 15, are redeemable at par at the option of the holders on August 15, 2008 and by the Trust at any time thereafter. On May 24, 1996 the Trust sold 1.8 million shares at \$22 per share to an institutional investor, netting approximately \$39.3 million. On December 13, 1996 the Trust sold another 1.6 million shares to the public at \$27 7/8 per share, netting \$42.9 million.

During 1995 the Trust issued \$165 million of senior notes: \$100.0 million at 8 7/8% interest in January, netting proceeds of approximately \$98.9 million; \$25.0 million at 8% interest in April, netting approximately \$24.9 million; and \$40.0 million at 6 5/8% interest in December, netting approximately \$39.6 million. In January 1995 the Trust repaid a \$22.5 million mortgage which had been borrowed in 1994 and a \$1.1 million note issued in connection with the purchase of Queen Anne Plaza in 1994.

In order to minimize the risk of changes in interest rates, in connection with certain debt issues the Trust enters into interest rate hedge agreements. The cost or gain on the hedges is recognized as a component of interest expense over the life of the financing. There were no open agreements at December 31, 1997, but in January 1998 the Trust purchased a Treasury Yield Hedge (notional amount of \$50 million) in anticipation of a planned refinancing. The agreement terminates on March 11, 1998.

The Trust has budgeted approximately \$75.0 million for capital improvements to its properties in 1998. These improvements include: (1) \$12.0 million for the redevelopment of Old Town Center; (2) \$9.7 million to renovate and retenant certain of the San Diego and Santa Monica main street retail properties; (3) \$6.7 million to

renovate Feasterville Shopping Center; and (4) \$4.1 million to complete the renovation and expansion of Gratiot Plaza.

The Trust's long term debt has varying maturity dates and in a number of instances includes balloon payments or other contractual provisions that could require significant repayments during a particular period. Balloon mortgage obligations of \$53.5 million are due in 1998.

The Trust plans to acquire additional shopping centers and main street retail buildings. Additionally, the Trust has located sites in its core markets where it intends to build new retail properties.

The Trust will need additional capital in order to fund these acquisitions, expansions, developments and refinancings. Sources of this funding may be additional debt and additional equity. The timing and choice between additional debt or equity will depend upon many factors, including the market price for the Trust's shares, interest rates and the Trust's ratio of debt to net worth. The Trust believes, based on past experience, that it has the access to the capital markets needed to raise this capital.

On March 10, 1998 the Trust issued \$80 million of Medium Term Notes; \$39.5 million at 6.74% interest due in 2004 and \$40.5 million at 6.99% due in 2006.

Contingencies
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As previously reported, certain of the Trust's shopping centers have some environmental contamination. The Trust has retained an environmental consultant to investigate contamination at a shopping center in New Jersey. The Trust is evaluating whether it has insurance coverage for this matter. Although the Trust is still investigating the chlorinated solvent contamination in response to NJDEP directives, information collected to date indicates that remediation of this contamination is not likely to have a material effect upon the Trust's financial condition. The Trust has also identified chlorinated solvent contamination at another property. The contamination appears to be linked to the current and/or previous dry cleaner. The Trust intends to look to the responsible parties for any remediation effort. Evaluation of this situation is preliminary and it is impossible, at this time, to estimate the range of remediation costs, if any.

On December 4, 1997 the Trust purchased the retail portion of a mixed use property located in Queens, New York. Environmental studies performed prior to the acquisition identified petroleum and solvent contamination in the soil and groundwater at various locations at the property. Additional investigation as to the nature and extent of contamination is required at this property. Although the seller states that it is not responsible for this investigation or remediation, the Trust disagrees and intends to pursue the seller to enforce its obligations with respect to contamination at the property. At this time, the Trust is unable to determine what impact, if any, this situation will have on the Trust's financial condition.

Pursuant to the provisions of the respective partnership agreements, in the event of the exercise of put options by the other partners, the Trust would be required to purchase the 99% limited

partnership interest at Loehmann's Plaza at its then fair market value and an 18.75% interest at Congressional Plaza at its then fair market value.

Under the terms of certain partnerships, if certain leasing and revenue levels are obtained for the properties, the limited partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or common shares of the Trust, at the election of the limited partners. If the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms. Under the terms of another partnership, the partners may exchange their 481,378 operating partnership units into cash or common shares of the Trust, at the option of the Trust.

The Trust is currently working to resolve the potential impact of the year 2000 on the processing of information by the Trust's computerized information systems as well as the potential impact on the operations of its real estate properties by computerized components of its buildings' operating systems. Based on preliminary information, costs of addressing and solving potential problems are not expected to have a material adverse impact on the Trust's financial position. However, if the Trust's vendors are unable to resolve certain processing issues surrounding services and parts supplied to the Trust's properties, there could be a financial risk. The Trust is making plans to resolve its significant year 2000 issues in a timely manner.

Results of Operations

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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 which excludes historical cost depreciation, since real estate values have historically risen and fallen with market conditions rather than over time. The National Association of Real Estate Investment Trusts (NAREIT) defines funds from operations as follows: income available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items and significant non-recurring events less gains on sale of real estate. Funds from operations does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. Rather, funds from operations has been adopted by real estate investment trusts to provide a consistent measure of operating performance in the industry.

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

	Year ended December 31, (in thousands)		
	1997	1996	1995
Net income available for common shareholders	\$44,627	\$28,742	\$23,110
Depreciation and amortization of real estate assets	37,281	34,128	30,986
Amortization of initial direct costs of leases	2,249	2,372	2,393
(Gain) loss on sale of real estate and non-recurring items	(4,424)	12	545
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Funds from operations for common shareholders	\$79,733 =====	\$65,254 =====	\$57,034 =====

The Trust's retail leases generally provide for minimum rents with periodic increases. Most retail tenants pay a majority of on-site operating expenses and real estate taxes. Many leases also contain a percentage rent clause which calls for additional rents based on tenant sales, so that at a given sales volume, if prices increase, so does rental income. These features in the Trust leases reduce the Trust's exposure to higher costs caused by inflation, although inflation has not been significant in recent years.

1997 VS. 1996

Rental income, which consists of minimum rent, percentage rent and cost recoveries, increased 14.3% in 1997 to \$188.5 million from \$164.9 million in 1996. If properties acquired and sold in 1996 and 1997 are excluded, rental income increased 4.8%. Minimum rents increased 13.8% in 1997 from \$131.5 million in 1996 to \$149.6 million in 1997. If properties acquired and sold in 1996 and 1997 are excluded, minimum rents increased 3.9%. Thirty-nine percent of the increase in minimum rent in 1997 was from Brick Plaza, Congressional Plaza and Bethesda Row, all of which have recently been redeveloped and retenanted. Cost reimbursements consist of tenant reimbursements of real estate taxes (real estate tax recovery) and common area maintenance expenses (CAM recovery). After removing the effect of properties acquired and sold in 1996 and 1997, real estate tax recovery increased 6%, principally due to reassessments on recently renovated and purchased properties. CAM recovery, excluding 1996 and 1997 acquisitions and dispositions, increased 14% from 1996 to 1997, principally due to increased recovery from properties recently purchased or under redevelopment in 1996.

Other property income includes items which tend to fluctuate from period to period, such as utility reimbursements, telephone income, merchant association dues, lease termination fees, late fees and temporary tenant income. Other income was down slightly in 1997 from 1996 and if properties acquired and sold in 1996 and 1997 were excluded, other income was down \$1.5 million, principally due to a decrease in lease termination fees.

Rental expenses rose from \$40.7 million in 1996 to \$42.8 million in 1997 which represents 21.6% of property income (rental income plus other property income) in 1997 and 23.3% in 1996. If rental expenses are adjusted to remove the effect of properties purchased and sold in 1996 and 1997, rental expenses decreased from \$38.9 million in 1996 to \$38.1 million in 1997. The primary reason for the decrease from 1996 to 1997 was a decrease in snow removal and other related expenses, such as roof and parking lot repairs. Real estate taxes, which increased from \$16.4 million in 1996 to \$19.5 million in 1997 primarily due to properties acquired but also due to increased assessments on recent renovations, remained fairly constant as a percentage of property income, 9.8% in 1997 and 9.4% in 1996.

Depreciation and amortization expenses have increased because of the recent acquisitions and also because of the depreciation on recent tenant work and property improvements.

Interest income increased from \$4.4 million in 1996 to \$6.0 million in 1997, primarily because of interest on the mortgage notes receivable issued in 1996 and 1997. Interest expense rose to \$47.3 million in 1997 from \$45.6 million in 1996, due to interest on the \$50 million of senior debentures issued in August 1996, due to interest on the \$40 million of medium term notes issued in August 1997, and due to interest from increased usage of the revolving credit facilities, partially offset by an increase in interest capitalized on development projects. The ratio of earnings to combined fixed charges and preferred dividends was 1.64x in 1997; there were no preferred dividends in 1996. The ratio of earnings to fixed charges was 1.70x in 1997 and 1.59x in 1996. The ratio of funds from operations to fixed charges was 2.47x in 1997 and 2.35x in 1996.

Administrative expenses have increased from \$9.1 million in 1996 to \$9.8 million in 1997 primarily due to increased personnel costs as the Trust has grown and as it has accelerated its acquisition and development efforts. Administrative expenses as a percentage of total income, however, have dropped from 5.1% in 1996 to 4.8% in 1997.

In 1997 the Trust incurred \$2.0 million of nonrecurring costs associated with a reorganization of its executive management. During the fourth quarter of 1997, the Trust's chief financial officer ("CFO"), resigned from the Trust in order to pursue other interests. Cecily Ward, the Trust's controller for over ten years, has temporarily assumed the CFO's responsibilities while the Trust seeks a new chief financial officer. On December 31, 1997 the employment agreement of the Trust's senior vice-president of acquisitions terminated. Nathan Fishkin, the Trust's senior vice president, real estate, who has been with the Trust for over ten years, has assumed these responsibilities. Hal A. Vasvari, the Trust's chief operating officer, will be leaving the Trust during the first half of 1998 to pursue other interests. Howard Biel, who has over twenty years in the real estate development, leasing and management fields, joined the Trust on January 2, 1998 and is assuming the responsibilities previously handled by Mr. Vasvari.

Investors' share of operations represents the minority interest in the income of certain properties. The increase from \$394,000 in 1996 to \$1.3 million in 1997 is primarily due to the fact that since 1995 the Trust has acquired some properties in partnership with others.

Income before gain or loss on sale of real estate increased from \$28.8 million in 1996 to \$40.1 million in 1997, reflecting not only the contribution to net income from the Trust's acquisitions but also the contribution from improved operating results of the core portfolio.

Loss or gain on the sale of real estate is dependent on the extent and timing of sales. The Trust regularly reviews its portfolio and does from time to time sell properties. In May 1997 the Trust sold Town & Country Shopping Center in Springfield, Illinois for \$7.5 million, resulting in a gain of \$5.3 million and Shillington Shopping Center in Shillington, Pennsylvania for \$4.6 million, resulting in a gain of \$1.7 million. On September 25, 1997 the Trust sold Brainerd Village Shopping Center in Chattanooga, Tennessee for \$10.2 million, resulting in a loss of \$659,000. In 1996 the Trust sold Town & Country Plaza in Hammond, Louisiana for \$4.9 million, resulting in a loss of \$12,000.

As a result of the foregoing items, net income rose from \$28.7 million in 1996 to \$46.5 million in 1997. Net income available for common shareholders was \$44.6 million in 1997 after net income was adjusted for a \$1.9 million dividend on the \$100 million of 7.95% Series A Cumulative Redeemable Preferred Shares issued on October 6, 1997.

The Trust intends to continue acquiring retail properties in 1998. If successful in so doing, these acquisitions should contribute to growth in rental income and expenses and, thereby, net income. However, the competitive market for properties may adversely impact the Trust's ability to acquire properties or the price at which they can be acquired. In response to this increasingly competitive environment, the Trust is planning to focus considerable time and resources in the future on development, with the belief that such new development, although not having a positive effect on net income and funds from operations in the very near future, will have a positive impact in the longer term.

The growth of the net income from the core portfolio is, in part, dependent on controlling expenses, some of which are beyond the complete control of the Trust, such as snow removal, and trends in the retailing environment. The Trust currently expects that demand for its retail space should remain at levels similar to those in 1997. However, a weakening of the retail environment could adversely impact the Trust, by increasing vacancies and by decreasing rents. In past weak retail and real estate environments, the Trust has been able to replace weak and bankrupt tenants with stronger tenants; management believes that due to the quality of the Trust's properties there will continue to be demand for its retail space.

Rental income increased 15.4% in 1996 to \$164.9 million from \$142.8 million in 1995. If centers acquired and sold in 1995 and 1996 are excluded, rental income increased 6.6% from 1995 to 1996. Minimum rents increased 15.5% in 1996 to \$131.5 million from \$113.9 million in 1995. If centers acquired and sold in 1995 and 1996 are excluded, minimum rents increased 6.1%. Almost half of the increase in minimum rent was from Congressional Plaza, Brick Plaza and Gaithersburg Square, which have been redeveloped and retenanting. Cost reimbursements consist of tenant reimbursements of real estate taxes and common area maintenance expenses. After removing the effect of properties acquired and sold in 1995 and 1996, real estate tax recovery increased 10.3%. Over half of the increase from 1995 to 1996 was attributable to Congressional Plaza, Brick Plaza and Gaithersburg Square. CAM recovery on the portfolio, adjusted to remove the effect of properties acquired and sold in 1995 and 1996, increased from \$12.0 million in 1995 to \$13.9 million in 1996, corresponding to increases in CAM expenses in 1996 over 1995, primarily snow removal and related repairs.

Other property income, which includes items which tend to fluctuate from period to period, increased from \$7.4 million in 1995 to \$9.8 million in 1996. The increase was due primarily to an increase in lease termination fees.

Rental expenses increased from \$35.1 million in 1995 to \$40.7 million in 1996, which represents 23.4% of property income in 1995 and 23.3% in 1996. If rental expenses are adjusted to remove the effect of properties acquired and sold in 1995 and 1996, rental expenses increased \$2.3 million or 6.8% due to an increase in snow related expenses and an increase in the write-off of tenant work and lease commissions, often connected with tenants whose leases were terminated. Real estate taxes, while increasing with acquisitions, remained fairly constant as a percentage of property income, 9.6% in 1995 and 9.4% in 1996.

Depreciation and amortization expenses have increased because of the recent acquisitions and also because of the depreciation on recent tenant work and property improvements.

Interest income increased slightly from \$4.1 million in 1995 to \$4.4 million in 1996. Increases in interest income in 1996 from the issuance of \$14.3 million in mortgage notes receivable in 1996 were offset by decreases in interest on investments in marketable securities which were sold in 1995. Interest expense increased from \$39.3 million in 1995 to \$45.6 million in 1996, due to interest on the \$50 million of senior debentures issued in 1996 and the \$165 million of senior notes issued in 1995, due to interest from increased usage of the revolving credit facilities and due to interest on the mortgage assumed upon the purchase of Bristol Shopping Center. The ratio of earnings to fixed charges was 1.59x in 1996 and 1.55x in 1995. The ratio of funds from operations to fixed charges was 2.35x in both 1996 and 1995.

Administrative expenses increased from \$7.3 million in 1995 or 4.9% of property income, to \$9.1 million in 1996 or 5.2% of property income, as the Trust grew and accelerated its acquisition and development efforts. The \$1.8 million increase from 1995 to 1996

was primarily due to the write-off of costs associated with unconsummated acquisition and development efforts and due to costs related to the move of the Trust's corporate office.

Investors' share of operations represented the minority interest in income of three properties during 1995 and 1996. In 1995 minority losses at two properties exceeded the minority net income at Congressional Plaza which was under development in 1995.

Income before loss on real estate increased from \$23.7 million in 1995 to \$28.7 million in 1996, reflecting not only the contribution to net income from the Trust's acquisitions but also the contribution from improved operating results of the core portfolio. In 1996 the Trust sold Town & Country Plaza in Hammond, Louisiana for \$4.9 million, resulting in a loss of \$12,000 while in 1995 the Trust sold North City Plaza for \$1.8 million resulting in a loss of \$545,000. As a result of the foregoing items, net income rose from \$23.1 million in 1995 to \$28.7 million in 1996.

Item 8. Financial Statements and Supplementary Data.

Included in Item 14.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

Part III

Item 10. Directors and Executive Officers of the Registrant.

Executive Officers of the Registrant

The Executive Officers in 1997 were:

Name	Age	Position with Trust
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Steven J. Guttman	51	President and Chief Executive Officer and Trustee
Ron D. Kaplan	34	Senior Vice President-Capital Markets, Chief Investment Officer
Catherine R. Mack	53	Vice President-General Counsel and Secretary
Mary Jane Morrow (resigned as of October 31, 1997)	45	Senior Vice President-Finance and Treasurer
Hal A. Vasvari	54	Executive Vice President and Chief Operating Officer
Cecily A. Ward	51	Vice President-Controller

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

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

Catherine R. Mack came to the Trust in January 1985 as General Counsel and became a Vice President in February 1986. Before joining the Trust, Ms. Mack was an Assistant United States Attorney for the District of Columbia and, prior to that, an attorney with Fried, Frank, Harris, Shriver and Jacobson in Washington, D.C. where she represented several local real estate entities. She has practiced law since 1974.

Mary Jane Morrow joined the Trust in January 1987 as Vice President-Finance and Treasurer. Before joining Federal Realty, Ms.

Morrow was a Partner with Grant Thornton LLP, the Trust's independent accountants. On October 31, 1997 Ms. Morrow resigned to pursue other interests.

Hal A. Vasvari joined Federal Realty Management, Inc., the Trust's former managing agent, in August 1985 as Executive Vice President. In January 1989, Mr. Vasvari became Executive Vice President-Management of the Trust. In December 1994, Mr. Vasvari was appointed Chief Operating Officer. Prior to August 1985, he was director of leasing for Kravco Co., a developer of shopping malls and shopping centers. In 1998 Mr. Vasvari will leave the Trust to pursue other interests.

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

The schedule identifying Trustees under the caption "Election of Trustees" of the 1998 Proxy Statement is incorporated herein by reference thereto.

Item 11. Executive Compensation.

The sections entitled "Summary Compensation Table" and "Aggregated Option Exercises in 1997 and December 31, 1997 Option Values" of the 1998 Proxy Statement are incorporated herein by reference thereto.

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

The section entitled "Ownership of Shares by Trustees and Officers" of the 1998 Proxy Statement is incorporated herein by reference thereto.

Item 13. Certain Relationships and Related Transactions.

The section entitled "Certain Transactions" of the 1998 Proxy Statement is incorporated herein by reference thereto.

Part IV

Item 14. Exhibits, Financial Statement ----- Schedules, and Reports on ----- Form 8-K -----	Page No. -----
(a) 1. Financial Statements -----	
Report of Independent Certified Public Accountants	F-2
Consolidated Balance Sheets- December 31, 1997 and 1996	F-3
Consolidated Statements of Operations - years ended December 31, 1997, 1996 and 1995	F-4
Consolidated Statements of Shareholders' Equity - years ended December 31, 1997, 1996 and 1995	F-5
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Notes to Consolidated Financial Statements (Including Selected Quarterly Data)	F-7 - F24
(a) 2. Financial Statement Schedules -----	
Schedule III - Summary of Real Estate and Accumulated Depreciation.....	F25 - F28
Schedule IV - Mortgage Loans on Real Estate	F29 - F30
Report of Independent Certified Public Accountants.....	F31

(a) 3. Exhibits

- (3) (i) The Trust's Third Amended and Restated Declaration of Trust dated May 24, 1984, filed with the Commission on July 5, 1984 as Exhibit 4 to the Trust's Registration Statement on Form S-2 (file No. 2-92057) is incorporated herein by reference thereto.
- (ii) Bylaws of the Trust, filed with the Commission as an exhibit to the Trust's Current Report on Form 8-K dated February 20, 1985, as most recently amended and filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, is incorporated herein by reference thereto.
- (4) (i) Specimen Share of Beneficial Interest, filed with the Commission on November 23, 1982 as Exhibit 4 to the Trust's Registration Statement on Form S-2 (file No. 2-80524), is incorporated herein by reference thereto.
- (ii) Statement of Designation for Shares, filed on Form 8-K with the Commission on October 3, 1997, is incorporated herein by reference thereto.
- (iii) The 5 1/4% Convertible Subordinated Debenture due 2002 as described in Amendment No. 1 to Form S-3 (File No. 33-15264), filed with the Commission on August 4, 1987 is incorporated herein by reference thereto.
- (iv) Shareholder Rights Plan, dated April 13, 1989, filed with the Commission as an exhibit to the Trust's Current Report on Form 8-K, dated April 13, 1989, is incorporated herein by reference thereto.
- (v) Indenture dated December 13, 1993, related to the Trust's 7.48% Debentures due August 15, 2026, the Trust's 8 7/8% Senior Notes due January 15, 2000, the Trust's 8% Notes due April 21, 2002, the Trust's 6 5/8% Notes due 2005, and the Trust's 6.82% Medium Term Notes due August 1, 2027 filed with the commission on December 13, 1993 as exhibit 4 (a) to the Trust's Registration Statement on Form S-3, (File No. 33-51029) is incorporated herein by reference thereto.
- (vi) Dividend Reinvestment and Share Purchase Plan, dated November 3, 1995, filed with the Commission on Form S-3 on November 3, 1995 (File No. 33-63955) is incorporated herein by reference thereto.
- (9) Voting Trust Agreement.....*
- (10) (i) Consultancy Agreement with Samuel J. Gorlitz, as amended, filed with the Commission as Exhibit 10 (v) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1983, is incorporated herein by reference thereto.

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

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

The following documents, filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1985, are incorporated herein by reference thereto.

(iv) The Trust's 1985 Non-Qualified Stock Option Plan, adopted on September 13, 1985

The following documents, filed with the Commission as portions of Exhibit 10, to the Trust's Annual Report on Form 10-K for the year ended December 31, 1980, have been modified as noted below, and are incorporated herein by reference thereto.

(v) Consultancy Agreement with Daniel M. Lyons dated February 22, 1980, as amended (modified as of December 1, 1983, to provide for an annual cost of living increase, not to exceed 10%).

The following documents filed as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1988 are incorporated herein by reference thereto:

(vi) The 1988 Share Bonus Plan.

(vii) Amendment No. 3 to Consultancy Agreement with Samuel J. Gorlitz.

The following documents filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1989 are incorporated herein by reference thereto;

(viii) Executive Agreement between the Trust and Catherine R. Mack, dated April 13, 1989.

(ix) Executive Agreement between the Trust and Mary Jane Morrow, dated April 13, 1989.

(x) Executive Agreement between the Trust and Hal A. Vasvari, dated April 13, 1989.

(xi) Employment Agreement between the Trust and Catherine R. Mack, dated April 13, 1989.

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

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

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

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

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

The following documents, filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 are incorporated herein by reference thereto:

(xvii) Revolving Credit Agreement dated as of September 1, 1993 among Federal Realty Investment Trust and Corestates Bank.

(xviii) Credit Agreement dated as of August 25, 1993 between Federal Realty Investment Trust and First Union National Bank of Virginia.

(xix) Revolving Credit Agreement dated as of June 22, 1993 between Federal Realty Investment Trust and Signet Bank/Maryland.

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

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

(xxii) Credit Agreement dated as of February 11, 1994 between Federal Realty Investment Trust and Mellon Bank as filed as an exhibit to the Trust's Annual Report on Form

10-K for the year ended December 31, 1993 is incorporated herein by reference thereto.

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

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

The following documents, filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994, are incorporated herein by reference thereto:

(xxv) Form of Severance Agreement between Federal Realty Investment Trust and Certain of its Officers dated December 31, 1994.

(xxvi) Credit Agreement dated as of September 30, 1994 between Federal Realty Investment Trust and First Union National Bank of Virginia.

(xxvii) Second Amendment to Revolving Credit Agreement dated as of September 30, 1994 between Federal Realty Investment Trust and Corestates Bank.

(xxviii) First Amendment to Credit Agreement dated September 30, 1994 between Federal Realty Investment Trust and Mellon Bank.

(xxix) First Amendment to Revolving Credit Agreement dated September 30, 1994 between Federal Realty Investment Trust and Signet Bank/Maryland.

(xxx) Exclusive Brokerage Agreement between Street Retail Inc. and Westport Advisors Corporation filed as an exhibit to the Trust's Quarterly Report on Form 10-Q for quarter ended March 31, 1995 is incorporated herein by reference thereto.

The following documents, filed with the Commission as portions of Item 6 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 are incorporated herein by reference thereto:

(xxxi) Non-Exclusive Brokerage Agreement between Federal Realty Investment Trust and Westport Advisors Corporation and Jack Alan Guttman dated August 20, 1995.

(xxxii) Exclusive Brokerage Agreement between Street Retail, Inc. and Westport Advisors Corporation and Jack

Alan Guttman dated August 20, 1995.

The following documents, filed with the Commission as portions of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1996, are incorporated herein by reference thereto:

(xxxiii) Non-Exclusive Brokerage Agreement between Federal Realty Investment Trust, Street Retail, Inc., Westport Realty Advisors, Inc. and Jack Alan Guttman, dated December 3, 1996.

(xxxiv) Second and Third Amendments dated as of August 1, 1996 to the Credit Agreement dated as of September 30, 1994 between Federal Realty Investment Trust and First Union National Bank of Virginia.

(xxxv) Third Amendment to Revolving Credit Agreement between Federal Realty Investment Trust and Corestates Bank dated July 1, 1996.

(xxxvi) Third Amendment to Revolving Credit Agreement as of August 7, 1996 by and between Federal Realty Investment Trust and Signet Bank.

(xxxvii) Fourth Amendment to Credit Agreement as of August 9, 1996 by and between Federal Realty Investment Trust and Mellon Bank.

The following are filed as exhibits hereto:

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

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

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

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

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

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

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

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

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

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

- (11) Statement regarding computation of per share earnings.....*
- (12) Statements regarding computation of ratios.....*
- (13) Annual Report to Shareholders, Form 10Q or quarterly report to shareholders.....*
- (18) Letter regarding change in accounting principles.....*
- (19) Report furnished to security holders.....*
- (21) Subsidiaries of the registrant.....
(xxxvii) Articles of Incorporation of Street Retail, Inc. filed with the Commission as a portion of Exhibit 21 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 is incorporated herein by reference thereto.
- (xxxviii) By-Laws of Street Retail, Inc. filed with the Commission as a portion of Exhibit 21 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 is incorporated herein by reference thereto.
- (22) Published report regarding matters submitted to vote of security holders.....*
- (23) Consent of Grant Thornton LLP.....
- (24) Power of attorney.....*
- (27) Financial Data Schedule.....+
- (99) Additional exhibits.....*

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

A Form 8-K, dated September 30, 1997, was filed in response to Item 5.

A Form 8-K, dated March 5, 1997, was filed in response to Item 5.

A Form 8-K, dated October 3, 1997, was filed in response to Item 7.(c)99.

* Not applicable.

+ For Edgar filing only.

SIGNATURES

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

FEDERAL REALTY INVESTMENT TRUST

Date: March 11, 1998 By: Steven J. Guttman

Steven J. Guttman
President

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

Signatures -----	Title -----	Date -----
Steven J. Guttman ----- Steven J. Guttman	President and Trustee (Chief Executive Officer)	March 11, 1998 -----
Cecily A. Ward ----- Cecily A. Ward	Vice-President and Controller (Principal Accounting Officer)	March 11, 1998 -----
Dennis L. Berman ----- Dennis L. Berman	Trustee	March 11, 1998 -----
Kenneth D. Brody ----- Kenneth D. Brody	Trustee	March 11, 1998 -----
A. Cornet de Ways Ruart ----- A. Cornet de Ways Ruart	Trustee	March 11, 1998 -----
Samuel J. Gorlitz ----- Samuel J. Gorlitz	Trustee	March 11, 1998 -----
Kristin Gamble ----- Kristin Gamble	Trustee	March 11, 1998 -----
Walter F. Loeb ----- Walter F. Loeb	Trustee	March 11, 1998 -----
Donald H. Misner ----- Donald H. Misner	Trustee	March 11, 1998 -----
Mark S. Ordan ----- Mark S. Ordan	Trustee	March 11, 1998 -----
George L. Perry ----- George L. Perry	Trustee	March 11, 1998 -----

FINANCIAL STATEMENTS AND
SCHEDULES

F1

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Trustees and Shareholders
Federal Realty Investment Trust

We have audited the accompanying consolidated balance sheets of Federal Realty Investment Trust as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Federal Realty Investment Trust as of December 31, 1997 and 1996 and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Grant Thornton LLP
Washington, D.C.
February 5, 1998

Federal Realty Investment Trust

CONSOLIDATED BALANCE SHEETS

	December 31, 1997	December 31, 1996
	-----	-----
	(in thousands)	
ASSETS		
Investments		
Real estate, at cost	\$1,453,639	\$1,147,865
Less accumulated depreciation and amortization	(247,497)	(223,553)
	-----	-----
Mortgage notes receivable	1,206,142	924,312
	38,360	27,913
	-----	-----
	1,244,502	952,225
Other Assets		
Cash	17,043	11,041
Notes receivable - officers	1,190	1,183
Accounts receivable	17,604	16,111
Prepaid expenses and other assets, principally deposits on real estate, property taxes and lease commissions	32,128	51,374
Debt issue costs	4,106	3,372
	-----	-----
	\$1,316,573	\$1,035,306
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Obligations under capital leases	\$125,940	\$130,613
Mortgages payable	95,633	98,576
Notes payable	119,028	66,106
Accrued expenses	23,419	20,405
Accounts payable	7,093	6,783
Dividends payable	18,368	15,072
Security deposits	4,423	3,515
Prepaid rents	2,818	3,801
Senior notes and debentures	255,000	215,000
5 1/4% Convertible subordinated debentures	75,289	75,289
Investors' interest in consolidated assets	35,752	11,261
Commitments and contingencies	-	-
Shareholders' equity		
7.95% Series A Cumulative Redeemable Preferred Shares, liquidation preference \$25 per share, 4,000,000 shares issued in 1997	100,000	-
Common shares of beneficial interest, no par or stated value, unlimited authorization, issued 39,200,201 and 35,948,044 shares, respectively	684,823	597,917
Accumulated dividends in excess of Trust net income	(222,709)	(200,700)
	-----	-----
	562,114	397,217
Less 52,386 and 62,386 common shares in treasury - at cost, respectively, deferred compensation and subscriptions receivable	(8,304)	(8,332)
	-----	-----
	553,810	388,885
	-----	-----
	\$1,316,573	\$1,035,306
	=====	=====

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	1997	1996	1995
	-----	-----	-----
(In thousands, except per share data)			
Revenue			
Rental income	\$188,529	\$164,887	\$142,841
Interest and other income	6,037	4,352	4,113
Other property income	9,705	9,816	7,435
	-----	-----	-----
	204,271	179,055	154,389
Expenses			
Rental	42,844	40,687	35,093
Real estate taxes	19,525	16,411	14,471
Interest	47,288	45,555	39,268
Administrative	9,793	9,100	7,305
Other charges	1,951	-	-
Depreciation and amortization	41,399	38,154	34,901
	-----	-----	-----
	162,800	149,907	131,038
Operating income before investors' share of operations and gain (loss) on sale of real estate	41,471	29,148	23,351
Investors' share of operations	(1,342)	(394)	304
	-----	-----	-----
Income before gain (loss) on sale of real estate	40,129	28,754	23,655
Gain (loss) on sale of real estate	6,375	(12)	(545)
	-----	-----	-----
Net income	46,504	28,742	23,110
Dividends on preferred stock	(1,877)	-	-
	-----	-----	-----
Net income available for common shareholders	\$44,627	\$28,742	\$23,110
	=====	=====	=====
Earnings per common share, basic			
Income before gain (loss) on sale of real estate	\$0.99	\$0.87	\$0.75
Gain (loss) on sale of real estate	0.17	-	(0.02)
	-----	-----	-----
	\$1.16	\$0.87	\$0.73
	=====	=====	=====
Weighted average number of common shares, basic	38,475	33,175	31,481
	=====	=====	=====
Earnings per common share, diluted			
Income before gain (loss) on sale of real estate	\$0.98	\$0.86	\$0.74
Gain (loss) on sale of real estate	0.16	-	(0.02)
	-----	-----	-----
	\$1.14	\$0.86	\$0.72
	=====	=====	=====
Weighted average number of common shares, diluted	38,988	33,573	31,860
	=====	=====	=====

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)	1997		Year ended December 31, 1996		1995	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Shares of Beneficial Interest						
Balance, beginning of year	35,948,044	\$597,917	32,221,670	\$508,870	31,669,434	\$496,958
Exercise of stock options	76,184	1,604	126,918	2,705	20,744	390
Shares issued under dividend reinvestment plan	153,973	4,115	181,274	4,057	193,965	4,181
Shares granted under bonus plan	22,000	686	-	-	-	-
Shares issued to purchase shopping center	-	-	-	-	337,527	7,341
Net proceeds from sale of shares	3,000,000	83,925	3,418,182	82,285	-	-
Cost of 7.95% Series A Cumulative Preferred Shares	-	(3,424)	-	-	-	-
Balance, end of year	39,200,201	\$684,823	35,948,044	\$597,917	32,221,670	\$508,870
7.95% Series A Cumulative Redeemable Preferred Shares						
Balance, beginning of year	-	\$ -	-	-	-	-
Gross proceeds from sale of shares	4,000,000	100,000	-	-	-	-
Balance, end of year	4,000,000	\$100,000	-	-	-	-
Common Shares of Beneficial Interest in Treasury, Deferred Compensation and Subscriptions Receivable						
Balance, beginning of year	(480,948)	(\$8,332)	(500,095)	(\$8,567)	(539,188)	(\$9,130)
Amortization of deferred compensation	30,125	480	30,250	482	32,875	547
Deferred compensation under bonus plan	(22,000)	(621)	-	-	-	-
Net (increase) decrease in stock option loans	(14,166)	(299)	(10,167)	(242)	5,971	20
Reissuance (purchase) of treasury shares	10,000	184	(2,186)	(24)	(1,128)	(25)
Purchase under share purchase plan	19,878	284	1,250	19	1,375	21
Balance, end of year	(457,111)	(\$8,304)	(480,948)	(\$8,332)	(500,095)	(\$8,567)
Accumulated Dividends in Excess of Trust Net Income						
Balance, beginning of year	-	(\$200,700)	-	(\$172,835)	-	(\$144,553)
Net income	-	46,504	-	28,742	-	23,110
Dividends declared to common shareholders	-	(66,636)	-	(56,607)	-	(51,392)
Dividends declared to preferred shareholders	-	(1,877)	-	-	-	-
Balance, end of year	-	(\$222,709)	-	(\$200,700)	-	(\$172,835)

The accompanying notes are an integral part of these statements.

Federal Realty Investment Trust

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year ended December 31,		
	1997	1996	1995
OPERATING ACTIVITIES			
Net income	\$46,504	\$28,742	\$23,110
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	41,399	38,153	34,900
Rent abatements in lieu of leasehold improvements, net of tenant improvements retired	(930)	(121)	(951)
Imputed interest and amortization of debt cost	672	696	731
Amortization of deferred compensation and forgiveness of officers' notes	984	496	531
(Gain) loss on sale of real estate	(6,375)	12	545
Payment of trustees' fees in shares	92	104	136
Changes in assets and liabilities			
Decrease (increase) in accounts receivable	(1,493)	(1,020)	932
Increase in prepaid expenses and other assets before depreciation and amortization	(11,263)	(7,665)	(4,768)
Increase (decrease) in operating accounts payable, security deposits and prepaid rent	(287)	3,133	1,453
Increase in accrued expenses	2,867	3,118	8,498
Net cash provided by operating activities	72,170	65,648	65,117
INVESTING ACTIVITIES			
Acquisition of real estate	(251,351)	(85,792)	(105,096)
Capital expenditures	(50,349)	(42,356)	(33,829)
Decrease (increase) in deposit on purchase of real estate	23,447	(23,401)	-
Issuance of mortgage notes receivable, net	(10,447)	(14,352)	(383)
Issuance of notes receivable - officers, net	(7)	(188)	(215)
Proceeds from sale of real estate	9,364	4,680	1,782
Net (increase) decrease in temporary investments		(410)	3,381
Net cash used in investing activities	(279,343)	(161,819)	(134,360)
FINANCING ACTIVITIES			
Regular payments on mortgages, capital leases and notes payable	(2,212)	(2,735)	(2,289)
Balloon payments on mortgages and capital leases, including prepayment fees	(1,500)	(3,000)	(23,601)
Borrowing (repayment) of short-term debt, net	55,391	19,290	(14,635)
Issuance of senior notes, net of costs	39,750	49,749	163,384
Dividends paid	(62,621)	(52,084)	(47,918)
Issuance of common shares	86,893	86,054	1,682
Issuance of preferred shares	96,576		
Increase (decrease) in minority interest	898	(583)	(854)
Net cash provided by financing activities	213,175	96,691	75,769
Increase (decrease) in cash	6,002	520	6,526
Cash at beginning of year	11,041	10,521	3,995
Cash at end of year	\$17,043	\$11,041	\$10,521

The accompanying notes are an integral part of these statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Realty Investment Trust invests in income-producing real estate properties. Traditionally it focused on community and neighborhood shopping centers, but beginning in late 1994 the Trust expanded its investments to main street retail properties, retail buildings and shopping centers in densely developed urban and suburban areas. The Trust's leases with tenants are classified as operating leases and rental income is recognized on an accrual basis over the terms of the related leases.

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

The Trust capitalizes certain costs directly related to the acquisition, improvement and leasing of real estate including applicable salaries and other related costs. The capitalized costs associated with unsuccessful acquisitions are charged to operations when that determination is made. The capitalized costs associated with improvements and leasing are depreciated or amortized over the life of the improvement and lease, respectively.

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

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

The Trust consolidates the financial statements of five wholly owned corporate subsidiaries, one other corporation, eighteen partnerships, and a joint venture. The equity interests of other investors are reflected as investors' interest in

consolidated assets. All significant intercompany transactions and balances are eliminated.

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

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

In 1997 the Financial Accounting Standards Board issued Financial Accounting Standards No. 128 - "Earnings Per Share". Statement 128 replaces the presentation of primary and fully diluted earnings per share ("EPS") pursuant to Accounting Principles Board Opinion No. 15 with the presentation of basic and diluted EPS. Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares and then shared in the earnings of the Trust. Options are accounted for in accordance with APB 25, whereby if options are priced at fair market value or above at the date of grant, no compensation expense is recognized.

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

	1997	1996	1995
	----	----	----
Numerator			

Net income available for common shareholders - basic	\$44,627	\$28,742	\$23,110
Income attributable to operating partnership units	32		
	-----	-----	-----
Net income available for common shareholders - diluted	\$44,659	\$28,742	\$23,110
Denominator			

Denominator for basic EPS-weighted average shares	38,475	33,175	31,481
Effect of dilutive securities			
Stock options and awards	494	398	379
Operating partnership units	19		
	-----	-----	-----
Denominator for diluted EPS	38,988	33,573	31,860

Inherent in the preparation of the Trust's financial statements are certain estimates. These estimates are prepared

using management's best judgment, after considering past and current events.

In 1997 the Financial Accounting Standards Board issued statement of Financial Accounting Standards No. 131-"Disclosures about Segments of an Enterprise and Related Information" which established standards for reporting information about operating segments. In 1997 the Financial Accounting Standards Board also issued statement of Financial Accounting Standards No. 130-"Reporting Comprehensive Income" which established standards for reporting and displaying comprehensive income and its components. The Trust is required to adopt these two standards with its December 31, 1998 financial statements. The Trust will be analyzing both standards during 1998 to determine what disclosures will be required.

NOTE 1: REAL ESTATE AND ENCUMBRANCES

A summary of the Trust's properties at December 31, 1997 is as follows:

	Cost	Accumulated depreciation and amortization	Encumbrances
	----	-----	-----
(in thousands)			
Retail properties	\$1,241,087	\$186,195	\$ 95,633
Retail properties under capital leases	205,979	56,356	125,940
Apartments	6,573	4,946	-
	-----	-----	-----
	\$1,453,639	\$247,497	\$221,573
	=====	=====	=====

The Trust's 101 retail properties are located in 14 states and the District of Columbia. There are approximately 2,175 tenants providing a wide range of retail products and services. These tenants range from sole proprietorships to national retailers; no one tenant or corporate group of tenants account for 5% or more of revenue.

In 1997 the Trust acquired thirteen main street retail properties and five shopping centers at an initial cost of \$258.2 million. On January 22, 1997 the Trust purchased a 5,000 square foot retail building in Chicago, Illinois for cash of \$4.2 million. On March 31, 1997 two partnerships were formed to purchase property in California. One of the partnerships purchased a 15,000 square foot building in Santa Monica, California for \$4.0 million and the other purchased a 20,000 square foot building in San Diego, California for \$850,000. On September 17, 1997 the latter partnership purchased a second building in Hermosa Beach, California for approximately \$1.5 million in cash. On April 17, 1997 a partnership which the Trust had organized in December 1996 exercised its purchase option on a retail building in Santa Monica, California. The total cost, including the buyout of the existing tenant, was \$7.1 million. In accordance with the provisions of the three partnership agreements, the Trust contributed 90% of the purchase costs to

the partnerships with the other 10% being contributed by the minority interests.

On August 28, 1997, a limited liability company, of which the Trust owns 90%, acquired three buildings in Forest Hills, New York for approximately \$12.6 million. On December 16, 1997 another limited liability company, of which the Trust owns 90%, purchased a fourth building in Forest Hills for \$3.4 million. The Trust contributed 90% of the acquisition costs in cash to the limited liability companies. Commissions of \$291,000 were paid to a company owned by a brother of the Trust's president in connection with these acquisitions.

On September 26, 1997 the Trust purchased the Uptown Shopping Center in Portland, Oregon which consists of 72,000 square feet of retail space and 47 apartment units for \$15.7 million. The Trust funded the acquisition of Uptown with proceeds from the sale of other properties. On October 22, 1997 a limited liability company organized by the Trust acquired the Old Town Center in Los Gatos, California for approximately \$6.2 million. The property is currently under development. The Trust contributed all but \$400,000 of the purchase price and will contribute all amounts necessary to fund the development. The minority partner has an interest in the profits of the property after the Trust receives a stated return on its investment in the property. On October 23, 1997 the Trust purchased, for \$20.5 million, a 109,000 square foot mixed use retail and office building located at 150 Post Street in San Francisco, California. On December 5, 1997 the Trust purchased the retail portion of the Fresh Meadows complex in Queens, New York for \$49.3 million. The 417,000 square foot retail component consists of main street retail shops and two neighborhood strip shopping centers.

On March 5, 1997 the Trust, through a limited liability company organized by the Trust, purchased the 320,000 square foot San Jose Town & Country Village Shopping Center in San Jose, California for \$42.8 million in cash. Plans call for the current shopping center to be demolished to allow the site to be developed into a main street property. The other member of the limited liability company has a minor interest in the profits. On March 31, 1997 the 159,000 square foot Pike 7 Shopping Center in Tysons Corner, Virginia was purchased for \$31.5 million by a partnership formed to own the center. The Trust contributed \$30.9 million to the partnership which was used to pay off existing debt on the center. The other partners contributed the shopping center and its existing debt in exchange for partnership units valued at \$495,000 which are exchangeable, at the option of the Trust, for cash or 18,074 common shares of the Trust.

On December 17, 1997 a limited partnership, Federal Realty Partners L.P., organized by the Trust acquired the Magruder's Center and the Courthouse Center, both located in Rockville, Maryland, for \$12.6 million. The seller contributed the properties to the limited partnership and received 481,378 partnership units valued at \$12.3 million and the Trust contributed \$400,000 in cash. The partnership units are exchangeable, at the option of the Trust, for cash or common shares of the Trust. On December 29, 1997 the Trust purchased

the 295,000 square foot Peninsula Shopping Center located in the Los Angeles, California suburb of Palos Verdes at a cash purchase price of \$43.5 million.

The Trust made several other real estate acquisitions in 1997. On January 6, the Trust purchased the fee interest in Shillington, Troy and Feasterville Shopping Centers for \$1.9 million, \$5.7 million and \$2.2 million, respectively. The Trust also contracted to purchase the fee interest in Lawrence Park Shopping Center in June 1998 for \$8.5 million. In connection with the purchase agreement for Lawrence Park, the Trust, in January 1997, lent the seller \$8.8 million at 8% which is due in June 1998. The Trust previously held these properties under capital leases. On February 24, 1997 the Trust purchased a 16 acre tract of land underlying part of the Shops at Willow Lawn for \$4.6 million in cash. On June 3, 1997 the Trust exercised its purchase option on a parcel of land adjacent to its Bethesda Row property in Bethesda, Maryland for \$5.8 million in cash. The land will be used for future development. In connection with the purchase, a \$3.6 million mortgage which the Trust had made to the seller in 1996 was repaid. On July 16, 1997 the Trust purchased a 3,750 square foot parcel of land in Bethesda, Maryland for approximately \$800,000. The land, on which there is a vacant retail building, was purchased in order to allow future expansion of the Trust's Bethesda Row property. Proceeds from the sale of other Trust properties were used to fund the acquisition of the two Bethesda purchases.

In 1996 the Trust acquired \$105.6 million of retail property, comprised of three shopping centers and fourteen retail buildings. On October 1, 1996 the Trust acquired Saugus Plaza Shopping Center, located in the metropolitan Boston, Massachusetts area, for a total cash cost of \$12.7 million. On October 29, 1996 Wynnewood Shopping Center in suburban Philadelphia, Pennsylvania was purchased for a total cash cost of \$21.8 million. On December 31, 1996 the Trust acquired the controlling interest in a Limited Liability Company formed to own Escondido Promenade in suburban San Diego, California for \$14.2 million in cash. The \$23.5 million center is encumbered by \$9.4 million of municipal bonds. The bonds, which mature October 1, 2016, bear interest at a variable rate determined weekly to be the interest rate which would enable the bonds to be remarketed at 100% of their principal amount. The bonds are redeemable on demand by the holders and if they cannot be resold, will be due. The other member of the Limited Liability Company, who is related to the developer of the property, has a minor interest in the profits of the property.

On February 28, 1996 the Trust purchased, for cash, two retail buildings in Winter Park, Florida for a cost of \$6.8 million. In 1996 the Trust purchased two buildings in Greenwich, Connecticut, one for \$3.2 million in cash on May 6 and another for \$9.5 million in cash on June 4. On December 31, 1996 the Trust made an investment of \$17.6 million for the general partnership interest in two partnerships, one of which owns ten street retail buildings and the other of which owned a purchase option on a street retail building. The ten buildings, valued at \$28 million, are located in Pasadena, Santa Monica and San Diego,

California. Nine of the ten buildings are scheduled to be renovated and retenanted. The Trust is contributing 90% of future capital costs. The limited partners who contributed \$10.4 million to the partnerships will receive a cumulative return of \$762,000 per year. All remaining income and cash available for distribution will be allocated 90% to the Trust and 10% to the minority partner until each receives a return of 10% on its deemed investment and then 60% to the Trust and 40% to the minority partner.

The Trust purchased 19 retail properties during 1995 for a total cost of \$120.6 million. The Trust also purchased a building abutting Flouertown Shopping Center, one of its existing centers, for \$3.1 million. Finley Square Shopping Center in suburban Chicago was purchased on April 27, 1995 for \$18.8 million in cash; Bristol Shopping Center in Bristol, Connecticut was purchased on September 22, 1995 for \$19.6 million, by assuming a \$11.3 million mortgage and by issuing 337,527 common shares valued at \$7.3 million with the balance in cash; Park & Shop Center in Washington, D.C. was purchased on December 1, 1995 for \$11.2 million in cash; and on December 21, 1995 Shirlington Shopping Center in Arlington, Virginia was purchased for \$23.5 million in cash. The retail building acquisitions during 1995 were as follows: seven buildings in West Hartford, Connecticut for \$15.3 million; two buildings in Greenwich, Connecticut for \$14.9 million; one building in Westport, Connecticut for \$5.7 million; one building in Brookline, Massachusetts for \$3.8 million; one building in Westfield, New Jersey for \$2.2 million; two buildings in Evanston, Illinois for \$3.6 million and one building in Bethesda, Maryland, for \$2.0 million.

In connection with certain of these purchases in 1996 and 1995, brokerage commissions of \$172,000 and \$671,000, respectively, were incurred to a company that is owned by a brother of the Trust's president.

On May 13, 1997 the Trust sold Town & Country Shopping Center in Springfield, Illinois for \$7.5 million, resulting in a gain of \$5.3 million. On May 30, 1997 Shillington Shopping Center in Shillington, Pennsylvania was sold for \$4.6 million, resulting in a gain of \$1.7 million. As previously stated, the proceeds from these sales were used to fund the acquisition of two plots of land in Bethesda, Maryland and of Uptown Shopping Center in Portland, Oregon. On September 25, 1997 the Trust sold Brainerd Village Shopping Center in Chattanooga, Tennessee for \$10.2 million, resulting in a loss of \$659,000.

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

On August 1, 1995 the Trust sold North City Shopping Center in New Castle, Pennsylvania for \$1.8 million, resulting in a loss of \$545,000.

On April 17, 1997 the Trust made a \$3.9 million loan to certain of its partners. The loan with a balance of \$4.2 million at December 31, 1997 is secured by property in Santa Monica,

California, earns interest at 10% and participates in certain revenues and appreciation of the property. The loan matures on May 1, 2007.

On April 22, 1996 the Trust made a \$9.2 million convertible participating loan to a partnership, secured by retail properties in Philadelphia, Pennsylvania. The loan bears interest at 10% plus additional interest based upon the gross income of the secured properties. In addition, upon sale of the properties, the Trust will share in the appreciation of the properties. From and after April 2006, which date may be extended to April 2008, the Trust has the option to convert the loan into a partnership interest in the properties. From 1995 to 1997 the Trust made additional loans, totaling \$3.0 million, secured by properties in Philadelphia, to partnerships with common ownership to the partnership above. One loan bears interest at 5% and the others at the greater of prime plus 2% or 10%. The loans, which were originally due in November 1997, were extended and refinanced on January 14, 1998. The new loan, which is available for up to \$25 million, bears interest at 10% and is due May 1, 2021. From and after May 2006, which date may be extended to April 2008, the Trust has the option to convert the loan into a partnership interest in the properties.

The Trust held two other mortgage loans at December 31, 1997, 1996 and 1995. The notes, which total approximately \$13.2 million, bear interest at 10% and were issued in connection with the acquisition of Trust properties.

Mortgages payable and capital lease obligations are due in installments over various terms extending to 2001 and 2060, respectively, with actual or imputed interest rates ranging from 7.9% to 11.25%. Certain of the mortgage and capital lease obligations require additional interest payments based upon property performance. On September 30, 1997 the Trust repaid a \$1.5 million mortgage on Northeast Shopping Center in Philadelphia, Pennsylvania.

Aggregate mortgage principal payments due during the next four years are \$54.5 million, \$532,000, \$583,000, and \$30.7 million, respectively.

Future minimum lease payments and their present value for property under capital leases as of December 31, 1997, are as follows:

Year ending December 31,	(in thousands)
1998	\$ 11,737
1999	11,299
2000	11,736
2001	11,736
2002	11,528
Thereafter	526,207

	584,243
Less amount representing interest	(458,303)

Present value	\$ 125,940
	=====

Leasing Arrangements

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

The components of rental income are as follows:

(in thousands)	Year ended December 31,		
	1997	1996	1995
	----	----	----
Retail properties			
Minimum rents	\$147,147	\$129,077	\$111,454
Cost reimbursements	34,089	28,805	23,961
Percentage rent	4,801	4,550	4,977
Apartments - rents	2,492	2,455	2,449
	-----	-----	-----
	\$188,529	\$164,887	\$142,841
	=====	=====	=====

The components of rental expense are as follows:

(in thousands)	Year ended December 31,		
	1997	1996	1995
	----	----	----
Management fees and costs	\$ 8,452	\$ 7,264	\$ 5,707
Repairs and maintenance	12,634	11,865	8,140
Utilities	5,957	5,350	4,936
Payroll - properties	3,432	3,032	3,230
Ground rent	2,602	2,851	2,852
Insurance	2,227	2,183	2,281
Other operating	7,540	8,142	7,947
	-----	-----	-----
	\$ 42,844	\$ 40,687	\$ 35,093
	=====	=====	=====

Minimum future retail property rentals on noncancelable operating leases as of December 31, 1997 are as follows:

Year ending December 31,	(in thousands)
1998	\$ 162,415
1999	149,405
2000	134,142
2001	117,651
2002	99,827
Thereafter	489,684

	\$1,153,124
	=====

NOTE 2. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(in thousands)	December 31, 1997		December 31, 1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	-----	-----	-----	-----
Cash & equivalents	\$ 17,043	\$ 17,043	\$ 11,041	\$ 11,041
Investments	1,304	1,304	671	671
Mortgage notes receivable	38,360	39,864	27,913	28,945
Mortgages and notes payable	214,692	218,194	164,682	168,276
Convertible debentures	75,289	70,772	75,289	68,889
Senior notes	255,000	264,291	215,000	221,635

NOTE 3. NOTES PAYABLE

At December 31, 1997 and 1996 the Trust had notes payable of \$119.0 million and \$66.1 million, respectively. Of these balances, \$114.8 million in 1997 and \$59.4 million in 1996 were issued under the Trust's revolving credit facilities.

The remaining balance of notes payable was issued in connection with the acquisition, leasing or renovation of properties. A \$2.5 million non-interest bearing note issued in September 1995 in connection with a lease transaction at Barracks Road was repaid in 1997. A note, with a balance of \$1.2 million at December 31, 1997 and \$1.3 million at December 31, 1996, was issued in connection with the buy out of a tenant at Queen Anne Plaza in January 1995. The non-interest bearing note of \$2.2 million, due in annual installments of \$200,000 for eleven years, was recorded at its discounted value using an interest rate of 8 7/8%.

A 10% note, payable in equal monthly installments with a final maturity in 2013, issued in connection with the renovation of Perring Plaza had a balance of \$2.8 million in 1997 and \$2.9 million in 1996. A \$3.0 million note issued in connection with the acquisition of Federal Plaza was paid in 1996.

In December 1997 the Trust replaced its unsecured medium term revolving credit facilities with four banks with a five year syndicated line, thereby increasing the aggregate amount

available from \$135 million to \$300 million and decreasing the interest rate from LIBOR plus 75 basis points to LIBOR plus 65 basis points. The syndicated line requires fees and has various covenants including the maintenance of a minimum shareholders' equity and a maximum ratio of debt to net worth.

The maximum drawn under these facilities during 1997, 1996 and 1995 was \$114.8 million, \$76.2 million and \$66.8 million, respectively. In 1997, 1996 and 1995 the weighted average interest rate on borrowings was 6.5%, 6.4% and 6.9%, respectively, and the average amount outstanding was \$59.9 million, \$47.2 million and \$26.7 million, respectively.

NOTE 4. DIVIDENDS

On November 24, 1997 the Trustees declared a quarterly cash dividend of \$.43 per common share, payable January 15, 1998 to common shareholders of record January 2, 1998. For the years ended December 31, 1997, 1996 and 1995, \$.19, \$.21, and \$.43 of dividends paid per common share, respectively, represented a return of capital.

On November 24, 1997 the Trustees declared a quarterly cash dividend of \$.49688 per share on its Series A Cumulative Redeemable Preferred Shares, payable on February 2, 1998 to shareholders of record on January 15, 1998.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Pursuant to the provisions of the Loehmann's Plaza Limited Partnership Agreement, on or after September 1, 1995 the limited partner may require the Trust to purchase his interest in the Partnership at its then fair market value.

The Congressional Plaza Shopping Center Joint Venture Agreement provides that upon six months advance notice the Trust can be required to purchase its pro rata share of one venturer's 18.75% or greater joint venture interest for a purchase price based on the appraised fair market value of the shopping center, but no less than the percentage of joint venture interest being sold multiplied by the difference between \$17.5 million and the remaining principal balance of any liabilities of the Joint Venture.

Under the terms of certain partnerships, if certain leasing and revenue levels are obtained for the properties owned by the partnerships, the limited partners may require the Trust to purchase their partnership interests at a formula price based upon net operating income. The purchase price may be paid in cash or common stock of the Trust at the election of the limited partners. If the limited partners do not redeem their interest, the Trust may choose to purchase the limited partnership interests upon the same terms. Under the terms of another partnership, the partners may exchange their 481,378 operating partnership units into cash or common shares of the Trust, at the option of the Trust.

As previously reported, certain of the Trust's shopping centers have some environmental contamination. The Trust has retained an environmental consultant to investigate contamination at a shopping center in New Jersey. The Trust is evaluating whether it has insurance coverage for this matter. Although the Trust is still investigating the chlorinated solvent contamination in response to NJDEP directives, information collected to date indicates that remediation of this contamination is not likely to have a material effect upon the Trust's financial condition. The Trust has also identified chlorinated solvent contamination at another property. The contamination appears to be linked to the current and/or previous dry cleaner. The Trust intends to look to the responsible parties for any remediation effort. Evaluation of this situation is preliminary and it is impossible, at this time, to estimate the range of remediation costs, if any.

On December 4, 1997 the Trust purchased the retail portion of a mixed use property located in Queens, New York. Environmental studies performed prior to the acquisition identified petroleum and solvent contamination in the soil and groundwater at various locations at the property. Additional investigation as to the nature and extent of contamination is required at this property. Although the seller states that it is not responsible for this investigation or remediation, the Trust disagrees and intends to pursue the seller to enforce its obligations with respect to contamination at the property. At this time, the Trust is unable to determine what impact, if any, this situation will have on the Trust's financial condition.

A nonqualified deferred compensation plan for Trust officers was established in 1994. The plan allows the officers to defer future income until the earlier of age 65 or termination of employment with the Trust. As of December 31, 1997, the Trust is liable to participants for approximately \$1.3 million under this plan. Although this is an unfunded plan, the Trust has purchased certain investments with which to match this obligation.

The Trust has entered into agreements with certain key employees whereby if these employees voluntarily or involuntarily leave the employment of the Trust within six months after a "change of control" (defined as control of 35% or more of outstanding shares) of the Trust, they will be entitled to a lump sum cash payment equal to one to three times their annual salary as of the date of termination and have their health and welfare benefits and executive privileges continued for a period of one to three years. In the event of a change of control, the Trust also agreed that all restrictions on the exercise or receipt of any stock options and stock grants shall lapse upon termination of employment and that all shares owned at termination shall be redeemed by the Trust at a formula price.

As of December 31, 1997 in connection with the renovation of certain shopping centers, the Trust has contractual obligations of \$13.1 million and \$774,000 of letters of credit outstanding.

In addition the Trust is contractually obligated under leases to provide up to \$8.6 million in building and tenant improvements.

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

(in thousands)

1998	\$ 2,562
1999	2,570
2000	2,575
2001	2,575
2002	2,575
Thereafter	146,866

	\$159,723
	=====

NOTE 6. 5 1/4% CONVERTIBLE SUBORDINATED DEBENTURES

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

At December 1997 and 1996 the Trust had outstanding \$289,000 of 5 1/4% convertible subordinated debentures due 2002. The debentures which are convertible into shares of beneficial interest at \$30.625 were not registered under the Securities Act of 1933 and were not publicly distributed within the United States.

NOTE 7. SENIOR NOTES AND DEBENTURES

On August 1, 1997 the Trust issued \$40 million of 6.82% Medium-Term Notes, netting approximately \$39.8 million. The notes, which pay interest semi-annually on February 1 and August 1, are due August 1, 2027, but may be redeemed, at par, at the option of the holders on August 1, 2007. In order to minimize the risk of a change in interest rate prior to completing the transaction, the Trust entered into a forward rate agreement costing \$157,000 which is being recognized as a component of interest expense over the life of the notes.

On August 16, 1996 the Trust issued \$50.0 million of 7.48% Debentures due August 15, 2026, netting approximately \$49.8 million after adjusting for underwriting discounts and other costs. The debentures, which were issued at a price of 99.96%, pay interest semiannually on February 15, and August 15. The debentures are redeemable at par at the option of the holders on August 15, 2008 and by the Trust at any time thereafter.

On January 19, 1995 the Trust issued \$100.0 million of 8 7/8% Notes, due January 15, 2000. The notes, which were issued at a price of 99.815%, pay interest semi-annually on January 15

and July 15 and are not redeemable prior to maturity. After deducting the underwriting discount and other costs, the Trust netted approximately \$98.9 million. In January 1995 the Trust executed a five year interest rate swap on \$25.0 million, whereby the Trust swapped fixed interest payment obligations of 8.1% for a floating rate interest payment of three month LIBOR. The floating rate during the first quarter of 1995 was 6.2%. In May 1995 the swap was terminated and the Trust sold the swap for \$1.5 million, which is being amortized as a deduction to interest expense over the remaining term.

On April 21, 1995 the Trust issued \$25.0 million of senior notes, netting \$24.9 million after deducting discounts and costs. The notes, which are due April 21, 2002 and bear interest at 8%, payable semiannually on April 21 and October 21, were issued at a price of 99.683%.

On December 8, 1995 the Trust issued an additional \$40.0 million of senior notes, netting \$39.6 million after deducting costs. The notes, which mature on December 1, 2005 and bear interest at 6 5/8%, payable June 1 and December 1, were issued at a price of 99.3%.

NOTE 8. SHAREHOLDERS' EQUITY

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

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

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

In September 1995 the Trust issued 337,527 shares of beneficial interest valued at \$7.3 million in partial consideration for the purchase of Bristol Shopping Center.

The Trust has a Dividend Reinvestment Plan, whereby shareholders may use their dividends and make optional cash payments to purchase shares. In 1997, 1996, and 1995, 153,973 shares, 181,274 shares, and 193,965 shares, respectively, were issued under the Plan.

On January 31, 1997 under the terms of the 1993 Long Term Incentive Plan, 22,000 restricted shares were granted to an officer and two employees of the Trust. The shares vest over three years. On September 26, 1997, 10,000 restricted common shares were granted to an officer; the shares, which were fully vested upon grant, were issued from treasury shares.

In January 1994 under the terms of the 1993 Long Term Incentive Plan, an officer of the Trust purchased 40,000 common shares at \$25 per share with the assistance of a \$1.0 million loan from the Trust. The loan, which has a term of 12 years, bears interest at 6.24%. Forgiveness of up to 75% of the loan is subject to the future performance of the Trust. One eighth of the loan was forgiven on January 31, 1995 and an additional one sixteenth has been forgiven each January 31 since then as certain performance criteria of the Trust were met. The Trust has loaned the officer \$100,000 to pay taxes due in connection with the plan.

In January 1991 the Trustees adopted the Federal Realty Investment Trust Share Purchase Plan. Under the terms of this plan, officers and certain employees of the Trust purchased 446,000 common shares at \$15.125 per share with the assistance of loans of \$6.7 million from the Trust. Originally, the Plan called for one sixteenth of the loan to be forgiven each year for eight years, as long as the participant was still employed by the Trust. The loans for all participants, but two, were modified in 1994 to extend the term an additional four years and to tie forgiveness in 1995 and thereafter to certain performance criteria of the Trust. One sixteenth of the loan has been forgiven during each year of the plan. The Trust has loaned participants \$985,000 to pay the taxes due in connection with the plan. The purchase loans and the tax loans bear interest at 9.39%. The shares purchased under the plan may not be sold, pledged or assigned until both the purchase and tax loans are satisfied and the term has expired, without the consent of the Compensation Committee of the Board of Trustees.

In connection with a restricted share grant, the Trust accepted from its President a noninterest bearing note for \$210,000. One installment of \$105,000 was paid on the note in 1992 and the second installment is due April 15, 2001. This loan and the tax loans issued under the two Share Purchase Plans are recorded as notes receivable - officers.

At December 31, 1997, 1996 and 1995, respectively, the Trust had 52,386 common shares, 62,386 common shares and 61,328 common shares in treasury, at a cost of \$1.0 million, \$1.2 million, and \$1.2 million, respectively.

On April 13, 1989, the Trustees adopted a Shareholder Rights Plan (the Plan). Under the Plan, one right was issued for each outstanding share of common stock held as of April 24, 1989, and a right will be attached to each share issued in the future. The rights are exercisable into common shares upon the occurrence of certain events, including acquisition by a person or group of certain levels of beneficial ownership or a tender offer by such

a person or group. The rights are redeemable by the Trust for \$.01 and expire on April 24, 1999.

NOTE 9. STOCK OPTION PLAN

The 1993 Long Term Incentive Plan ("Plan") has been amended to authorize the grant of options and other stock based awards for up to four million shares. Options granted under the plan have ten year terms and vest in one to five years. Under the Plan, on each annual meeting date during the term of the plan, each nonemployee Trustee will be awarded 2,500 options. Accordingly, on each of May 7, 1997, May 2, 1996 and May 10, 1995, 22,500, 22,500, and 20,000 options, respectively, were awarded to nonemployee Trustees. In 1997 1.6 million options at prices ranging from \$24.94 to \$27.75 were granted to certain officers, employees, affiliates and consultants to the Trust. In 1996, 81,181 options at \$21 to \$21.63 per share were granted to employees of the Trust. On February 15, 1995, 719,000 stock options at \$20.75 per share were granted to employees of the Trust.

The option price to acquire shares under the 1993 Plan and previous plans is required to be at least the fair market value at the date of grant. As a result of the exercise of options, the Trust had outstanding from its officers and employees notes for \$2.5 million and \$2.2 million at December 31, 1997 and 1996, respectively. The notes issued under the 1993 plan bear interest at the dividend rate on the date of exercise divided by the purchase price of such shares. The notes issued under the previous plans bear interest at the lesser of (i) the Trust's borrowing rate or (ii) the current indicated annual dividend rate on the shares acquired pursuant to the option, divided by the purchase price of such shares. The notes are collateralized by the shares and are with recourse. The loans have a term extending to the employee's or officer's retirement date.

FAS Statement No. 123, "Accounting for Stock-Based Compensation" requires pro forma information regarding net income and earnings per share as if the Trust accounted for its stock options under the fair value method of that Statement. The fair value for options issued in 1997, 1996, and 1995 has been estimated as \$4.0 million, \$120,000 and \$1.4 million, respectively, as of the date of grant, using a binomial model with the following weighted-average assumptions for 1997, 1996 and 1995, respectively: risk-free interest rates of 6.5%, 5.7% and 7.3%; volatility factors of the expected market price of the Trust's shares of 19%, 19% and 19%; and a weighted average expected life of the option of 6.6 years, 5.6 years and 6.3 years.

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

For purposes of pro forma disclosures, the estimated fair value of the options are amortized to expense over the options' vesting period. The pro forma information is as follows:

	1997	1996	1995
	----	----	----
(in thousands except for earnings per share)			
Pro forma net income	\$ 45,214	\$ 28,241	\$ 22,692
Pro forma earnings per share, basic	\$1.13	\$.85	\$.72
Pro forma earnings per share, diluted	\$1.11	\$.84	\$.71

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

	Shares available for future option grants -----	Options Outstanding -----	Weighted-Average Option Price -----
Beginning of the year	5,441,000	824,126	\$ 24.875
Options granted	(759,000)	759,000	20.784
Options exercised	-	(20,744)	18.79
Options expired		(47,750)	23.31
December 31, 1995	4,682,000	1,514,632	22.71
Options granted	(81,181)	81,181	21.21
Options exercised	---	(126,918)	21.31
Options expired	33,666	(35,166)	22.47
December 31, 1996	4,634,485	1,433,729	22.737
Amend plan	(2,000,000)	-	
Options granted	(1,611,500)	1,611,500	26.43
Options exercised	---	(75,884)	21.05
Options expired	119,003	(121,003)	25.99
December 31, 1997	1,141,988 =====	2,848,342 =====	24.73

At December 31, 1997 and 1996, options for 1.2 million shares and 942,270 shares, respectively, were exercisable. The average remaining contractual life of options outstanding at December 31, 1997 and 1996 was 7.9 years and 7.1 years, respectively. The weighted average grant date fair value per option for options granted in 1997 and 1996 was \$2.68 and \$1.47, respectively. The exercise price of options outstanding at December 31, 1997 ranged from \$17.25 per share to \$27.75 per share.

NOTE 10. SAVINGS AND RETIREMENT PLAN

The Trust has a savings and retirement plan in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Employees' contributions range, at the discretion of each employee, from 1% to 17% of compensation up to a maximum of \$9,500. Under the plan, the Trust, out of its current net income, contributes 50% of each employee's first 5% of contributions. In addition, the Trust may make discretionary contributions within the limits of deductibility set forth by the Code. Employees of the Trust, who work over 1,000 hours annually, are eligible to become plan participants. The Trust's expense for the years ended December 31, 1997, 1996 and 1995 was \$210,000, \$179,000 and \$158,000 respectively. In 1996 and 1995 the Trust recorded a liability for an additional contribution of

1.5% and 1% of salary, respectively, for all nonofficer employees who are eligible for the 401(k) plan. In addition, 1.5% of salary in 1996 and 1% of salary in 1995 was accrued for all eligible nonofficer employees as a bonus.

NOTE 11. INTEREST EXPENSE

The Trust incurred interest expense totaling \$50.9 million, \$46.4 million and \$40.2 million in 1997, 1996 and 1995 respectively, of which \$3.6 million, \$871,000 and \$975,000, respectively, was capitalized. Interest paid was \$49.4 million in 1997, \$44.2 million in 1996 and \$33.4 million in 1995.

NOTE 12. SUBSEQUENT EVENTS

On January 1, 1998, 300,000 and 62,500 common shares, respectively, were awarded to the Trust's president and chief investment officer in a program designed to directly link a significant portion of these executives' long term compensation to the prosperity of the Trust and its shareholders. The shares vest over 13 years, but accelerated vesting over an eight year period is possible if the Trust meets certain performance criteria. In order to further link his compensation with the prosperity of the shareholders, the president elected under another agreement to accept stock in lieu of cash for both his 1997 bonus and his 1998 salary. As a result on January 1, 1998, 24,534 common shares were awarded to the president in lieu of his 1998 cash salary and on January 26, 1998, 14,521 common shares were issued in lieu of his 1997 bonus. The shares vest at the end of five years if the president is still employed by the Trust. An additional 62,500 common shares were granted to the chief investment officer on January 1, 1998; these shares vest over eight years. On January 26, 1998 a third officer was awarded 75,000 restricted common shares which will vest as the Trust meets certain performance criteria.

On January 2, 1998, 200,000 options were awarded to an officer of the Trust at a price of \$25.875. The options vest at the rate of 50,000 shares at the end of years two through five. On January 26, 1998, 796,000 options, vesting over three years, were granted to certain officers and employees at a price of \$25.1875.

On February 3, 1998 the Trust purchased a 3,000 square foot main street retail building in Santa Monica, California for \$2.0 million in cash.

On January 13, 1998 the Trust purchased a Treasury Yield Hedge (notional amount of \$50 million) in anticipation of a planned refinancing. Under this agreement, if the 10-Year Treasury Note rate on the maturity date of March 11, 1998 exceeds 5.445%, the Trust will receive the differential; if the 10-Year Treasury Note rate at maturity is less than 5.445%, the Trust will pay the differential.

NOTE 13. QUARTERLY DATA (UNAUDITED)

The following summary represents the results of operations for each quarter in 1997 and 1996:

(in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1997				
Revenue	\$48,647	\$50,802	\$49,813	\$55,009
Net income available for common shares	9,311	17,010 (1)	9,489 (2)	8,817
Earnings per common share -basic	\$.25	\$.44	\$.24	\$.23
Earnings per common share -diluted	.24	.44	.24	.22
1996				
Revenue	\$43,772	\$43,570	\$44,337	\$47,376
Net income available for common shares	6,026	6,897	8,123	7,696
Earnings per common share -basic	\$.19	.21	.24	.23
Earnings per common share -diluted	.19	.21	.24	.22

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

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

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 1997

COLUMN A	COLUMN B	COLUMN C		COLUMN D
Descriptions	Encumbrance	Initial cost to company		Cost Capitalized Subsequent to Acquisition
		Land	Building and Improvements	
ALLWOOD (New Jersey)	\$3,557,000	\$	\$3,920,000	\$230,000
ANDORRA (Pennsylvania)		2,432,000	12,346,000	2,688,000
BALA CYNWYD (Pennsylvania)		3,565,000	14,466,000	2,091,000
BARRACKS ROAD (Virginia)	21,022,000	4,363,000	16,459,000	12,226,000
BETHESDA ROW (Maryland)	12,576,000	459,000	20,409,000	8,261,000
BLUESTAR (New Jersey)	27,145,000		29,922,000	2,308,000
BRICK PLAZA (New Jersey)	21,362,000		24,715,000	21,737,000
BRISTOL (Connecticut)	10,794,000	3,856,000	15,959,000	402,000
BRUNSWICK (New Jersey)	11,300,000		12,456,000	1,778,000
CALIFORNIA RETAIL BUILDINGS				
SANTA MONICA (7)		14,322,000	9,756,000	9,946,000
SAN DIEGO (5)		3,844,000	1,352,000	658,000
150 POST STREET (SAN FRANCISCO)		11,685,000	9,181,000	
OTHER (2)		3,964,000	387,000	1,464,000
CLIFTON (New Jersey)	3,307,000		3,646,000	443,000
CONGRESSIONAL PLAZA (Maryland)		2,793,000	7,424,000	35,171,000
CONNECTICUT RETAIL BUILDINGS (13)		25,061,000	27,739,000	1,791,000
CROSSROADS (Illinois)		4,635,000	11,611,000	4,314,000
COURTHOUSE CENTER (Maryland)		1,750,000	1,869,000	
DEDHAM PLAZA (Massachusetts)		12,369,000	12,918,000	910,000
EASTGATE (North Carolina)		1,608,000	5,775,000	4,419,000
ESCONDIDO PROMENADE (California)	9,400,000	11,505,000	12,147,000	231,000
ELLISBURG CIRCLE (New Jersey)		4,028,000	11,309,000	9,781,000
FALLS PLAZA (Virginia)	4,180,000	530,000	735,000	3,207,000
FEASTERVILLE (Pennsylvania)		1,431,000	1,600,000	3,056,000
FEDERAL PLAZA (Maryland)	28,059,000	10,216,000	17,895,000	31,065,000
FINLEY SQUARE (Illinois)		9,252,000	9,544,000	2,810,000
FLORIDA RETAIL BUILDINGS (2)		5,206,000	1,631,000	16,000
FLOURTOWN (Pennsylvania)		1,345,000	3,943,000	2,629,000
FRESH MEADOWS (New York)		24,625,000	25,255,000	
GAITHERSBURG SQUARE (Maryland)		7,701,000	5,271,000	8,645,000
GARDEN MARKET (Illinois)		2,677,000	4,829,000	654,000
GOVERNOR PLAZA (Maryland)		2,068,000	4,905,000	10,015,000
GRATIOT PLAZA (Michigan)		525,000	1,601,000	6,065,000
HAMILTON (New Jersey)	4,903,000		5,405,000	1,998,000
HUNTINGTON (New York)	14,522,000		16,008,000	4,337,000
IDYLWOOD PLAZA (Virginia)		4,308,000	10,026,000	566,000
ILLINOIS RETAIL BUILDINGS (3)		2,694,000	2,325,000	3,224,000
LANCASTER (Pennsylvania)	934,000		2,103,000	2,552,000
LANGHORNE SQUARE (Pennsylvania)		720,000	2,974,000	8,326,000
LAUREL (Maryland)		7,458,000	22,525,000	13,470,000
LAWRENCE PARK (Pennsylvania)	3,203,000	17,000	7,160,000	7,172,000
LOEHMANN'S PLAZA (Virginia)	6,324,000	1,237,000	15,096,000	5,319,000
MAGRUDERS (Maryland)		4,554,000	4,859,000	
MASSACHUSETTS RETAIL BLDG (1)		1,873,000	1,884,000	170,000
MID PIKE PLAZA (Maryland)	10,041,000		10,335,000	5,310,000
NEW JERSEY RETAIL BUILDING (1)		737,000	1,466,000	1,056,000
NEW YORK RETAIL BUILDINGS (4)		7,541,000	7,912,000	838,000
NORTHEAST (Pennsylvania)		1,152,000	10,596,000	8,889,000
NORTHEAST PLAZA (Georgia)		6,930,000	26,236,000	5,451,000

COLUMN A

COLUMN E

COLUMN F

Descriptions	Gross amount at which carried at close of period			Accumulated Depreciation and Amortization
	Land	Building and Improvements	Total	
ALLWOOD (New Jersey)	\$	\$4,150,000	\$4,150,000	\$1,109,000
ANDORRA (Pennsylvania)	2,432,000	15,034,000	17,466,000	4,233,000
BALA CYNWYD (Pennsylvania)	3,565,000	16,557,000	20,122,000	2,182,000
BARRACKS ROAD (Virginia)	4,363,000	28,685,000	33,048,000	11,958,000
BETHESDA ROW (Maryland)	459,000	28,670,000	29,129,000	2,650,000
BLUESTAR (New Jersey)		32,230,000	32,230,000	8,299,000
BRICK PLAZA (New Jersey)		46,452,000	46,452,000	8,344,000
BRISTOL (Connecticut)	3,856,000	16,361,000	20,217,000	1,043,000
BRUNSWICK (New Jersey)		14,234,000	14,234,000	3,826,000
CALIFORNIA RETAIL BUILDINGS				
SANTA MONICA (7)	14,322,000	19,702,000	34,024,000	346,000
SAN DIEGO (5)	3,844,000	2,010,000	5,854,000	
150 POST STREET (SAN FRANCISCO)	11,685,000	9,181,000	20,866,000	42,000
OTHER (2)	3,964,000	1,851,000	5,815,000	2,000
CLIFTON (New Jersey)		4,089,000	4,089,000	995,000
CONGRESSIONAL PLAZA (Maryland)	2,793,000	42,595,000	45,388,000	11,729,000
CONNECTICUT RETAIL BUILDINGS (13)	25,061,000	29,530,000	54,591,000	1,873,000
CROSSROADS (Illinois)	4,635,000	15,925,000	20,560,000	1,762,000
COURTHOUSE CENTER (Maryland)	1,750,000	1,869,000	3,619,000	
DEDHAM PLAZA (Massachusetts)	12,369,000	13,828,000	26,197,000	1,681,000
EASTGATE (North Carolina)	1,608,000	10,194,000	11,802,000	4,317,000
ESCONDIDO PROMENADE (California)	11,505,000	12,378,000	23,883,000	344,000
ELLISBURG CIRCLE (New Jersey)	4,028,000	21,090,000	25,118,000	4,523,000
FALLS PLAZA (Virginia)	530,000	3,942,000	4,472,000	1,637,000
FEASTERVILLE (Pennsylvania)	1,431,000	4,656,000	6,087,000	3,082,000
FEDERAL PLAZA (Maryland)	10,216,000	48,960,000	59,176,000	10,358,000
FINLEY SQUARE (Illinois)	9,252,000	12,354,000	21,606,000	1,150,000
FLORIDA RETAIL BUILDINGS (2)	5,206,000	1,647,000	6,853,000	83,000
FLOURTOWN (Pennsylvania)	1,345,000	6,572,000	7,917,000	1,765,000
FRESH MEADOWS (New York)	24,625,000	25,255,000	49,880,000	
GAITHERSBURG SQUARE (Maryland)	6,012,000	15,605,000	21,617,000	2,121,000
GARDEN MARKET (Illinois)	2,677,000	5,483,000	8,160,000	576,000
GOVERNOR PLAZA (Maryland)	2,068,000	14,920,000	16,988,000	6,619,000
GRATIOT PLAZA (Michigan)	525,000	7,666,000	8,191,000	1,805,000
HAMILTON (New Jersey)		7,403,000	7,403,000	2,316,000
HUNTINGTON (New York)		20,345,000	20,345,000	5,384,000
IDYLWOOD PLAZA (Virginia)	4,308,000	10,592,000	14,900,000	1,184,000
ILLINOIS RETAIL BUILDINGS (3)	2,694,000	5,549,000	8,243,000	217,000
LANCASTER (Pennsylvania)		4,655,000	4,655,000	3,164,000
LANGHORNE SQUARE (Pennsylvania)	720,000	11,300,000	12,020,000	4,077,000
LAUREL (Maryland)	7,458,000	35,995,000	43,453,000	11,799,000
LAWRENCE PARK (Pennsylvania)	17,000	14,332,000	14,349,000	9,755,000
LOEHMANN'S PLAZA (Virginia)	1,248,000	20,404,000	21,652,000	8,992,000
MAGRUDERS (Maryland)	4,554,000	4,859,000	9,413,000	
MASSACHUSETTS RETAIL BLDG (1)	1,873,000	2,054,000	3,927,000	140,000
MID PIKE PLAZA (Maryland)		15,645,000	15,645,000	6,823,000
NEW JERSEY RETAIL BUILDING (1)	737,000	2,522,000	3,259,000	87,000
NEW YORK RETAIL BUILDINGS (4)	7,541,000	8,750,000	16,291,000	55,000
NORTHEAST (Pennsylvania)	1,153,000	19,484,000	20,637,000	6,880,000
NORTHEAST PLAZA (Georgia)	6,933,000	31,684,000	38,617,000	11,561,000

COLUMN A

COLUMN G

COLUMN H

COLUMN I

Descriptions	Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed
	ALLWOOD (New Jersey)	1958	12/12/88
ANDORRA (Pennsylvania)	1953	01/12/88	35 years
BALA CYNWYD (Pennsylvania)	1955	09/22/93	35 years
BARRACKS ROAD (Virginia)	1958	12/31/85	35 years
BETHESDA ROW (Maryland)	1945-1991	12/31/93	35 years
BLUESTAR (New Jersey)	1959	12/12/88	35 years
BRICK PLAZA (New Jersey)	1958	12/28/89	35 years
BRISTOL (Connecticut)	1959	9/22/95	35 years
BRUNSWICK (New Jersey)	1957	12/12/88	35 years
CALIFORNIA RETAIL BUILDINGS			
SANTA MONICA (7)	1888-1995	1996-1997	35 years
SAN DIEGO (5)	1888-1995	1996-1997	35 years
150 POST STREET (SAN FRANCISCO)	1908	10/23/97	35 years
OTHER (2)	var	1996-1997	35 years
CLIFTON (New Jersey)	1959	12/12/88	35 years
CONGRESSIONAL PLAZA (Maryland)	1965	04/01/85	20 years
CONNECTICUT RETAIL BUILDINGS (13)	1900-1991	1994-1996	35 years
CROSSROADS (Illinois)	1959	07/18/93	35 years
COURTHOUSE CENTER (Maryland)	1975	12/17/97	35 years
DEDHAM PLAZA (Massachusetts)	1959	12/31/93	35 years
EASTGATE (North Carolina)	1963	12/18/86	35 years
ESCONDIDO PROMENADE (California)	1987	12/31/96	35 years
ELLISBURG CIRCLE (New Jersey)	1959	10/16/92	35 years
FALLS PLAZA (Virginia)	1962	09/30/67	22 3/4 years
FEASTERVILLE (Pennsylvania)	1958	07/23/80	20 years
FEDERAL PLAZA (Maryland)	1970	08/29/89	35 years
FINLEY SQUARE (Illinois)	1974	04/27/95	35 years
FLORIDA RETAIL BUILDINGS (2)	1920	02/28/96	35 years
FLOURTOWN (Pennsylvania)	1957	04/25/80	35 years

FRESH MEADOWS (New York)	1946-1949	12/05/97	35 years
GAITHERSBURG SQUARE (Maryland)	1966	04/22/93	35 years
GARDEN MARKET (Illinois)	1958	07/28/94	35 years
GOVERNOR PLAZA (Maryland)	1963	10/01/85	35 years
GRATIOT PLAZA (Michigan)	1964	03/29/73	25 3/4 years
HAMILTON (New Jersey)	1961	12/12/88	35 years
HUNTINGTON (New York)	1962	12/12/88	35 years
IDYLWOOD PLAZA (Virginia)	1991	04/15/94	35 years
ILLINOIS RETAIL BUILDINGS (3)	1900-1927	1995-1997	35 years
LANCASTER (Pennsylvania)	1958	04/24/80	22 years
LANGHORNE SQUARE (Pennsylvania)	1966	01/31/85	35 years
LAUREL (Maryland)	1956	08/15/86	35 years
LAWRENCE PARK (Pennsylvania)	1972	07/23/80	22 years
LOEHMANN'S PLAZA (Virginia)	1971	07/21/83	35 years
MAGRUDERS (Maryland)	1955	12/17/97	35 years
MASSACHUSETTS RETAIL BLDG (1)	1930	09/07/95	35 years
MID PIKE PLAZA (Maryland)	1963	05/18/82	35 years
NEW JERSEY RETAIL BUILDING (1)	1940	08/16/95	35 years
NEW YORK RETAIL BUILDINGS (4)	1937-1987	12/16/97	35 years
NORTHEAST (Pennsylvania)	1959	08/30/83	35 years
NORTHEAST PLAZA (Georgia)	1952	12/31/86	35 years

COLUMN A	COLUMN B	COLUMN C		COLUMN D
Descriptions	Encumbrance	Initial cost to company		Cost Capitalized Subsequent to Acquisition
		Land	Building and Improvements	
NORTH LAKE COMMONS (Illinois)		2,529,000	8,604,000	448,000
OLD KEENE MILL (Virginia)	6,852,000	638,000	998,000	2,891,000
OLD TOWN CENTER (California)		3,420,000	2,765,000	2,270,000
PAN AM SHOPPING CENTER (Virginia)		8,694,000	12,929,000	2,481,000
PARK & SHOP (District of Columbia)		4,840,000	6,319,000	446,000
PENINSULA (California)		20,880,000	23,288,000	
PERRING PLAZA (Maryland)		2,800,000	6,461,000	14,252,000
PIKE 7 (Virginia)		9,709,000	22,799,000	
QUEEN ANNE PLAZA (Massachusetts)		3,319,000	8,457,000	2,380,000
QUINCE ORCHARD PLAZA (Maryland)		3,197,000	7,949,000	5,266,000
ROLLINGWOOD APTS. (Maryland)		552,000	2,246,000	3,775,000
RUTGERS (New Jersey)	13,090,000		14,429,000	865,000
SAUGUS (Massachusetts)		4,383,000	8,291,000	208,000
SHIRLINGTON (Virginia)		9,761,000	14,808,000	1,954,000
TOWN & COUNTRY (California)		41,606,000	1,161,000	2,629,000
TROY (New Jersey)		3,126,000	5,193,000	11,487,000
TYSONS STATION (Virginia)	4,206,000	388,000	453,000	2,511,000
UPTOWN (Oregon)		10,257,000	5,846,000	
WESTFALLS (Virginia)	4,796,000	538,000	535,000	2,081,000
WILDWOOD (Maryland)		9,111,000	1,061,000	5,118,000
WILLIAMSBURG (Virginia)		2,758,000	7,160,000	3,213,000
WILLOW GROVE (Pennsylvania)		1,600,000	6,643,000	18,340,000
WILLOW LAWN (Virginia)		3,192,000	7,723,000	44,401,000
WYNNEWOOD (Pennsylvania)		8,055,000	13,759,000	9,594,000
LAND FOR DEVELOPMENT WOODMONT EAST 4900 BETHESDA		5,804,000 833,000		552,000
TOTALS	\$221,573,000 =====	\$379,026,000 =====	\$679,762,000 =====	\$394,851,000 =====

	COLUMN E		COLUMN F	
	Gross amount at which carried at close of period		Total	Accumulated Depreciation and Amortization
	Land	Building and Improvements		
NORTH LAKE COMMONS (Illinois)	2,529,000	9,052,000	11,581,000	968,000
OLD KEENE MILL (Virginia)	638,000	3,889,000	4,527,000	2,129,000
OLD TOWN CENTER (California)	3,420,000	5,035,000	8,455,000	5,000
PAN AM SHOPPING CENTER (Virginia)	8,694,000	15,410,000	24,104,000	3,023,000
PARK & SHOP (District of Columbia)	4,840,000	6,765,000	11,605,000	378,000
PENINSULA (California)	20,880,000	23,288,000	44,168,000	
PERRING PLAZA (Maryland)	2,800,000	20,713,000	23,513,000	6,892,000
PIKE 7 (Virginia)	9,709,000	22,799,000	32,508,000	474,000
QUEEN ANNE PLAZA (Massachusetts)	3,319,000	10,837,000	14,156,000	1,275,000
QUINCE ORCHARD PLAZA (Maryland)	2,928,000	13,484,000	16,412,000	2,534,000
ROLLINGWOOD APTS. (Maryland)	572,000	6,001,000	6,573,000	4,946,000
RUTGERS (New Jersey)		15,294,000	15,294,000	3,853,000
SAUGUS (Massachusetts)	4,383,000	8,499,000	12,882,000	244,000
SHIRLINGTON (Virginia)	9,816,000	16,707,000	26,523,000	926,000
TOWN & COUNTRY (California)	41,606,000	3,790,000	45,396,000	217,000
TROY (New Jersey)	3,126,000	16,680,000	19,806,000	6,729,000
TYSONS STATION (Virginia)	475,000	2,877,000	3,352,000	2,468,000
UPTOWN (Oregon)	10,257,000	5,846,000	16,103,000	39,000
WESTFALLS (Virginia)	559,000	2,595,000	3,154,000	2,124,000
WILDWOOD (Maryland)	9,111,000	6,179,000	15,290,000	5,014,000
WILLIAMSBURG (Virginia)	2,758,000	10,373,000	13,131,000	3,842,000
WILLOW GROVE (Pennsylvania)	1,600,000	24,983,000	26,583,000	8,353,000
WILLOW LAWN (Virginia)	7,790,000	47,526,000	55,316,000	17,714,000
WYNNEWOOD (Pennsylvania)	8,055,000	23,353,000	31,408,000	462,000
LAND FOR DEVELOPMENT WOODMONT EAST 4900 BETHESDA	5,804,000 833,000	552,000	6,356,000 833,000	
TOTALS	\$381,864,000 =====	\$1,071,775,000 =====	\$1,453,639,000 =====	\$247,497,000 =====

COLUMN G	COLUMN H	COLUMN I	
Date of Construction	Date Acquired	Life on which depreciation in latest income statements is computed	
NORTH LAKE COMMONS (Illinois)	1989	04/27/94	35 years
OLD KEENE MILL (Virginia)	1968	06/15/76	33 1/3 years
OLD TOWN CENTER (California)	1997-1998	10/22/97	35 years
PAN AM SHOPPING CENTER (Virginia)	1979	02/05/93	35 years
PARK & SHOP (District of Columbia)	1930	12/01/95	35 years
PENINSULA (California)	1960	12/19/97	35 years

PERRING PLAZA (Maryland)	1963	10/01/85	35 years
PIKE 7 (Virginia)	1968	03/31/97	35 years
QUEEN ANNE PLAZA (Massachusetts)	1967	12/23/94	35 years
QUINCE ORCHARD PLAZA (Maryland)	1975	04/22/93	35 years
ROLLINGWOOD APTS. (Maryland)	1960	01/15/71	25 years
RUTGERS (New Jersey)	1973	12/12/88	35 years
SAUGUS (Massachusetts)	1976	10/01/96	35 years
SHIRLINGTON (Virginia)	1940	12/21/95	35 years
TOWN & COUNTRY (California)	1960-1962	03/05/97	35 years
TROY (New Jersey)	1966	07/23/80	22 years
TYSONS STATION (Virginia)	1954	01/17/78	17 years
UPTOWN (Oregon)	1913-1959	09/26/97	35 years
WESTFALLS (Virginia)	1960	10/06/72	25 years
WILDWOOD (Maryland)	1958	05/05/69	33 1/3 years
WILLIAMSBURG (Virginia)	1961	04/30/86	35 years
WILLOW GROVE (Pennsylvania)	1953	11/20/84	35 years
WILLOW LAWN (Virginia)	1957	12/05/83	35 years
WYNNEWOOD (Pennsylvania)	1948	10/29/96	35 years
LAND FOR DEVELOPMENT			
WOODMONT EAST		06/03/97	
4900 BETHESDA		07/16/97	

TOTALS

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION - CONTINUED
THREE YEARS ENDED DECEMBER 31, 1997

RECONCILIATION OF TOTAL COST

Balance, January 1, 1995	\$ 852,722,000
Additions during period	
Acquisitions	123,722,000
Improvements	38,001,000
Deduction during period - disposition of property and miscellaneous retirements	(4,763,000)

Balance, December 31, 1995	1,009,682,000
Additions during period	
Acquisitions	105,616,000
Improvements	42,257,000
Deduction during period - disposition of property and miscellaneous retirements	(9,690,000)

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

Balance, December 31, 1997	\$1,453,639,000

(A) For Federal tax purposes, the aggregate cost basis is approximately \$1,295,694.000 as of December 31, 1997.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION-CONTINUED
THREE YEARS ENDED DECEMBER 31, 1997

RECONCILIATION OF ACCUMULATED DEPRECIATION AND AMORTIZATION

Balance, January 1, 1995	\$160,636,000
Additions during period	
Depreciation and amortization expense	31,550,000
Deductions during period - disposition of property and miscellaneous retirements	(1,391,000)

Balance, December 31, 1995	190,795,000
Additions during period	
Depreciation and amortization expense	34,803,000
Deductions during period - disposition of property and miscellaneous retirements	(2,045,000)

Balance, December 31, 1996	223,553,000
Additions during period	
Depreciation and amortization expense	38,053,000
Deductions during period - disposition of property and miscellaneous retirements	(14,109,000)

Balance, December 31, 1997	\$247,497,000
	=====

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
Year Ended December 31, 1997

Column A	Column B	Column C	Column D	Column E	Column F	Column G
Description of Lien	Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount of Mortgages	Carrying Amount of Mortgages (1)
Leasehold mortgage on shopping center in New Jersey	10%	December 2003	Interest only monthly; \$10,000,000 balloon payment December 2003	---	10,000,000	10,000,000 -2
Mortgage on shopping center in New Jersey	10%	January 1999	Interest only monthly; balloon payment January 1999	---	4,020,000	3,208,000 -3
Mortgage on retail buildings in Philadelphia	Greater of prime plus 2% or 10%	December 1997	Interest only monthly; balloon payment December 1997		2,033,000	2,033,000
Mortgage on retail buildings in Philadelphia	5%	December 1997	Interest only monthly; balloon payment due Dec-97		950,000	954,000
Mortgage on shopping center in Pennsylvania	8%	June 1998	Monthly payment of principal and interest; balloon payment of \$8.5 million June 1998		8,759,000	8,581,000
Mortgage on shopping center in Illinois	none	May 1999	Balloon at maturity		175,000	175,000
Mortgage on retail buildings in Philadelphia	10% plus participation	May 2021	Interest only; balloon due at maturity		9,250,000	9,250,000
Mortgage on land in Santa Monica, California	10% plus participation	May 2007	None. Balloon and accrued interest due at maturity		3,883,000 plus accrued interest	4,159,000
				---	\$39,070,000	\$38,360,000

- 1) For Federal tax purposes, the aggregate tax basis is approximately \$38,360,000 as of December 31, 1997. No payments are delinquent on these mortgages.
- 2) This mortgage is extendable for up to 45 years with interest increasing to a maximum of 11%.
- 3) This mortgage is available for up to \$4,020,000. At December 31, 1996, \$3,208,000 was outstanding.

FEDERAL REALTY INVESTMENT TRUST

SCHEDULE IV

MORTGAGE LOANS ON REAL ESTATE-CONTINUED

THREE YEARS ENDED DECEMBER 31, 1997

RECONCILIATION OF CARRYING AMOUNT

Balance, January 1, 1995	\$13,178,000
Additions during period	
Increase in existing loan	4,000
Issuance of loan	379,000

Balance, December 31, 1995	13,561,000
Additions during period	
Increase in existing loan	25,000
Issuance of loan	14,327,000

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

Balance, December 31, 1997	\$38,360,000
	=====

Report of Independent Certified Public Accountants

on Supplemental Information

Trustees and Shareholders
Federal Realty Investment Trust

In connection with our audit of the consolidated financial statements of Federal Realty Investment Trust referred to in our report dated February 5, 1998 which is included in this Form 10-K, we have also audited Schedules III and IV as of December 31, 1997 and for each of the three years then ended. In our opinion, these schedules present fairly, in all material respects, the information required to be set forth therein.

Grant Thornton LLP
Washington, D.C.
February 5, 1998

=====

CREDIT AGREEMENT

Dated as of December 19, 1997

by and among

FEDERAL REALTY INVESTMENT TRUST,
as Borrower,

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

CORESTATES BANK, N.A.,
as Syndication Agent,

FIRST UNION NATIONAL BANK,
as Administrative Agent and
as Arranger,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Documentation Agent and
as Co-Arranger

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EXHIBIT L	Form of Extension Request
EXHIBIT M-1	Form of Opinion of Counsel to the Loan Parties
EXHIBIT M-2	Form of Opinion of Local North Carolina Counsel to the Loan Parties
EXHIBIT N	Form of Compliance Certificate

THIS CREDIT AGREEMENT dated as of December 19, 1997 by and among FEDERAL REALTY INVESTMENT TRUST, an unincorporated business trust organized under the laws of the District of Columbia (the "Borrower"), each of the financial institutions initially a signatory hereto together with their assignees pursuant to Section 13.5.(d), CORESTATES BANK, N.A., as Syndication Agent (the "Syndication Agent"), FIRST UNION NATIONAL BANK, as Administrative Agent and as Arranger (the "Administrative Agent"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Documentation Agent and as Co-Arranger (the "Documentation Agent", the Documentation Agent, together with the Administrative Agent, referred to herein as the "Arranging Agents").

WHEREAS, the Lenders desire to make available to the Borrower a \$300,000,000 revolving credit facility, which will include a \$30,000,000 letter of credit facility, on the terms and conditions contained herein.

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

ARTICLE 1 DEFINITIONS

SECTION 1 DEFINITIONS.

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

"ABSOLUTE RATE" has the meaning given that term in Section 2.2.(c)(ii)(C).

"ABSOLUTE RATE AUCTION" means a solicitation of Bid Rate Quotes setting

forth Absolute Rates pursuant to Section 2.2.

"ABSOLUTE RATE LOAN" means a Bid Rate Loan the interest rate on which is

determined on the basis of an Absolute Rate pursuant to an Absolute Rate Auction.

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

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

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

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

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

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

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

"APPLICABLE FACILITY FEE" means the percentage set forth in the table below corresponding to the Level at which the "Applicable Margin" is determined in accordance with the definition thereof:

LEVEL	FACILITY FEE
1	0.100%
2	0.125%
3	0.150%
4	0.175%
5	0.200%

Any change in the applicable Level at which the Applicable Margin is determined shall result in a corresponding and simultaneous change in the Applicable Facility Fee.

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

"APPLICABLE MARGIN" means the respective percentages per annum determined, at any time, based on the range into which the Borrower's Credit Rating then falls, in accordance with the table set forth below. Any change in the Borrower's Credit Rating which would cause it to move to a different range in the table shall effect a change in the Applicable Margin on the Business Day immediately following the date on which such change occurs. Notwithstanding any other provision contained in this definition, during any period in which the Borrower has no Credit Rating from either S&P or Moody's, the Applicable Margin shall be the percentage corresponding to Level 5 in the table. During any period in which the Borrower shall only have one Credit Rating, the

Applicable Margin shall be based on such Credit Rating. During any period that the Borrower receives two Credit Ratings and such Credit Ratings result in Applicable Margins corresponding to different Levels in the table, the Applicable Margin shall be determined by the higher of such two Credit Ratings unless such Credit Ratings result in Applicable Margins corresponding to Levels which are not adjacent in the table, in which case the Applicable Margin shall be the average of the Applicable Margins determined by each of such two Credit Ratings. During any period that the Borrower receives more than two Credit Ratings and such Credit Ratings are not equivalent, the Applicable Margin shall be determined by the two of such Credit Ratings which are equivalent and if none of such Credit Ratings are equivalent, then the lowest of such Credit Ratings shall be disregarded when determining the Applicable Margin.

LEVEL	BORROWER'S CREDIT RATING (S&P/MOODY'S OR EQUIVALENT)	APPLICABLE MARGIN FOR LIBOR LOANS	APPLICABLE MARGIN FOR BASE RATE LOANS
1	A-/A3 or equivalent	0.45%	0.00%
2	BBB+/Baa1 or equivalent	0.65%	0.00%
3	BBB/Baa2 or equivalent	0.80%	0.00%
4	BBB-/Baa3 or equivalent	0.90%	0.25%
5	Lower than BBB-/Baa3 or equivalent	1.05%	0.50%

As of the Agreement Date and until redetermined in accordance with the foregoing definition, the Applicable Margin shall be as provided in Level 2 above.

"ARRANGING AGENT" means either of the Administrative Agent or the Documentation Agent.

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

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

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

"BASE RATE LOAN" means a Loan bearing interest at a rate based on the Base Rate.

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

"BID RATE BORROWING" has the meaning given that term in Section 2.2.(b).

"BID RATE LOAN" means a loan made by a Lender under Section 2.2.(b).

"BID RATE NOTES" has the meaning given that term in Section 2.10.(b)

"BID RATE QUOTE" means an offer in accordance with Section 2.2.(c) by a Lender to make a Bid Rate Loan with one single specified interest rate.

"BID RATE QUOTE REQUEST" has the meaning given that term in Section 2.2.(b).

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

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

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

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

divided by (b) the Capitalization Rate.

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

"CAPITALIZED LEASE OBLIGATION" means Indebtedness represented by obligations under a Capital Lease and the amount of such Indebtedness shall be the capitalized amount of such obligations determined in accordance with GAAP.

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

"CAPITALIZED NOI" means, with respect to an Unencumbered Pool Property: (a)(i)(A) the Net Operating Income of such Unencumbered Pool Property for the fiscal quarter most recently ended times (B) 4 minus (ii) Replacement Reserves

determined for a four-quarter period divided by (b) the Capitalization Rate.

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

"CASH EQUIVALENTS" means: (a) securities issued, guaranteed or insured by the United States of America or any of its agencies with maturities of not more than one year from the date acquired;

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

"COLLATERAL ACCOUNT" means a special non-interest bearing deposit account maintained at the Principal Office of the Administrative Agent and under its sole dominion and control.

"COMMITMENT" means, as to each Lender, such Lender's obligation to make Revolving Loans pursuant to Section 2.1. and to issue (in the case of the Administrative Agent) or participate in (in the case of the other Lenders) Letters of Credit pursuant to Section 2.3.(a) and 2.3.(i) respectively, in an amount up to, but not exceeding (but in the case of the Administrative Agent excluding the aggregate amount of participations in the Letters of Credit held by other Lenders), the amount set forth for such Lender on its signature page hereto as such Lender's "Commitment Amount" or as set forth in the applicable Assignment and Acceptance Agreement, as the same may be reduced from time to time pursuant to Section 2.11. or as appropriate to reflect any assignments to or by such Lender effected in accordance with Section 13.5.

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

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

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

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

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

"CORESTATES" means CoreStates Bank, N.A. and its successors and assigns.

"CREDIT EVENT" means any of the following: (a) the making (or deemed making) of any Loan, (b) the Conversion of a Loan and (c) the issuance of a Letter of Credit.

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

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

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

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

"DESIGNATED LENDER" means a special purpose corporation which is an affiliate of, or sponsored by, a Lender, that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business and that issues (or the parent of which issues) commercial paper rated at least P-1 (or the then equivalent grade) by Moody's or A-1 (or the then equivalent grade) by S&P that, in either case, (a) is organized under the laws of the United States of America or any state thereof, (b) shall have become a party to this Agreement pursuant to Section 13.5.(e) and (c) is not otherwise a Lender.

"DESIGNATED LENDER NOTE" means a Bid Rate Note of the Borrower evidencing the obligation of the Borrower to repay Bid Rate Loans made by a Designated Lender.

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

"DESIGNATION AGREEMENT" means a Designation Agreement between a Lender and a Designated Lender and accepted by the Administrative Agent, substantially in the form of Exhibit B or such other form as may be agreed to by such Lender, such Designated Lender and the Administrative Agent.

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

"DOCUMENTATION AGENT" means Wells Fargo in its capacity as "Documentation Agent" hereunder and shall include the Documentation Agent's successors and assigns.

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

"EBITDA" means, with respect to a Person and for a given period, such Person's net

earnings (loss) for such period plus the sum of the following (to the extent included in the calculation of net earnings (loss) and without duplication): (a) depreciation and amortization expense for such period plus (b) Interest Expense

for such period plus (c) income tax expense paid or accrued during such period

plus (d) extraordinary losses, losses from sales of assets and losses resulting
- ----
from forgiveness by such Person of Indebtedness minus (e) extraordinary gains

and gains from sales of assets for such period plus (f) expenses associated with

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

significant non-recurring events for such period plus (h) to the extent not

already included in the immediately preceding clauses (a) through (g), such
Person's pro rata share of EBITDA of each Unconsolidated Affiliate of such
Person (determined in a manner consistent with this definition of EBITDA).

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

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

"ELIGIBLE PROPERTY" means a Real Property Asset which satisfies all of the following requirements as reasonably determined by the Administrative Agent: (a) such Real Property Asset is a Developed Property and is either (i) owned in fee simple by the Borrower or a Subsidiary or (ii) leased to the Borrower or a Subsidiary under a Capital Lease with a scheduled termination date later than the Termination Date; (b) neither such Real Property Asset, nor any interest of the Borrower or such Subsidiary therein, is subject to any Lien other than Permitted Liens or to any agreement (other than this Agreement or any other Loan Document) that prohibits the creation of any Lien thereon as security for Indebtedness of the Borrower or such Subsidiary, as applicable; (c) neither such Real Property Asset, nor any interest of the Borrower or such Subsidiary therein, is subject to any provision of the articles of incorporation, bylaws, declaration of trust, limited partnership agreement, limited liability company agreement or other comparable document of the Borrower or such Subsidiary (including without limitation, any provision requiring the consent of shareholders, partners or other Persons holding any equity interest in the Borrower or such Subsidiary, as applicable) which limits in any way the Borrower's or such Subsidiary's ability (i) to create any Lien on such Real Property Asset as security for Indebtedness of the Borrower or such Subsidiary, as applicable or (ii) to sell, transfer or otherwise dispose of such Real Property Asset; (d) if such Real Property Asset is owned or leased by a Subsidiary, none of the Borrower's direct or indirect ownership interest in such Subsidiary is subject to any Lien other than Permitted Liens or to any agreement (other than this Agreement or any other Loan Document) that prohibits the creation

of any Lien thereon as security for Indebtedness; (e) such Real Property Asset had an Occupancy Rate of greater than 70%; and (f) such Real Property Asset is free of all structural defects, title defects, environmental conditions or other adverse matters except for defects, conditions or matters individually or collectively which are not material to the profitable operation of such Real Property Asset.

"EMPLOYEE BENEFIT PLAN" means any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of the Borrower, any of its Subsidiaries or any of its other ERISA Affiliates or is assumed by the Borrower, any of its Subsidiaries or any of its other ERISA Affiliates in connection with any acquisition or other business combination or (b) has at any time been maintained for the employees of the Borrower, any of its Subsidiaries or any other current or former ERISA Affiliate.

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

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

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

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

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

"EXTENSION REQUEST" has the meaning given that term in Section 2.12.

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

the average rate quoted to the Administrative Agent by federal funds dealers selected by the Administrative Agent on such day on such transaction as determined by the Administrative Agent.

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

"FIRST UNION" means First Union National Bank and its successors and assigns.

"FIXED CHARGES" means, with respect to a Person and for a given period, the sum of (a) the Interest Expense of such Person for such period, plus (b) the aggregate of all scheduled principal payments on Indebtedness made by such Person during such period (excluding balloon, bullet or similar payments of principal due upon the stated maturity of Indebtedness), plus (c) the aggregate of all dividends paid or accrued by such Person on any Preferred Stock during such period, plus (d) the Replacement Reserves for such period.

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

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

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

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

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

"GROSS ASSET VALUE" means, at a given time, the sum of (a) the Capitalized EBITDA of the Borrower and its Subsidiaries determined on a consolidated basis, plus (b) all cash and cash equivalents of the Borrower and its Subsidiaries determined on a consolidated basis at such time (excluding tenant deposits and other cash and cash equivalents, the disposition of which by the Borrower or a Subsidiary, as applicable, is restricted in any way (excluding restrictions in the nature of early withdrawal penalties)), plus (c) with respect to any of Real Property Assets which are under

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

fiscal quarter most recently ending, the undepreciated purchase price paid for such Real Property Asset less any amounts paid to the Borrower or any Subsidiary as a purchase price adjustment, held in escrow, retained as a contingency reserve, or other similar arrangements (including without duplication the Borrower's or any Subsidiary's proportionate share of undepreciated purchase price paid for such Real Property Asset of Unconsolidated Affiliates of the Borrower or such Subsidiary). In determining Gross Asset Value of the Borrower or any Subsidiary for the fiscal quarter most recently ending, EBITDA attributable to any Real Property Asset acquired or disposed of during such fiscal quarter shall be disregarded when calculating Capitalized EBITDA pursuant to the preceding clause (a).

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

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

"INDEBTEDNESS" means, with respect to a Person, at the time of computation thereof, all of the following (without duplication): (a) obligations of such Person in respect of money borrowed; (b) obligations of such Person (other than trade debt incurred in the ordinary course of business),

whether or not for money borrowed (i) represented by notes payable, or drafts accepted, in each case representing extensions of credit, (ii) evidenced by bonds, debentures, notes or similar instruments, or (iii) constituting purchase money indebtedness, conditional sales contracts, title retention debt instruments or other similar instruments, upon which interest charges are customarily paid or that are issued or assumed as full or partial payment for property; (c) Capitalized Lease Obligations of such Person; (d) all reimbursement obligations of such Person under any letters of credit or acceptances (whether or not the same have been presented for payment); and (e) all Indebtedness of other Persons which (i) such Person has Guaranteed or is otherwise recourse to such Person or (ii) are secured by a Lien on any property of such Person.

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

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

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

"INTEREST PERIOD" means:

(a) with respect to any LIBOR Loan, each period commencing on the date such LIBOR Loan is made or the last day of the next preceding Interest Period for such Loan and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Borrower may select in a Notice of Borrowing, Notice of Continuation or Notice of Conversion, as the case may be, except that each Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month;

(b) with respect to any Absolute Rate Loan, the period commencing on the date such Absolute Rate Loan is made and ending on any Business Day not less than 7 nor more than 180 days thereafter, as the Borrower may select as provided in Section 2.2.(b); and

(c) with respect to any LIBOR Margin Loan, each period commencing on the date such LIBOR Margin Loan is made and ending on the numerically corresponding day in the first, second, third or sixth calendar month thereafter, as the Borrower may select as provided in Section 2.2.(b), except that each Interest Period that commences on the last Business Day of a calendar month (or on any day for which there is no numerically corresponding day in the appropriate subsequent calendar month) shall end on the last Business Day of the appropriate subsequent calendar month.

Notwithstanding the foregoing: (i) if any Interest Period would otherwise end after the Termination Date, such Interest Period shall end on the Termination Date; (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the next succeeding Business Day; and (iii) notwithstanding the immediately preceding clause (i), no Interest Period for any LIBOR

Loan or LIBOR Margin Loan shall have a duration of less than one month and, if the Interest Period for any LIBOR Loan or LIBOR Margin Loan would otherwise be a shorter period, such Loan shall not be available hereunder for such period.

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

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

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

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

"L/C COMMITMENT AMOUNT" equals \$30,000,000.

"LENDER" means each financial institution from time to time party hereto as a "Lender" or a "Designated Lender," together with its respective successors and assigns; provided, however, that the term "Lender" shall exclude each Designated Lender when used in reference to any Loan other than a Bid Rate Loan, the Commitments or terms relating to any Loan other than a Bid Rate Loan and the Commitments and shall further exclude each Designated Lender for all other purposes hereunder except that any Designated Lender which funds a Bid Rate Loan shall, subject to Section 13.5.(e), have the rights (including the rights given to a Lender contained in Sections 13.2. and 13.9.) and obligations of a Lender associated with holding such Bid Rate Loan.

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

"LETTER OF CREDIT" has the meaning set forth in Section 2.3.(a).

"LETTER OF CREDIT DOCUMENTS" means, with respect to any Letter of Credit, collectively, any application therefor, any certificate or other document presented in connection with a drawing under such Letter of Credit and any other agreement, instrument or other document governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations.

"LETTER OF CREDIT LIABILITIES" shall mean, without duplication, at any time and in respect of any Letter of Credit, the sum of (a) the Stated Amount of such Letter of Credit plus (b) the aggregate unpaid principal amount of all Reimbursement Obligations of the Borrower at such time due and payable in respect of all drawings made under such Letter of Credit. For purposes of this Agreement, a Lender (other than the Administrative Agent in its capacity as such) shall be deemed to hold a Letter of Credit Liability in an amount equal to its participation interest in the related Letter of Credit under Section 2.3.(i), and the Administrative Agent shall be deemed to hold a Letter of Credit Liability in an amount equal to its retained interest in the related Letter of Credit after giving effect to the acquisition by the Lenders other than the Administrative Agent of their participation interests under such Section.

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

"LIBOR AUCTION" means a solicitation of Bid Rate Quotes setting forth LIBOR

Margins based on LIBOR pursuant to Section 2.2.

"LIBOR LOANS" means Revolving Loans bearing interest at a rate based on LIBOR.

"LIBOR MARGIN" shall have the meaning assigned to such term in Section

2.2.(c)(ii)(D).

"LIBOR MARGIN LOAN" means a Bid Rate Loan the interest rate on which is

determined on the basis of LIBOR pursuant to a LIBOR Auction.

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

"LOAN" means a Revolving Loan or a Bid Rate Loan.

"LOAN DOCUMENT" means this Agreement, each Note, each Letter of Credit Document and each other document or instrument now or hereafter executed and delivered by a Loan Party in connection with, pursuant to or relating to this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"NOTE" means a Revolving Note or a Bid Rate Note.

"NOTICE OF BORROWING" means a notice in the form of Exhibit D to be delivered to the Administrative Agent pursuant to Section 2.1.(b) evidencing the Borrower's request for a borrowing of Revolving Loans.

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

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

of a Revolving Loan from one Type to another Type.

"OBLIGATIONS" means, individually and collectively: (a) the aggregate principal balance of, and all accrued and unpaid interest on, all Loans; (b) all Reimbursement Obligations and all other Letter of Credit Liabilities; and (c) all other indebtedness, liabilities, obligations, covenants and duties of the Borrower and the other Loan Parties owing to either Arranging Agent or any Lender of every kind, nature and description, under or in respect of this Agreement or any of the other Loan Documents, including, without limitation, the Fees and indemnification obligations, whether direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any promissory note.

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

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

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

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

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

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

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

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

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

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

"PRINCIPAL OFFICE" means the office of the Administrative Agent located at One First Union Center, Charlotte, North Carolina 28288, or such other office of the Administrative Agent as the Administrative Agent may designate from time to time.

"QUARTERLY DATE" means the last Business Day of March, June, September and December in each year, the first of which shall be December 31, 1997.

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

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

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

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

"REIMBURSEMENT OBLIGATION" means the absolute, unconditional and irrevocable obligation of the Borrower to reimburse the Administrative Agent for any drawing honored by the Administrative Agent under a Letter of Credit.

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

"REJECTING LENDER" has the meaning given that term in Section 2.12.(b).

"REPLACEMENT RESERVES" means, for any period and with respect to any Real Property Asset, an amount equal to (a) \$0.60 times, (b) a fraction, the

numerator of which is the number of days of such period, and the denominator of which is 365 times the aggregate gross leasable square feet of such Real

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

"REQUISITE LENDERS" means, as of any date, Lenders having at least 66-2/3% of the aggregate amount of the Commitments, or, if the Commitments have been terminated or reduced to zero, Lenders holding at least 66-2/3% of the principal amount of the Loans and Letter of Credit Liabilities.

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

"REVOLVING LOAN" means a loan made by a Lender to the Borrower pursuant to Section 2.1.

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

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

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

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

the Borrower's most recent quarterly consolidated balance sheet as of the end of such quarter and (ii) the amount by which the Borrower's accumulated dividends in excess of its net income determined on a consolidated basis exceeds \$208,000,000.

"SOLVENT" means, when used with respect to any Person, that (a) the fair value and the fair salable value of its assets (excluding any Indebtedness due from any affiliate of such Person) are each in excess of the fair valuation of its total liabilities (including all contingent liabilities); and

(b) such Person is able to pay its debts or other obligations in the ordinary course as they mature and (c) that the Person has capital not unreasonably small to carry on its business and all business in which it proposes to be engaged.

"STATED AMOUNT" means the amount available to be drawn by a beneficiary under a Letter of Credit from time to time, as such amount may be increased or reduced from time to time in accordance with the terms of such Letter of Credit.

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

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

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

"SYNDICATION AGENT" means CoreStates in its capacity as "Syndication Agent" hereunder and shall include the Syndication Agent's successors and assigns.

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

"TERMINATION DATE" means December 19, 2002 or such later date to which the Termination Date may be extended pursuant to Section 2.12.

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

"TYPE" with respect to any Loan, refers to whether such Loan is a LIBOR Loan, Base Rate Loan, Absolute Rate Loan or LIBOR Margin Loan.

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

statements of such Person.

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

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

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

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

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

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

"UNFUNDED LIABILITIES" means, with respect to any Plan at any time, the amount (if any) by which (a) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (b) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

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

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

"WELLS FARGO" means Wells Fargo Bank, National Association and its successors and assigns.

SECTION 1 GENERAL; REFERENCES TO TIMES.

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

ARTICLE 2 CREDIT FACILITY

SECTION 2 REVOLVING LOANS.

(a) Generally. Subject to the terms and conditions hereof, during the -----
period from the Effective Date to but excluding the Termination Date, each Lender severally and not jointly agrees to make Revolving Loans to the Borrower in an aggregate principal amount at any one time outstanding up to, but not exceeding, the amount of such Lender's Commitment; provided, however, that in no event shall the aggregate principal amount of all outstanding Revolving Loans, together with the aggregate amount of all Letter of Credit Liabilities, and the aggregate principal amount of all outstanding Bid Rate Loans, exceed the aggregate amount of the Commitments as in effect from

time to time. Subject to the terms and conditions of this Agreement, during the period from the Effective Date to but excluding the Termination Date, the Borrower may borrow, repay and reborrow Revolving Loans hereunder.

(b) Requesting Revolving Loans. The Borrower shall give the Administrative

Agent notice pursuant to a Notice of Borrowing or telephonic notice of each borrowing of Revolving Loans. Each Notice of Borrowing shall be delivered to the Administrative Agent before 12:00 noon (i) in the case of LIBOR Loans, on the date three Business Days prior to the proposed date of such borrowing and (ii) in the case of Base Rate Loans, on the proposed date of such borrowing. Any such telephonic notice shall include all information to be specified in a written Notice of Borrowing and shall be promptly confirmed in writing by the Borrower pursuant to a Notice of Borrowing sent to the Administrative Agent by telecopy on the same day of the giving of such telephonic notice. The Administrative Agent will transmit by telecopy the Notice of Borrowing (or the information contained in such Notice of Borrowing) to each Lender promptly upon receipt by the Administrative Agent. Each Notice of Borrowing or telephonic notice of each borrowing shall be irrevocable once given and binding on the Borrower.

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

the date specified in the Notice of Borrowing, each Lender will make available for the account of its applicable Lending Office to the Administrative Agent at the Principal Office, in immediately available funds, the proceeds of the Revolving Loan to be made by such Lender. With respect to Revolving Loans to be made after the Effective Date, unless the Administrative Agent shall have been notified by any Lender prior to the specified date of borrowing that such Lender does not intend to make available to the Administrative Agent the Revolving Loan to be made by such Lender on such date, the Administrative Agent may assume that such Lender will make the proceeds of such Revolving Loan available to the Administrative Agent on the date of the requested borrowing as set forth in the Notice of Borrowing and the Administrative Agent may (but shall not be obligated to), in reliance upon such assumption, make available to the Borrower the amount of such Revolving Loan to be provided by such Lender. Subject to satisfaction of the applicable conditions set forth in Article VI. for such borrowing, the Administrative Agent will make the proceeds of such borrowing available to the Borrower no later than 4:00 p.m. on the date and at the account specified by the Borrower in such Notice of Borrowing.

SECTION 2.2. BID RATE LOANS.

(a) Bid Rate Loans. In addition to borrowings of Revolving Loans, at any

time during the period from the Effective Date to but excluding the Termination Date, and so long as the Borrower has been assigned an Investment Grade Rating from either S&P or Moody's, the Borrower may, as set forth in this Section, request the Lenders to make offers to make Bid Rate Loans to the Borrower in Dollars. The Lenders may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Requests for Bid Rate Loans. When the Borrower wishes to request from

the Lenders offers to make Bid Rate Loans, it shall give the Administrative Agent notice (a "Bid Rate Quote Request") so as to be received no later than 10:00 a.m. on (x) the Business Day immediately

preceding the date of borrowing proposed therein, in the case of an Absolute Rate Auction and (y) on the date four Business Days prior to the proposed date of borrowing, in the case of a LIBOR Auction. The Administrative Agent shall deliver to each Lender a copy of each Bid Rate Quote Request promptly upon receipt thereof by the Administrative Agent. The Borrower may request offers to make Bid Rate Loans for up to 3 different Interest Periods in each Bid Rate Quote Request (for which purpose Interest Periods in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous); provided that the request for each separate Interest Period shall be deemed to be a separate Bid Rate Quote Request for a separate borrowing (a "Bid Rate Borrowing"). Each Bid Rate Quote Request shall be substantially in the form of Exhibit G and shall specify as to each Bid Rate Borrowing:

- (i) the proposed date of such borrowing, which shall be a Business Day;
- (ii) the aggregate amount of such Bid Rate Borrowing, which shall not cause any of the limits specified in Section 2.14. to be violated;
- (iii) whether the Bid Rate Quote Request is for LIBOR Margin Loans or Absolute Rate Loans; and
- (iv) the duration of the Interest Period applicable thereto.

Except as otherwise provided in this subsection (b), the Borrower shall deliver no more than two Bid Rate Quote Requests in any calendar month and no Bid Rate Quote Request shall be delivered within five Business Days of the giving of any other Bid Rate Quote Request.

(c) Bid Rate Quotes.

(i) Each Lender may submit one or more Bid Rate Quotes, each containing an offer to make a Bid Rate Loan in response to any Bid Rate Quote Request; provided that, if the Borrower's request under Section 2.2.(b) specified more than one Interest Period, such Lender may make a single submission containing only one Bid Rate Quote for each such Interest Period. Each Bid Rate Quote must be submitted to the Administrative Agent not later than 12:00 noon (x) on the proposed date of borrowing, in the case of an Absolute Rate Auction and (y) on the date three Business Days prior to the proposed date of borrowing, in the case of a LIBOR Auction, and in either case the Administrative Agent shall disregard any Bid Rate Quote received after such time; provided that the Lender then acting as Administrative Agent may submit a Bid Rate Quote only if it notifies the Borrower of the terms of the offer contained therein not later than 45 minutes prior to the latest time by which the Lenders must submit applicable Bid Rate Quotes. Subject to Articles VI. and XI., any Bid Rate Quote so made shall be irrevocable. Such Bid Rate Loans may be funded by a Lender's Designated Lender (if any) as provided in Section 13.5.(e), however such Lender shall not be required to specify in its Bid Rate Quote whether such Bid Rate Loan will be funded by such Designated Lender.

(ii) Each Bid Rate Quote shall be substantially in the form of Exhibit H and shall specify:

(A) the proposed date of borrowing and the Interest Period therefor;

(B) the principal amount of the Bid Rate Loan for which each such offer is being made; provided that the aggregate principal amount of all Bid Rate Loans for which a Lender submits Bid Rate Quotes (x) may be greater or less than the Commitment of such Lender but (y) shall not exceed the principal amount of the Bid Rate Borrowing for a particular Interest Period for which offers were requested;

(C) in the case of an Absolute Rate Auction, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/1,000th of 1%) offered for each such Absolute Rate Loan (the "Absolute Rate");

(D) in the case of a LIBOR Auction, the margin above or below applicable LIBOR (the "LIBOR Margin") offered for each such LIBOR Margin Loan, expressed as a percentage (rounded upwards, if necessary, to the nearest 1/1,000th of 1%) to be added to (or subtracted from) the applicable LIBOR;

(E) the identity of the quoting Lender; and

(F) any Bid Rate Quote shall be in a minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof.

No Bid Rate Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Bid Rate Quote Request and, in particular, no Bid Rate Quote may be conditioned upon acceptance by the Borrower of all (or some specified minimum) of the principal amount of the Bid Rate Loan for which such Bid Rate Quote is being made.

(d) Notification by Administrative Agent. The Administrative Agent shall,

as promptly as practicable after the Bid Rate Quotes are submitted (but in any event not later than 12:30 p.m. (x) on the proposed date of borrowing, in the case of an Absolute Rate Margin and (y) on the date three Business Days prior to the proposed date of borrowing, in the case of a LIBOR Auction), notify the Borrower of the terms (i) of any Bid Rate Quote submitted by a Lender that is in accordance with Section 2.2.(c) and (ii) of any Bid Rate Quote that amends, modifies or is otherwise inconsistent with a previous Bid Rate Quote submitted by such Lender with respect to the same Bid Rate Quote Request. Any such subsequent Bid Rate Quote shall be disregarded by the Administrative Agent unless such subsequent Bid Rate Quote is submitted solely to correct a manifest error in such former Bid Rate Quote. The Administrative Agent's notice to the Borrower shall specify (A) the aggregate principal amount of the Bid Rate Borrowing for which offers have been received and (B) the principal amounts and Absolute Rates or LIBOR Margins, as applicable, so offered by each Lender (identifying the Lender that made each Bid Rate Quote).

(e) Acceptance by Borrower.

(i) Not later than 1:00 p.m. (x) on the proposed date of borrowing, in the case of

an Absolute Rate Margin and (y) on the date three Business Days prior to the proposed date of borrowing, in the case of LIBOR Auction, the Borrower shall notify the Administrative Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to Section 2.2.(d) which notice shall be in the form of Exhibit I. In the case of acceptance, such notice shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The failure of the Borrower to give such notice by such time shall constitute nonacceptance. The Borrower may accept any Bid Rate Quote in whole or in part; provided that:

(A) the aggregate principal amount of each Bid Rate Borrowing may not exceed the applicable amount set forth in the related Bid Rate Quote Request;

(B) the aggregate principal amount of each Bid Rate Borrowing shall comply with the provisions of Section 3.5. but shall not cause the limits specified in Section 2.14. to be violated;

(C) acceptance of offers may be made only in ascending order of Absolute Rates or LIBOR Margins, as applicable, in each case beginning with the lowest rate so offered;

(D) any acceptance in part by the Borrower shall be in a minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof; and

(E) the Borrower may not accept any offer that fails to comply with Section 2.2.(c) or otherwise fails to comply with the requirements of this Agreement.

(ii) If offers are made by two or more Lenders with the same Absolute Rates or LIBOR Margins, as applicable, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the principal amount of Bid Rate Loans in respect of which such offers are accepted shall be allocated by the Administrative Agent among such Lenders in proportion to the aggregate principal amount of such offers. Determinations by the Administrative Agent of the amounts of Bid Rate Loans shall be conclusive in the absence of manifest error.

(f) Obligation to Make Bid Rate Loans. The Administrative Agent shall

promptly (and in any event not later than (x) 2:00 p.m. on the proposed date of borrowing of Absolute Rate Loans and (y) on the date three Business Days prior to the proposed date of borrowing of LIBOR Margin Loans) notify each Lender that submitted a Bid Rate Quote as to whose Bid Rate Quote has been accepted and the amount and rate thereof. A Lender who is notified that it has been selected to make a Bid Rate Loan may designate its Designated Lender (if any) to fund such Bid Rate Loan on its behalf, as described in Section 13.5. Any Designated Lender which funds a Bid Rate Loan shall on and after the time of such funding become the obligee under such Bid Rate Loan and be entitled to receive payment thereof when due. No Lender shall be relieved of its obligation to fund a Bid Rate Loan, and no Designated Lender shall assume such obligation, prior to the time the applicable Bid Rate Loan is funded. Any Lender whose offer to make any Bid Rate Loan has been accepted shall, not later than 3:00 p.m. on the date specified for the making of such Loan, make the amount of such

Loan available to the Administrative Agent at its Principal Office in immediately available funds, for account of the Borrower. The amount so received by the Administrative Agent shall, subject to the terms and conditions of this Agreement, be made available to the Borrower no later than 4:00 p.m. on such date by depositing the same, in immediately available funds, in an account of the Borrower designated by the Borrower.

(g) No Effect on Commitment. Except for the purpose and to the extent

expressly stated in Section 2.11., the amount of any Bid Rate Loan made by any Lender shall not constitute a utilization of such Lender's Commitment.

SECTION 2 LETTERS OF CREDIT.

(a) Letters of Credit. Subject to the terms and conditions of this

Agreement, the Administrative Agent, on behalf of the Lenders, agrees to issue for the account of the Borrower during the period from and including the Effective Date to, but excluding, the date 60 days prior to the Termination Date one or more letters of credit (each a "Letter of Credit") up to a maximum aggregate Stated Amount at any one time outstanding not to exceed the L/C Commitment Amount.

(b) Terms of Letters of Credit. At the time of issuance, the amount, form,

terms and conditions of each Letter of Credit, and of any drafts or acceptances hereunder, shall be subject to approval by the Administrative Agent and the Borrower. Notwithstanding the foregoing, in no event may the expiration date of any Letter of Credit extend beyond the date 30 days prior to the Termination Date, and any Letter of Credit containing an automatic renewal provision shall also contain a provision pursuant to which, notwithstanding any other provisions thereof, it shall have a final expiration date no later than the date 30 days prior to the Termination Date.

(c) Requests for Issuance of Letters of Credit. The Borrower shall give

the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) no later than 9:00 a.m. two Business Days prior to the requested date of issuance of a Letter of Credit, such notice to describe in reasonable detail the proposed terms of such Letter of Credit and the nature of the transactions or obligations proposed to be supported by such Letter of Credit, and in any event shall set forth with respect to such Letter of Credit (i) the proposed initial Stated Amount, (ii) the beneficiary or beneficiaries, (iii) whether such Letter of Credit is a commercial or standby letter of credit and (iv) the proposed expiration date. The Borrower shall also execute and deliver such customary letter of credit application forms as requested from time to time by the Administrative Agent. Provided the Borrower has given the notice prescribed by Section 2.3.(a) and subject to Section 2.14. and the other terms and conditions of this Agreement, including the satisfaction of any applicable conditions precedent set forth in Article VI., the Administrative Agent shall issue the requested Letter of Credit on the requested date of issuance. The Administrative Agent shall promptly provide notice to the Lenders of the issuance of any Letter of Credit issued hereunder which notice shall set forth each Lender's pro rata share of (1) such Letter of Credit and (2) all Letters of Credit then outstanding. Upon the written request of the Borrower, the Administrative Agent (x) shall make reasonable efforts to deliver to the Borrower a copy of any Letter of Credit proposed to be issued hereunder prior to the issuance thereof and (y) shall deliver to the Borrower a copy of each issued Letter of Credit within a reasonable time after the date of issuance thereof. To the extent any term of a Letter of Credit Document is inconsistent with a term of any Loan

Document, the term of such Loan Document shall control.

(d) Reimbursement Obligations. Upon receipt by the Administrative Agent

from the beneficiary of a Letter of Credit of any demand for payment under such Letter of Credit, the Administrative Agent shall promptly notify the Borrower of the amount to be paid by the Administrative Agent as a result of such demand and the date on which payment is to be made by the Administrative Agent to such beneficiary in respect of such demand. The Borrower hereby unconditionally and irrevocably agrees to pay and reimburse the Administrative Agent for the amount of each demand for payment under such Letter of Credit on or prior to the date on which payment is to be made by the Administrative Agent to the beneficiary thereunder, without presentment, demand, protest or other formalities of any kind. Upon receipt by the Administrative Agent of any payment in respect of any Reimbursement Obligation, the Administrative Agent shall promptly pay to each Lender that has acquired a participation therein under the second sentence of Section 2.3.(i) such Lender's Commitment Percentage of such payment.

(e) Manner of Reimbursement. Upon its receipt of a notice referred to in

the immediately preceding subsection (d), the Borrower shall advise the Administrative Agent whether or not the Borrower intends to borrow hereunder to finance its obligation to reimburse the Administrative Agent for the amount of the related demand for payment and, if it does, the Borrower shall submit a timely Notice of Borrowing as provided in Section 2.1.(b) in the case of the borrowing of Revolving Loans, a timely Bid Rate Quote Request as provided in Section 2.2.(b) in the case of the borrowing of Bid Rate Loans. If the Borrower fails to so advise the Administrative Agent, or if the Borrower fails to reimburse the Administrative Agent for a demand for payment under a Letter of Credit by the date of such payment, then (i) if the applicable conditions contained in Article VI. would permit the making of Revolving Loans, the Borrower shall be deemed to have requested a borrowing of Revolving Loans (which shall be Base Rate Loans) in an amount equal to the unpaid Reimbursement Obligation and the Administrative Agent shall give each Lender prompt notice of the amount of the Revolving Loan (which shall not be subject to the limitations of Section 2.14.(a)) to be made by such Lender, the proceeds of which such Lender shall make available to the Administrative Agent not later than 3:00 p.m. and (ii) if such conditions would not permit the making of Revolving Loans, the provisions of subsection (j) of this Section shall apply.

(f) Effect of Letters of Credit on Commitments. Upon the issuance by the

Administrative Agent of any Letter of Credit and until such Letter of Credit shall have expired or been terminated, the Commitment of each Lender shall be deemed to be utilized for all purposes of this Agreement in an amount equal to such Lender's Commitment Percentage of the Stated Amount of such Letter of Credit plus any related Reimbursement Obligations then outstanding.

(g) Administrative Agent's Duties Regarding Letters of Credit;

Unconditional Nature of Reimbursement Obligation. In examining documents

presented in connection with drawings under Letters of Credit and making payments under such Letters of Credit against such documents, the Administrative Agent shall use the same standard of care as it uses in connection with examining documents presented in connection with drawings under letters of credit in which it has not sold participations and making payments under such letters of credit. The Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, neither the Administrative

Agent nor any of the Lenders shall be responsible for (i) the form, validity, sufficiency, accuracy, genuineness or legal effects of any document submitted by any party in connection with the application for and issuance of or any drawing honored under any Letter of Credit even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit, or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages by others, whether by mail, cable, telex, telecopy or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay by others in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit, or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit, or the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Administrative Agent or the Lenders. None of the above shall affect, impair or prevent the vesting of any of the Administrative Agent's rights or powers hereunder. Any action taken or omitted to be taken by the Administrative Agent under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, shall not create against the Administrative Agent any liability to the Borrower or any Lender. In this connection, the obligation of the Borrower to reimburse the Administrative Agent for any drawing made under any Letter of Credit shall be absolute, unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including without limitation, the following circumstances: (A) any lack of validity or enforceability of any Letter of Credit Document or any term or provisions therein; (B) any amendment or waiver of or any consent to departure from all or any of the Letter of Credit Documents; (C) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against the Administrative Agent, any Lender, any beneficiary of a Letter of Credit or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or in the Letter of Credit Documents or any unrelated transaction; (D) any breach of contract or dispute between the Borrower, the Administrative Agent, any Lender or any other Person; (E) any demand, statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein or made in connection therewith being untrue or inaccurate in any respect whatsoever; (F) any non-application or misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; (G) payment by the Administrative Agent under the Letter of Credit against presentation of a draft or certificate which does not strictly comply with the terms of the Letter of Credit; and (H) any other act, omission to act, delay or circumstance whatsoever that might, but for the provisions of this Section, constitute a legal or equitable defense to or discharge of the Borrower's Reimbursement Obligations.

(h) Amendments, Etc. The issuance by the Administrative Agent of any

amendment, supplement or other modification to any Letter of Credit shall be subject to the same conditions applicable under this Agreement to the issuance of new Letters of Credit (including, without limitation, that the request therefor be made through the Administrative Agent), and no such amendment, supplement or other modification shall be issued unless either (i) the respective Letter of Credit affected thereby would have complied with such conditions had it originally been issued hereunder in such amended, supplemented or modified form or (ii) the Requisite Lenders shall have

consented thereto; provided, however, no such amendment, supplement or

modification shall result in the extension of the expiration date of the Letter
of Credit without the Requisite Lenders prior written consent.

(i) Lenders' Participation in Letters of Credit. Immediately upon the

issuance by the Administrative Agent of any Letter of Credit each Lender shall
be deemed to have irrevocably and unconditionally purchased and received from
the Administrative Agent, without recourse or warranty, an undivided interest
and participation to the extent of such Lender's Commitment Percentage of the
liability of the Administrative Agent with respect to such Letter of Credit and
each Lender thereby shall absolutely, unconditionally and irrevocably assume, as
primary obligor and not as surety, and shall be unconditionally obligated to the
Administrative Agent to pay and discharge when due, such Lender's Commitment
Percentage of the Administrative Agent's liability under such Letter of Credit.
In addition, upon the making of each payment by a Lender to the Administrative
Agent in respect of any Letter of Credit pursuant to the immediately following
subsection (j), such Lender shall, automatically and without any further action
on the part of the Administrative Agent or such Lender, acquire (i) a
participation in an amount equal to such payment in the Reimbursement Obligation
owing to the Administrative Agent by the Borrower in respect of such Letter of
Credit and (ii) a participation in a percentage equal to such Lender's
Commitment Percentage in any interest or other amounts payable by the Borrower
in respect of such Reimbursement Obligation (other than the Fees payable to the
Administrative Agent pursuant to the second and last sentences of Section
3.6.(c)).

(j) Payment Obligation of Lenders. Each Lender severally agrees to pay to

the Administrative Agent on demand in immediately available funds the amount of
such Lender's Commitment Percentage of each drawing paid by the Administrative
Agent under each Letter of Credit to the extent such amount is not reimbursed by
the Borrower pursuant to Section 2.3.(d) and is not available from funds then on
deposit in the Collateral Account. Each such Lender's obligation to make such
payments to the Administrative Agent under this subsection, and the
Administrative Agent's right to receive the same, shall be absolute, irrevocable
and unconditional and shall not be affected in any way by any circumstance
whatsoever, including without limitation, (i) the failure of any other Lender to
make its payment under this subsection, (ii) the financial condition of the
Borrower or any other Loan Party, (iii) the existence of any Default or Event of
Default, including any Event of Default described in Section 11.1.(f) or
11.1.(g) or (iv) the termination of the Commitments. Each such payment to the
Administrative Agent shall be made without any offset, abatement, withholding or
deduction whatsoever.

(k) Information to Lenders. Upon the request of any Lender from time to

time, the Administrative Agent shall deliver to such Lender information
reasonably requested by such Lender with respect to any Letter of Credit then
outstanding. Other than as set forth in this subsection or in the immediately
preceding subsection (c), the Administrative Agent shall have no duty to notify
the Lenders regarding the issuance or other matters regarding Letters of Credit
issued hereunder. The failure of the Administrative Agent to perform its
requirements under this subsection or such subsection (c) shall not relieve any
Lender from its obligations under Section 2.3.(j).

SECTION 2 RATES AND PAYMENT OF INTEREST ON LOANS.

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

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

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

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

(iii) if such Loan is an Absolute Rate Loan, at the Absolute Rate for such Loan for the Interest Period therefor quoted by the Lender making such Loan in accordance with Section 2.2.; and

(iv) if such Loan is a LIBOR Margin Loan, at LIBOR for such Loan for the Interest Period therefor plus or minus the LIBOR Margin quoted by the Lender making such Loan in accordance with Section 2.2.

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

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

(i) in the case of a Base Rate Loan, monthly on the first Business Day of each calendar month, (ii) in the case of a LIBOR Loan or a Bid Rate Loan, on the last day of each Interest Period therefor and, if such Interest Period is longer than three months, at three-month intervals following the first day of such Interest Period, (iii) in the case of any LIBOR Loan, upon the payment, prepayment or Continuation thereof or the Conversion of such Loan to a Revolving Loan of another Type (but only on the principal amount so paid, prepaid or Converted) and (iv) in the case of any Base Rate Loan, upon the payment or prepayment thereof in full. Interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Administrative Agent shall give notice thereof to the Lenders to which such interest is payable and to the Borrower. All determinations by the Administrative Agent of an interest rate hereunder shall be conclusive and binding on the Lenders and the Borrower for all purposes, absent manifest error.

SECTION 2.5. NUMBER OF INTEREST PERIODS.

There may be no more than 10 different Interest Periods outstanding at the same time (for which purpose Interest Periods described in different lettered clauses of the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous).

SECTION 2 REPAYMENT OF LOANS.

(a) Revolving Loans. The Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Revolving Loans on the Termination Date.

(b) Bid Rate Loans. The Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, each Bid Rate Loan on the last day of the Interest Period of such Bid Rate Loan.

SECTION 2 PREPAYMENTS.

(a) Optional. Subject to Section 5.4., the Borrower may prepay any Loan (other than a Bid Rate Loan) in whole or in part at any time without premium or penalty. Bid Rate Loans may not be prepaid at the option of the Borrower.

(b) Mandatory. If at any time either (i) the aggregate principal amount of all outstanding Revolving Loans, together with the aggregate principal amount of all Letter of Credit Liabilities and the aggregate principal amount of all outstanding Bid Rate Loans, exceeds the aggregate amount of the Commitments in effect at such time, or (ii) the aggregate principal amount of all outstanding Bid Rate Loans exceeds 50% of the aggregate amount of the Commitments in effect at such time, then in either such case the Borrower shall immediately pay to the Administrative Agent for the accounts of the Lenders the amount of such excess. Such payment shall be applied, in the case of a payment as a result of the application of clause (ii), as provided in Section 3.2.(e), and then to pay all amounts of principal outstanding on the other Loans and any Reimbursement Obligations pro rata in accordance with Section 3.2. and the remainder, if any, shall be deposited into the Collateral Account for application to any Reimbursement Obligations. If the Borrower is required to pay any outstanding LIBOR Loans by reason of this Section prior to the end of the applicable Interest Period therefor, the Borrower shall pay all amounts due under Section 5.4.

SECTION 2.8. CONTINUATION.

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

timely manner a new Interest Period for any LIBOR Loan in accordance with this Section, such Loan will automatically, on the last day of the current Interest Period therefor, Convert into a Base Rate Loan notwithstanding failure of the Borrower to comply with Section 2.9.

SECTION 2.9. CONVERSION.

So long as no Default or Event of Default shall have occurred and be continuing, the Borrower may on any Business Day, upon the Borrower's giving of a Notice of Conversion to the Administrative Agent, Convert all or a portion of a Revolving Loan of one Type into a Revolving Loan of another Type. Any Conversion of a LIBOR Loan into a Base Rate Loan shall be made on, and only on, the last day of an Interest Period for such LIBOR Loan and, upon Conversion of a Base Rate Loan into a LIBOR Loan, the Borrower shall pay accrued interest to the date of Conversion on the principal amount so Converted. Each such Notice of Conversion shall be given not later than 12:00 noon on the Business Day prior to the date of any proposed Conversion into Base Rate Loans and not later than 12:00 noon on the third Business Day prior to the date of any proposed Conversion into LIBOR Loans. Promptly after receipt of a Notice of Conversion, the Administrative Agent shall notify each Lender by telecopy or other similar form of transmission of the proposed Conversion. Subject to the restrictions specified above, each Notice of Conversion shall be by telephone or telecopy confirmed immediately in writing if by telephone, in the form of a Notice of Conversion specifying (a) the requested date of such Conversion, (b) the Type of Revolving Loan to be Converted, (c) the portion of such Type of Revolving Loan to be Converted, (d) the Type of Revolving Loan such Revolving Loan is to be Converted into and (e) if such Conversion is into a LIBOR Loan, the requested duration of the Interest Period of such Loan. Each Notice of Conversion shall be irrevocable by and binding on the Borrower once given.

SECTION 2 NOTES.

(a) Revolving Note. The Revolving Loans made by each Lender shall, in

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

(b) Bid Rate Notes. The Bid Rate Loans made by any Lender shall, in

addition to this Agreement, also be evidenced by a single promissory note of the Borrower substantially in the form of Exhibit K (each a "Bid Rate Note"), dated the date hereof, payable to the order of such Lender and otherwise duly completed.

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

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

SECTION 2 VOLUNTARY REDUCTIONS OF THE COMMITMENT.

The Borrower shall have the right to terminate or reduce the aggregate unused amount of the Commitments (for which purpose use of the Commitments shall be deemed to include the aggregate amount of Letter of Credit Liabilities and the aggregate principal amount of all outstanding Bid Rate Loans) at any time and from time to time without penalty or premium upon not less than 5 Business Days prior written notice to each Arranging Agent of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction and shall be irrevocable once given and effective only upon receipt by each Arranging Agent. The Administrative Agent will promptly transmit such notice to each Lender. The Commitments, once terminated or reduced may not be increased or reinstated. Any reduction in the aggregate amount of the Commitments shall result in a proportionate reduction (rounded to the next lowest integral multiple of \$100,000) in the L/C Commitment Amount.

SECTION 2.12. EXTENSION OF TERMINATION DATE.

(a) Generally. The Borrower may request that the Administrative Agent and

the Lenders extend the current Termination Date by a one year period by executing and delivering to the Administrative Agent at least 90 days but no more than 120 days prior to the date four years before the current Termination Date, a written request in the form of Exhibit L (an "Extension Request"). The Administrative Agent shall forward to each Lender a copy of each Extension Request delivered to the Administrative Agent promptly after receipt thereof. The Borrower understands and acknowledges that (a) this Section has been included in this Agreement for the Borrower's convenience in requesting an extension of the Termination Date; (b) none of the Lenders nor the Administrative Agent has promised (either expressly or impliedly), nor has any obligation or commitment whatsoever, to extend the Termination Date at any time and (c) the Lenders may condition any such extension on such terms and conditions as the Lenders deem appropriate. If all of the Lenders shall have notified the Administrative Agent in writing on or prior to the date which is 30 days prior to the date (the "Current Anniversary Date") four years before the current Termination Date that they accept such Extension Request, then the Termination Date shall be extended to the date one year following the current Termination Date. If any Lender shall not have notified the Administrative Agent on or prior to the Current Anniversary Date that it accepts such Extension Request, then the current Termination Date shall not be extended. The Administrative Agent shall promptly notify the Borrower whether the Extension Request has been accepted or rejected, and if rejected, the Administrative Agent shall also give the Borrower notice of which Lenders rejected such Extension Request (each such Lender a "Rejecting Lender").

(b) Rejecting Lenders. Notwithstanding the preceding subsection (a), after

notification from the Administrative Agent that an Extension Request has been rejected, the Termination Date shall be extended as requested in such Extension Request if (i) the Requisite Lenders consented to such Extension Request, (ii) no later than the Current Anniversary Date, the Borrower shall have given written notice to the Administrative Agent and each Lender that the Borrower desires the Termination Date to be so extended notwithstanding such rejection and (iii) the Borrower shall have, no later than 90 days prior to the Termination Date at the time of the Extension Request in question, (x) caused each Rejecting Lender to have assigned its respective Commitment to an Eligible Assignee subject to and in accordance with the provisions of Section 13.5.(d) for a purchase price

equal to the aggregate principal balance of Loans then owing to such Rejecting Lender plus any accrued but unpaid interest thereon and accrued but unpaid fees and other amounts then owing to such Rejecting Lender under the Loan Documents, and (y) to the extent the Commitment of any Rejecting Lender is not so assigned by such date, paid to such Rejecting Lender the aggregate principal balance of Loans then owing to such Rejecting Lender plus any accrued but unpaid interest thereon and accrued but unpaid fees and other amounts then owing to such Rejecting Lender under the Loan Documents, whereupon such Rejecting Lender's Commitment shall terminate, such Rejecting Lender shall no longer be a party hereto or have any rights or obligations hereunder or under any of the other Loan Documents. In addition, in connection with any such assignment by a Rejecting Lender or any such payment to a Rejecting Lender, the Borrower shall pay the amounts, if any, due such Rejecting Lender under Section 5.4. If the Borrower desires to cause any Rejecting Lender to assign its Commitment pursuant to this subsection, the Borrower shall so notify such Rejecting Lender, the Administrative Agent and the other Lenders in writing no later than the date 120 days prior to the current Termination Date. A Rejecting Lender shall be obligated to assign its Commitment pursuant to this subsection if requested to do so by the Borrower. Each Lender that is not a Rejecting Lender shall have the right (but not the obligation) to acquire such Rejecting Lender's Commitment and shall exercise such right by giving written notice thereof to the Administrative Agent no later than 10 Business Days of receipt of the Borrower's notice. Any Lender who has failed to so notify the Administrative Agent within such 10 Business Day period shall be deemed to have declined to exercise such right. If more than one Lender exercises its right to acquire a Rejecting Lender's Commitment, each such Lender shall acquire an amount of such Rejecting Lender's Commitment in proportion to the Commitments of the Lenders exercising such right. After the expiration of such 10 Business Day period, the Borrower shall have the right to attempt to cause an Eligible Assignee to accept an assignment of a Rejecting Lender's Commitment. No Agent nor any Lender shall have any obligation to assist the Borrower in finding any such Eligible Assignee. If the Requisite Lenders do not consent to any Extension Request or if the Borrower fails to comply with any provision of this subsection, the Termination Date shall not be extended.

SECTION 3 EXPIRATION OR MATURITY DATE OF LETTERS OF CREDIT PAST TERMINATION DATE.

If on the date (the "Facility Termination Date") the Commitments are terminated (whether voluntarily, by reason of the occurrence of an Event of Default or otherwise), there are any Letters of Credit outstanding hereunder, the Borrower shall, on the Facility Termination Date, pay to the Administrative Agent an amount of money equal to the Stated Amount of such Letter(s) of Credit for deposit into the Collateral Account. If a drawing pursuant to any such Letter of Credit occurs on or prior to the expiration date of such Letter of Credit, the Borrower authorizes the Administrative Agent to use the monies deposited in the Collateral Account to make payment to the beneficiary with respect to such drawing or the payee with respect to such presentment. If no drawing occurs on or prior to the expiration date of such Letter of Credit, the Administrative Agent shall pay to the Borrower (or to whomever else may be legally entitled thereto) the monies deposited in the Collateral Account with respect to such outstanding Letter of Credit on or before the date 30 Business Days after the expiration date of such Letter of Credit.

SECTION 2.14. AMOUNT LIMITATIONS.

Notwithstanding any other term of this Agreement or any other Loan Document, at no time may (a) the aggregate principal amount of all outstanding Revolving Loans, together with the aggregate principal amount of all outstanding Bid Rate Loans and the aggregate amount of all Letter of Credit Liabilities, exceed the aggregate amount of the Commitments at such time or (b) the aggregate principal amount of all outstanding Bid Rate Loans exceed 50% of the aggregate amount of the Commitments at such time.

ARTICLE 3 PAYMENTS, FEES AND OTHER GENERAL PROVISIONS

SECTION 3 PAYMENTS.

Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement or any other Loan Document shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Administrative Agent at its Principal Office, not later than 2:00 p.m. (or 12:00 noon in the case of payments by the Borrower of amounts owing in respect of any Bid Rate Loan funded by a Designated Lender) on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Prior to making any such payment, the Borrower shall give the Administrative Agent notice of such payment. Subject to Sections 3.2. and 3.3., the Administrative Agent, or any Lender for whose account any such payment is made, may (but shall not be obligated to) debit the amount of any such payment which is not made by such time from any special or general deposit account of the Borrower with the Administrative Agent or such Lender, as the case may be (with notice to the Borrower, the other Lenders and the Administrative Agent). The Borrower shall, at the time of making each payment under this Agreement or any Note, specify to the Administrative Agent the amounts payable by the Borrower hereunder to which such payment is to be applied. Each payment received by the Administrative Agent for the account of a Lender under this Agreement or any Note shall be paid to such Lender at the applicable Lending Office of such Lender no later than 5:00 p.m. on the date of receipt. If the Administrative Agent fails to pay such amount to a Lender as provided in the previous sentence, the Administrative Agent shall pay interest on such amount until paid at a rate per annum equal to the Federal Funds Rate from time to time in effect. If the due date of any payment under this Agreement or any other Loan Document would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for the period of such extension.

SECTION 3 PRO RATA TREATMENT.

Except to the extent otherwise provided herein: (a) each borrowing from the Lenders under Section 2.1.(a) shall be made from the Lenders, each payment of the Fees under Section 3.6.(a), 3.6.(b) and the first sentence of Section 3.6.(c) shall be made for account of the Lenders, and each termination or reduction of the amount of the Commitments under Section 2.11. shall be applied to the respective Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (b) each payment or prepayment of principal of Revolving Loans by the Borrower shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal

amounts of the Revolving Loans held by them, provided that if immediately prior to giving effect to any such payment in respect of any Revolving Loans the outstanding principal amount of the Revolving Loans shall not be held by the Lenders pro rata in accordance with their respective Commitments in effect at the time such Loans were made, then such payment shall be applied to the Revolving Loans in such manner as shall result, as nearly as is practicable, in the outstanding principal amount of the Revolving Loans being held by the Lenders pro rata in accordance with their respective Commitments; (c) each payment of interest on Revolving Loans by the Borrower shall be made for account of the Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders; (d) the making, Conversion and Continuation of Revolving Loans of a particular Type (other than Conversions provided for by Section 5.5.) shall be made pro rata among the Lenders according to the amounts of their respective Commitments (in the case of making of Loans) or their respective Loans (in the case of Conversions and Continuations of Loans) and the then current Interest Period for each Lender's portion of each Loan of such Type shall be coterminous; (e) each prepayment of principal of Bid Rate Loans by the Borrower pursuant to Section 2.7.(b) shall be made for account of the Lenders then owed Bid Rate Loans pro rata in accordance with the respective unpaid principal amounts of the Bid Rate Loan then owing to each such Lender; and (f) the Lenders' participation in, and payment obligations in respect of, Letters of Credit under Section 2.3., shall be pro rata in accordance with their respective Commitments.

SECTION 3 SHARING OF PAYMENTS, ETC.

The Borrower agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Lender or the Administrative Agent may otherwise have, each Lender and the Administrative Agent shall be entitled, upon the occurrence and during the continuation of a Default or an Event of Default, at its option but in the case of any Lender only with the prior written consent of the Arranging Agents, to offset balances held by it for the account of the Borrower at any of such Lender's (or the Administrative Agent's) offices, in Dollars or in any other currency, against any principal of, or interest on, any of such Lender's Loans hereunder (or other Obligations owing to such Lender or the Administrative Agent hereunder) which is not paid when due (regardless of whether such balances are then due to the Borrower), in which case such Lender shall promptly notify the Borrower, all other Lenders and the Administrative Agent thereof; provided, however, such Lender's failure to give such notice shall not affect the validity of such offset. If a Lender shall obtain payment of any principal of, or interest on, any Loan made by it to the Borrower under this Agreement, or shall obtain payment on any other Obligation owing by the Borrower through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise or through voluntary prepayments directly to a Lender or other payments made by the Borrower to a Lender not in accordance with the terms of this Agreement and such payment should be distributed to the Lenders pro rata in accordance with Section 3.2. or Section 11.4., as applicable, such Lender shall promptly pay such amounts to the other Lenders and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such payment (net of any reasonable expenses which may be incurred by such Lender in obtaining or preserving such benefit) pro rata in accordance with Section 3.2. or Section 11.4. To such end, all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or

obligation of the Borrower.

SECTION 2 SEVERAL OBLIGATIONS.

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

SECTION 3.5. MINIMUM AMOUNTS.

(a) Borrowings and Conversions. Each borrowing of Base Rate Loans shall be

in an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof. Each borrowing of LIBOR Loans, and each Conversion of a Base Rate Loan to a LIBOR Loan, shall be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess of that amount. Each Bid Rate Loan shall be in a minimum amount of \$10,000,000 and integral multiples of \$1,000,000 in excess thereof.

(b) Prepayments. Each voluntary prepayment of Revolving Loans shall be in

an aggregate minimum amount of \$5,000,000 and integral multiples of \$1,000,000 in excess thereof.

(c) Reductions of Commitments. Each reduction of the Commitments under

Section 2.11. shall be in an aggregate minimum amount of \$10,000,000 and integral multiples of \$1,000,000 in excess thereof.

(d) Letters of Credit. The initial Stated Amount of each Letter of Credit

shall be at least \$100,000.

SECTION 3 FEES.

(a) Closing Fee. In consideration of the extension of the credit facility

established hereby, on the Agreement Date, the Borrower agrees to pay to the Administrative Agent for the account of the Lenders a closing fee to each Lender in an amount equal to (i) such Lender's Commitment times (ii) one-eighth of one percent (0.125%).

(b) Facility Fee. The Borrower agrees to pay to the Administrative Agent

for the account of the Lenders a facility fee on the average daily aggregate amount of the Commitments (whether or not utilized) at the rate per annum equal to the Applicable Facility Fee for the period from and including the Agreement Date to but excluding the date the Commitments are terminated or reduced to zero or the Termination Date. Such facility fee shall be payable in arrears on (i) each Quarterly Date, (ii) on the Termination Date, (iii) on the date the Commitments are otherwise terminated or reduced to zero and (iv) thereafter from time to time on demand of the Administrative Agent.

(c) Letter of Credit Fees. In respect of each Letter of Credit, the

Borrower agrees to pay to the Administrative Agent for account of each Lender a letter of credit fee in an amount equal to

the initial Stated Amount of such Letter of Credit times the Applicable Margin for LIBOR Loans determined as of the date of issuance of such Letter of Credit calculated for the period from and including the date of issuance of such Letter of Credit to and including the initial date such Letter of Credit is to expire. In addition, the Borrower shall pay to the Administrative Agent for its own account and not the account of any Lender, a fronting fee in respect of each Letter of Credit at the rate equal to one-eighth of one percent (0.125%) per annum on the initial Stated Amount of such Letter of Credit calculated for the same such period. The fees provided for in the immediately preceding two sentences shall be nonrefundable upon and due and payable in full on the date of issuance of the applicable Letter of Credit. The Borrower shall pay directly to the Administrative Agent from time to time on demand all commissions, charges, costs and expenses in the amounts customarily charged by the Administrative Agent from time to time in like circumstances with respect to the issuance of each Letter of Credit, drawings, amendments and other transactions relating thereto.

(d) Bid Rate Loan Fees. The Borrower agrees to pay to the Administrative

Agent together with each Bid Rate Loan Request an administrative fee in the amount agreed upon by the Administrative Agent and the Borrower pursuant to a letter agreement dated October 3, 1997 or as otherwise may be agreed in writing from time to time.

(e) Administrative and Other Fees. The Borrower agrees to pay the

administrative fees of the Administrative Agent in the amounts agreed upon by the Administrative Agent and the Borrower in writing from time to time. In addition, the Borrower agrees to pay such other fees of each Agent in the amounts agreed upon by such Agent and the Borrower in writing from time to time.

SECTION 3 COMPUTATIONS.

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

SECTION 3 USURY.

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

SECTION 3 AGREEMENT REGARDING INTEREST AND CHARGES.

The parties hereto hereby agree and stipulate that the only charge imposed upon the Borrower for the use of money in connection with this Agreement is and shall be the interest specifically described in Section 2.4.(a)(i) through (iii). Notwithstanding the foregoing, the parties hereto further

agree and stipulate that all agency fees, syndication fees, facility fees, letter of credit fees, underwriting fees, default charges, funding or "breakage" charges, increased cost charges, attorneys' fees and reimbursement for costs and expenses paid by the Administrative Agent or any Lender to third parties or for damages incurred by the Administrative Agent or any Lender, are charges made to compensate the Administrative Agent or any such Lender for underwriting or administrative services and costs or losses performed or incurred, and to be performed or incurred, by the Administrative Agent and the Lenders in connection with this Agreement and shall under no circumstances be deemed to be charges for the use of money.

SECTION 3 STATEMENTS OF ACCOUNT.

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

SECTION 3.11. DEFAULTING LENDERS.

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

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

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

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

SECTION 3 TAXES.

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

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

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

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

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

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

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

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

under the laws of a jurisdiction outside the United States of America becomes a party hereto, such Person shall deliver to the Borrower and the Administrative Agent such certificates, documents or other evidence, as required by the Internal Revenue Code or Treasury Regulations issued pursuant thereto (including Internal Revenue Service Forms 4224, 1001, W-8 or W-9, as applicable, or appropriate successor forms), properly completed, currently effective and duly executed by such Lender or participant establishing that payments to it hereunder and under the Notes are (i) not subject to United States Federal backup withholding tax or (ii) not subject to United States Federal withholding tax under the Code because such payment is either effectively connected with the conduct by such Lender or participant of a trade or business in the United States or totally exempt from United States Federal withholding tax by reason of the application of the provisions of a treaty to which the United States is a party or such Lender is otherwise exempt.

ARTICLE IV. UNENCUMBERED POOL PROPERTIES

SECTION 4.1. ACCEPTANCE OF UNENCUMBERED POOL PROPERTIES.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 4.2. TERMINATION OF DESIGNATION AS UNENCUMBERED POOL PROPERTY.

A Real Property Asset shall cease to be an Unencumbered Pool Property if it shall cease to be an Eligible Property; provided, however, with respect to any Real Property Asset accepted as an Unencumbered Pool Property even though at the time of such acceptance such Real Property Asset did not meet all of the requirements of an Eligible Property (a "Non-Conforming Property"), such Real Property Asset shall cease to be an Unencumbered Pool Property if it shall cease to satisfy those requirements of an Eligible Property that it did satisfy at the time of its acceptance as an Unencumbered Pool Property. From time to time the Borrower may request, upon not less than 30 days prior written notice to the Administrative Agent and the Lenders, that an Unencumbered Pool Property cease to be an Unencumbered Pool Property. The Administrative Agent shall grant such request if all of the following conditions are satisfied:

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

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

SECTION 4.3. ADDITIONAL REQUIREMENTS OF UNENCUMBERED POOL PROPERTIES.

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

ARTICLE 4 YIELD PROTECTION, ETC.

SECTION 3 ADDITIONAL COSTS; CAPITAL ADEQUACY.

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

Administrative Agent for the account of a Lender from time to time such amounts as such Lender may reasonably determine to be necessary to compensate such Lender for any costs incurred by such Lender that it determines are attributable to its making or maintaining of any LIBOR Loans or its obligation to make any LIBOR Loans hereunder, any reduction in any amount receivable by such Lender under this Agreement or any of the other Loan Documents in respect of any of such Loans or such obligation or the maintenance by such Lender of capital in respect of its Loans or its Commitments (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"),

resulting from any Regulatory Change that: (i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or any of the other Loan Documents in respect of any of such Loans or its Commitments (other than taxes imposed on or measured by the overall net income of such Lender or of its Lending Office for any of such Loans by the jurisdiction in which such Lender has its principal office or such Lending Office); or (ii) imposes or modifies any reserve, special deposit or similar requirements (other than Regulation D of the Board of Governors of the Federal Reserve System or other reserve requirement utilized in the determination of the Adjusted Eurodollar Rate for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender, or any commitment of such Lender (including, without limitation, the Commitments of such Lender hereunder); or (iii) has or would have the effect of reducing the rate of return on capital of such Lender to a level below that which such Lender could have achieved but for such Regulatory Change (taking into consideration such Lender's policies with respect to capital adequacy).

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

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

(c) Additional Costs in Respect of Letters of Credit. Without limiting

the obligations of the Borrower under the preceding subsections of this Section (but without duplication), if as a result of any Regulatory Change or any risk-based capital guideline or other requirement heretofore or hereafter issued by any Governmental Authority there shall be imposed, modified or deemed applicable any tax, reserve, special deposit, capital adequacy or similar requirement against or with respect to or measured by reference to Letters of Credit and the result shall be to increase the cost to the Administrative Agent of issuing (or any Lender purchasing participations in) or maintaining its obligation hereunder to issue (or purchase participations in) any Letter of Credit or reduce any amount receivable by the Administrative Agent or any Lender hereunder in respect of any Letter of Credit, then, upon demand by the Administrative Agent or such Lender, the Borrower shall pay immediately to the Administrative Agent for its account or the account of such Lender, as applicable, from time to time as specified by the Administrative Agent or a Lender, such additional amounts as shall be sufficient to compensate the Administrative Agent or such Lender for such increased costs or reductions in amount.

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

Administrative Agent and each Lender agrees to notify the Borrower of any event occurring after the Agreement Date entitling the Administrative Agent or such Lender to compensation under any of the preceding subsections of this Section as promptly as practicable; provided, however, the failure of the Administrative Agent or any Lender to give such notice shall not release the Borrower from any of

its obligations hereunder. The Administrative Agent and or such Lender agrees to furnish to the Borrower a certificate setting forth the basis and amount of each request by the Administrative Agent or such Lender for compensation under this Section. Determinations by the Administrative Agent or any Lender of the effect of any Regulatory Change shall be conclusive, provided that such determinations are made on a reasonable basis and in good faith.

SECTION 2 SUSPENSION OF LIBOR LOANS.

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

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

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

(c) any Lender that has outstanding a Bid Rate Quote with respect to a LIBOR Margin Loan reasonably determines (which determination shall be conclusive) that the Adjusted Eurodollar Rate will not adequately and fairly reflect the cost to such Lender of making or maintaining such LIBOR Margin Loan;

then the Administrative Agent shall give the Borrower and each Lender prompt notice thereof and, so long as such condition remains in effect, (i) in the case of clause (a) or (b) above, the Lenders shall be under no obligation to, and shall not, make additional LIBOR Loans, Continue LIBOR Loans or Convert Loans into LIBOR Loans and the Borrower shall, on the last day of each current Interest Period for each outstanding LIBOR Loan, either repay such Loan or Convert such Loan into a Base Rate Loan and (ii) in the case of clause (c) above, no Lender that has outstanding a Bid Rate Quote with respect to a LIBOR Margin Loan shall be under any obligation to make such Loan.

SECTION 5.3. ILLEGALITY.

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

SECTION 2 COMPENSATION.

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

that such Lender determines is attributable to:

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

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

Such payments shall include, but shall not be limited to:

(i) in the case of a LIBOR Loan, an amount equal to the then present value of (A) the amount of interest that would have accrued on such LIBOR Loan for the remainder of the applicable Interest Period (or duration of the requested Interest Period in the case of a failure to borrow or convert a LIBOR Loan) at the rate applicable to such LIBOR Loan, less (B) the amount of interest that would accrue on the same Loan for the same period if LIBOR were set on the date such payment, prepayment or failure occurred (the "Adjustment Date"), calculating the present value by using as a discount rate LIBOR quoted on the Adjustment Date; or

(ii) in the case of a Bid Rate Loan, the sum of such losses and expenses as the Lender or Designated Lender who made such Bid Rate Loan may reasonably incur by reason of such prepayment, including without limitation any losses or expenses incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after such prepayment.

SECTION 5.5. TREATMENT OF AFFECTED LOANS.

If the obligation of any Lender to make LIBOR Loans or to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 5.1.(b), 5.2. or 5.3., then such Lender's LIBOR Loans shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for LIBOR Loans (or, in the case of a Conversion required by Section 5.1.(b) or 5.3., on such earlier date as such Lender may specify to the Borrower with a copy to the Administrative Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 5.1., 5.2. or 5.3. that gave rise to such Conversion no longer exist:

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

(b) all Loans that would otherwise be made or Continued by such Lender as LIBOR Loans shall be made or Continued instead as Base Rate Loans, and all Base Rate Loans of such

Lender that would otherwise be Converted into LIBOR Loans shall remain as Base Rate Loans.

If such Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 5.1. or 5.3. that gave rise to the Conversion of such Lender's LIBOR Loans pursuant to this Section no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist provided that its failure to do so shall not cause it to be a Defaulting Lender hereunder) at a time when LIBOR Loans made by other Lenders are outstanding, then such Lender's Base Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding LIBOR Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding LIBOR Loans and by such Lender in its sole discretion, except that such Lender shall have no obligation to designate a Lending Office located in the United States of America.

SECTION 5.6. CHANGE OF LENDING OFFICE.

Each Lender agrees that it will use reasonable efforts to designate an alternate Lending Office with respect to any of its Loans affected by the matters or circumstances described in Sections 3.12., 5.1. or 5.3. to reduce the liability of the Borrower or avoid the results provided thereunder, so long as such designation is not disadvantageous to such Lender as determined by such Lender in its sole discretion, except that such Lender shall have no obligation to designate a Lending Office located in the United States of America.

SECTION 5.7. ASSUMPTIONS CONCERNING FUNDING OF LIBOR LOANS.

Calculation of all amounts payable to a Lender under this Article V. shall be made as though such Lender had actually funded LIBOR Loans through the purchase of deposits in the relevant market bearing interest at the rate applicable to such LIBOR Loans in an amount equal to the amount of the LIBOR Loans and having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its LIBOR Loans in any manner it sees fit and the foregoing assumption shall be used only for calculation of amounts payable under this Article V.

ARTICLE 4 CONDITIONS PRECEDENT

SECTION 4 INITIAL CONDITIONS PRECEDENT.

The obligation of the Lenders to effect or permit the occurrence of the first Credit Event hereunder, whether as the making of any Revolving Loans or Bid Rate Loans, or the issuance of a Letter of Credit, is subject to the following conditions precedent:

(a) The Documentation Agent shall have received each of the following, in form and substance satisfactory to the Arranging Agents:

(i) Counterparts of this Agreement executed by each of the parties hereto;

(ii) Notes executed by the Borrower, payable to each Lender and complying with the terms of Section 2.10.(a) and (b);

(iii) (A) An opinion of Shulman, Rogers, Gandal, Pordy & Ecker, P.A., counsel to the Borrower, addressed to the Arranging Agents and the Lenders, in substantially the form of Exhibit M-1 and (B) an opinion of Kennedy, Covington, Lobdell & Hickman, L.L.P., local North Carolina counsel to the Borrower, addressed to the Arranging Agents and the Lenders, in substantially the form of Exhibit M-2;

(iv) the declaration of trust of the Borrower certified as of a recent date by the Department of Consumer and Regulatory Affairs of the District of Columbia;

(v) a good standing certificate issued as of a recent date by the Department of Consumer and Regulatory Affairs of the District of Columbia and certificates of qualification to transact business or other comparable certificates issued by each Secretary of State (and any state department of taxation, as applicable) of each state in which the Borrower is required to be so qualified;

(vi) A certificate of incumbency signed by the Secretary or Assistant Secretary of the Borrower with respect to each of the officers of the Borrower authorized to execute and deliver the Loan Documents to which the Borrower is a party and the officers of the Borrower then authorized to deliver Notices of Borrowing, Notices of Continuation and Notices of Conversion and to request the issuance of Letters of Credit;

(vii) certified copies (certified by the Secretary or Assistant Secretary of the Borrower) of all action taken by the Borrower's Board of Trustees to authorize the execution, delivery and performance of the Loan Documents to which it is a party;

(viii) A Guaranty executed by each Material Subsidiary other than any Non-Guarantor Subsidiary in substantially the form of Exhibit C;

(ix) The articles of incorporation, articles of organization, certificate of limited partnership or other comparable organizational instrument (if any) of each Material Subsidiary certified as of a recent date by the Secretary of State of the state of formation of such Material Subsidiary;

(x) A certificate of good standing or certificate of similar meaning with respect to each Material Subsidiary issued as of a recent date by the Secretary of State of the state of formation of each such Material Subsidiary and certificates of qualification to transact business or other comparable certificates issued by each Secretary of State (and any state department of taxation, as applicable) of each state in which such Material Subsidiary is required to be so qualified;

(xi) A certificate of incumbency signed by the Secretary or Assistant Secretary (or other individual performing similar functions) of each Material Subsidiary with respect to each of the officers of such Material Subsidiary authorized to execute and deliver the Loan Documents to which such Material Subsidiary is a party;

(xii) Copies certified by the Secretary or Assistant Secretary of each Material Subsidiary (or other individual performing similar functions) of (i) the by-laws of such Material Subsidiary, if a corporation, the operating agreement, if a limited liability company, the partnership agreement, if a limited or general partnership, or other comparable document in the case of any other form of legal entity and (ii) all corporate, partnership, member or other necessary action taken by such Material Subsidiary to authorize the execution, delivery and performance of the Loan Documents to which it is a party;

(xiii) A copy, if requested by either Arranging Agent, of each Material Contract, certified as true, correct and complete by the chief financial officer or chief accounting officer of the Borrower;

(xiv) Evidence that all insurance required to be maintained by the Borrower and the other Loan Parties under the terms of the Loan Documents is in effect;

(xv) The Fees, if any, then due under Section 3.6.;

(xvi) A Compliance Certificate calculated as of the fiscal quarter ending September 30, 1997; and

(xvii) Such other documents, agreements and instruments as either Arranging Agent may reasonably request on behalf of the Lenders; and

(b) In the good faith judgment of the Arranging Agents and the Lenders:

(i) There shall not have occurred or become known to the Arranging Agents or the Lenders any event, condition, situation or status since the date of the information contained in the financial and business projections, budgets, pro forma data and forecasts concerning the Borrower and its Subsidiaries delivered to either Arranging Agent and the Lenders prior to the Agreement Date that has had or could reasonably be expected to result in a Material Adverse Effect;

(ii) No litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be expected to (1) result in a Material Adverse Effect or (2) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party;

(iii) The Borrower and the other Loan Parties shall have received all approvals, consents and waivers, and shall have made or given all necessary filings and notices as shall be required to consummate the transactions contemplated hereby without the occurrence of any default under, conflict with or violation of (1) any Applicable Law or (2) any agreement, document or instrument to which the Borrower or any other Loan Party is a party or by which any of them or their respective properties is bound, except for such approvals, consents, waivers, filings and notices the receipt, making or giving of which could not reasonably be expected to have to (A) have a Material Adverse Effect, or (B) restrain or

enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party; and

(iv) There shall not have occurred or exist any other material disruption of financial or capital markets that could reasonably be expected to materially and adversely affect the transactions contemplated by the Loan Documents.

SECTION 4 CONDITIONS PRECEDENT TO ALL LOANS AND LETTERS OF CREDIT.

The obligation of the Lenders to make any Loans, of the Administrative Agent to issue any Letter of Credit, is subject to the further condition precedent that: (a) no Default or Event of Default shall have occurred and be continuing as of the date of the making of such Loan or date of issuance of such Letter of Credit, or would existing immediately after giving effect thereto, (b) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which it is a party, shall be true and correct on and as of the date of the making of such Loan or date of issuance of such Letter of Credit with the same force and effect as if made on and as of such date except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and accurate on and as of such earlier date) and except for changes in factual circumstances specifically and expressly permitted hereunder and (c) in the case of the borrowing of Revolving Loans, the Administrative Agent shall have received a timely Notice of Borrowing. Each Credit Event shall constitute a certification by the Borrower to the effect set forth in the preceding sentence (both as of the date of the giving of notice relating to such Credit Event and, unless the Borrower otherwise notifies the Administrative Agent prior to the date of such Credit Event, as of the date of the occurrence of such Credit Event). In addition, if such Credit Event is the making of a Loan or the issuance of a Letter of Credit, the Borrower shall be deemed to have represented to the Administrative Agent and the Lenders at the time such Loan is made or Letter of Credit is issued that all conditions to the making of such Loan or issuance of such Letter of Credit contained in Article VI. have been satisfied.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

SECTION 5 REPRESENTATIONS AND WARRANTIES.

In order to induce the Administrative Agent and each Lender to enter into this Agreement and to make Loans and issue Letters of Credit, the Borrower represents and warrants to the Arranging Agents and each Lender as follows:

(a) Organization; Power; Qualification. Each of the Loan Parties is a

corporation, partnership, trust or other legal entity, duly organized or formed, validly existing and, to the extent applicable, in good standing under the jurisdiction of its incorporation or formation, has the power and authority to own or lease its respective properties and to carry on its respective business as now being and hereafter proposed to be conducted and is duly qualified and is in good standing as a foreign corporation, partnership or other legal entity and authorized to do business, in each jurisdiction in which the character of its properties or the nature of its business requires such

qualification or authorization and where the failure to be so qualified or authorized could reasonably be expected to have, in each instance, a Material Adverse Effect.

(b) Ownership Structure. As of the Agreement Date, Schedule 7.1.(b)

correctly sets forth the corporate structure and ownership interests of the Borrower's Subsidiaries including the correct legal name of each Subsidiary, its jurisdiction of formation, the Persons holding equity interests in such Subsidiary and their percentage equity or voting interest in such Subsidiary. Except as set forth in such Schedule:

(i) no Subsidiary has issued to any third party any securities convertible into such Subsidiary's capital stock or other equity interests or any options, warrants or other rights to acquire any securities convertible into such capital stock or other equity interests, and

(ii) the outstanding capital stock of, or other equity interests in, each such Subsidiary are owned by the Borrower and its Subsidiaries indicated on such Schedule, free and clear of all Liens, warrants, options and rights of others of any kind whatsoever. All such outstanding capital stock and other equity interests have been validly issued and, in the case of capital stock, are fully paid and nonassessable.

(c) Authorization of Agreement, Notes, Loan Documents and Borrowings. The

Borrower has the right and power, and has taken all necessary action to authorize it, to borrow hereunder. The Borrower and the other Loan Parties each has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform each of the Loan Documents to which it is a party in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. This Agreement and each of the other Loan Documents to which the Borrower or any other Loan Party is a party have been duly executed and delivered by the duly authorized officers of such Person and each is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein may be limited by equitable principles generally.

(d) Compliance of Agreement, Notes, Loan Documents and Borrowing with

Laws, etc. The execution, delivery and performance of this Agreement, the Notes

and the other Loan Documents to which the Borrower or any other Loan Party is a party in accordance with their respective terms and the borrowings hereunder do not and will not, by the passage of time, the giving of notice, or otherwise:

(i) require any Governmental Approval or violate any Applicable Law (including all Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the declaration of trust of the Borrower or the organizational documents of any other Loan Party, or any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrower or any other Loan Party other than in favor of the Administrative Agent for the benefit of the Lenders.

(e) Compliance with Law; Governmental Approvals. The Borrower, each

Subsidiary and

each other Loan Party is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Law relating to the Borrower, a Subsidiary or such Loan Party except for noncompliances which, and Governmental Approvals the failure to possess which could not, individually or in the aggregate, reasonably be expected to cause a Default or Event of Default or have a Material Adverse Effect.

(f) Ownership of Properties; Liens. As of the Agreement Date, Schedule

7.1.(f) sets forth all the real property owned or leased by the Borrower, its Subsidiaries, any other Loan Party and any of their Unconsolidated Affiliates, and if a Developed Property, the applicable Occupancy Rate thereof. The Borrower and such other Persons have good and insurable fee simple title (or leasehold title if so designated on such Schedule) to all of such real property. As of the Agreement Date, there are no mortgages, deeds of trust, indentures, debt instruments or other agreements creating a Lien against any of such real property or any other property or assets of the Borrower or any of its Subsidiaries except for Permitted Liens and except as set forth on Schedule 7.1.(f).

(g) Indebtedness. Schedule 7.1.(g) is, as of the Agreement Date, a

complete and correct listing of all Indebtedness of the Borrower, its Subsidiaries and the other Loan Parties, including all Guarantees of the Borrower, its Subsidiaries and the other Loan Parties and all letters of credit and acceptance facilities extended to the Borrower, any Subsidiary or any other Loan Party.

(h) Material Contracts. Schedule 7.1.(h) is, as of the Agreement Date, a

true, correct and complete listing of all Material Contracts.

(i) Litigation. There are no actions, suits or proceedings pending (nor,

to the knowledge of the Borrower, are there any actions, suits or proceedings threatened, nor is there any reasonable basis therefor) against or in any other way relating adversely to or affecting the Borrower, any Subsidiary or any other Loan Party or any of its respective property in any court or before any arbitrator of any kind or before or by any other Governmental Authority which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, and there are no strikes, slow downs, work stoppages or walkouts or other labor disputes in progress or threatened relating to the Borrower, any Subsidiary or any other Loan Party which, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

(j) Taxes. All federal, state and other tax returns of the Borrower, any

Subsidiary or Loan Party required by Applicable Law to be filed have been duly filed, and all federal, state and other taxes, assessments and other governmental charges or levies upon the Borrower, any Subsidiary and each Loan Party and its respective properties, income, profits and assets which are due and payable have been paid, except any such nonpayment which is at the time permitted under Section 8.6. None of the United States income tax returns of the Borrower, its Subsidiaries or any Loan Party is under audit as of the Agreement Date. All charges, accruals and reserves on the books of the Borrower, each of its Subsidiaries and each other Loan Party in respect of any taxes or other governmental charges are in accordance with GAAP.

(k) Financial Statements. The Borrower has furnished to each Lender copies

of (i) the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal year ending December 31, 1996, and the related consolidated statements of income, retained earnings

and cash flow for the fiscal year ending on such date, with the opinion thereon of Grant Thornton LLP, and (ii) the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal quarter ending September 30, 1997, and the related consolidated statements of income, retained earnings and cash flow of the Borrower and its consolidated Subsidiaries for the three fiscal quarter period ending on such date. Such balance sheets and statements (including in each case related schedules and notes) are complete and correct and present fairly, in accordance with GAAP consistently applied throughout the periods involved, the consolidated financial position of the Borrower and its consolidated Subsidiaries as at their respective dates and the results of operations and the cash flow for such periods (subject, as to interim statements, to changes resulting from normal year-end adjustments). None of the Borrower, any of its consolidated Subsidiaries nor any other Loan Party has on the Agreement Date any material contingent liabilities, liabilities, liabilities for taxes, unusual or long-term commitments or unrealized or forward anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said financial statements. Each of the Borrower, its Subsidiaries and the other Loan Parties is Solvent.

(l) Unencumbered Pool Properties. Except for Non-Conforming Properties,

each of the Unencumbered Pool Properties qualifies as an Eligible Property. Each Non-Conforming Property continues to satisfy those requirements of an Eligible Property that it satisfies at the time of its acceptance as an Unencumbered Pool Property.

(m) No Material Adverse Change. Since December 31, 1996, there has been no

material adverse change in the consolidated financial condition, results of operations, business or prospects of the Borrower and its consolidated Subsidiaries taken as a whole.

(n) ERISA. Each member of the ERISA Group has fulfilled its obligations

under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

(o) Absence of Defaults. Neither the Borrower, any Subsidiary nor any

other Loan Party is in default under its declaration of trust, articles of incorporation, bylaws, partnership agreement or other similar organizational documents, and no event has occurred, which has not been remedied, cured or waived: (i) which constitutes a Default or an Event of Default; or (ii) which constitutes, or which with the passage of time, the giving of notice, or both would constitute, a default or event of default by the Borrower, any Subsidiary or any Loan Party under any agreement (other than this Agreement) or judgment, decree or order to which the Borrower, any Subsidiary or other Loan Party is a party or by which the Borrower, any Subsidiary or Loan Party or any of their respective properties may be bound where such default or event of default could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Environmental Laws. In the ordinary course of business, each of the

Borrower and its Subsidiaries conducts an ongoing review of the effect of Environmental Laws on its respective business, operations and properties, including without limitation, its respective Real Property Assets, in the course of which the Borrower or such Subsidiary identifies and evaluates associated liabilities and costs (including, without limitation, determining whether any capital or operating expenditures are required for clean-up or closure of properties presently or previously owned, determining whether any capital or operating expenditures are required to achieve or maintain compliance with Environmental Laws or required as a condition of any Governmental Approval, any contract, or any related constraints on operating activities, determining whether any costs or liabilities exist in connection with off-site disposal of wastes or Hazardous Materials, and determining whether any actual or potential liabilities to third parties, including employees, and any related costs and expenses exist). The Borrower, its Subsidiaries and the other Loan Parties have obtained all Governmental Approvals which are required under Environmental Laws, and are in compliance with all terms and conditions of such Governmental Approvals, which the failure to obtain or to comply with could reasonably be expected to have a Material Adverse Effect. Each of the Borrower, its Subsidiaries and the other Loan Parties is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules, and timetables contained in the Environmental Laws the failure with which to comply could reasonably be expected to have a Material Adverse Effect. Except as set forth in Schedule 7.1.(p) and except as could not be reasonably expected to have a Material Adverse Effect, neither the Borrower, any Subsidiary nor any other Loan Party is aware of, or has received notice of, any past, present, or future events, conditions, circumstances, activities, practices, incidents, actions, or plans which, with respect to the Borrower, any of its Subsidiaries or any other Loan Party may interfere with or prevent compliance or continued compliance with Environmental Laws, or may give rise to any common-law or legal liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study, or investigation, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic, or other Hazardous Material; and there is no civil, criminal, or administrative action, suit, demand, claim, hearing, notice, or demand letter, notice of violation, investigation, or proceeding pending or, to the knowledge of the Borrower, any Subsidiary or any other Loan Party, after due inquiry, threatened, against the Borrower, any Subsidiary or any other Loan Party relating in any way to Environmental Laws.

(q) Investment Company; Public Utility Holding Company. Neither the

Borrower, any Subsidiary nor any other Loan Party is (i) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, (ii) a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (iii) subject to any other Applicable Law which purports to regulate or restrict its ability to borrow money or to consummate the transactions contemplated by this Agreement or to perform its obligations under any Loan Document to which it is a party.

(r) Margin Stock. Neither the Borrower, any Subsidiary nor any other Loan

Party is engaged principally, or as one of its important activities, in the business of extending credit for the

purpose, whether immediate, incidental or ultimate, of buying or carrying "margin stock" within the meaning of Regulations G or U of the Board of Governors of the Federal Reserve System.

(s) Affiliate Transactions. Except for transactions permitted under

Section 10.11., neither the Borrower, any Subsidiary nor any other Loan Party is a party to or bound by any agreement or arrangement (whether oral or written) to which any Affiliate of the Borrower, any Subsidiary or other Loan Party is a party.

(t) Intellectual Property. The Borrower and each Subsidiary owns or has

the right to use, under valid license agreements or otherwise, all patents, licenses, franchises, trademarks, trademark rights, trade names, trade name rights, trade secrets and copyrights (collectively, "Intellectual Property") necessary to, or used in, the conduct of its businesses as now conducted and as contemplated by the Loan Documents, without known conflict with any patent, license, franchise, trademark, trade secret, trade name, copyright, or other proprietary right of any other Person.

(u) Accuracy and Completeness of Information. All written information,

reports and other papers and data furnished to either of Arranging Agent or any Lender by, on behalf of, or at the direction of, the Borrower, any Subsidiary or any other Loan Party were, at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the recipient a true and accurate knowledge of the subject matter, or, in the case of financial statements, present fairly, in accordance with GAAP consistently applied throughout the periods involved, the financial position of the Persons involved as at the date thereof and the results of operations for such periods. No fact is known to the Borrower which has had, or may in the future have (so far as the Borrower can reasonably foresee), a Material Adverse Effect which has not been set forth in the financial statements referred to in Section 7.1.(k) or in such information, reports or other papers or data or otherwise disclosed in writing to the Arranging Agents and the Lenders prior to the Effective Date. No document furnished or written statement made to either Arranging Agent or any Lender in connection with the negotiation, preparation or execution of this Agreement or any of the other Loan Documents contains or will contain any untrue statement of a fact material to the creditworthiness of the Borrower, any Subsidiary or any other Loan Party or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading.

(v) REIT Status. The Borrower qualifies as a REIT.

(w) Not Plan Assets. The assets of the Borrower, its Subsidiaries and the

other Loan Party do not and will not constitute "plan assets", within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder. The execution, delivery and performance of this Agreement, and the borrowing and repayment of amounts hereunder, do not and will not constitute "prohibited transactions" under ERISA or the Internal Revenue Code.

(x) Business. As of the Agreement Date, the Borrower, its Subsidiaries and

the other Loan Parties are primarily engaged in the business of acquiring, owning, managing and developing directly or indirectly shopping centers, residential and multi-family residential apartment complexes, together with providing services related thereto.

SECTION 5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC.

All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of the Borrower, any Subsidiary or any other Loan Party to either Arranging Agent or any Lender pursuant to or in connection with this Agreement or any of the other Loan Documents (including, but not limited to, any such statement made in or in connection with any amendment thereto or any statement contained in any certificate, financial statement or other instrument delivered by or on behalf of the Borrower or any other Loan Party prior to the Agreement Date and delivered to either Arranging Agent or any Lender in connection with closing the transactions contemplated hereby) shall constitute representations and warranties made by the Borrower under this Agreement. All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made at and as of the Agreement Date, the Effective Date and at and as of the date of the occurrence of any Credit Event, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and accurate on and as of such earlier date) and except for changes in factual circumstances specifically permitted hereunder. All such representations and warranties shall survive the effectiveness of this Agreement, the execution and delivery of the Loan Documents and the making of the Loans and issuance of any Letter of Credit.

ARTICLE 6 AFFIRMATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 13.6., all of the Lenders) shall otherwise consent in the manner provided for in Section 13.6., the Borrower shall:

SECTION 6 PRESERVATION OF EXISTENCE AND SIMILAR MATTERS.

Except as otherwise permitted under Section 10.7., preserve and maintain, and cause each Subsidiary and each other Loan Party to preserve and maintain, its respective existence, rights, franchises, licenses and privileges in the jurisdiction of its incorporation or formation and qualify and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization and where the failure to be so authorized and qualified could reasonably be expected to have a Material Adverse Effect.

SECTION 6 COMPLIANCE WITH APPLICABLE LAW AND MATERIAL CONTRACTS.

Comply, and cause each Subsidiary and each other Loan Party to comply, with (a) all Applicable Law, including the obtaining of all Governmental Approvals, the failure to comply with which could reasonably be expected to have a Material Adverse Effect, and (b) all terms and conditions of all Material Contracts to which it is a party.

SECTION 6 MAINTENANCE OF PROPERTY.

In addition to the requirements of any of the other Loan Documents, (a) protect and preserve, and cause each Subsidiary and other Loan Party to protect and preserve, all of its material properties,

including, but not limited to, all Real Property Assets and all Intellectual Property, and maintain in good repair, working order and condition all tangible properties, ordinary wear and tear excepted and (b) from time to time make or cause to be made all needed and appropriate repairs, renewals, replacements and additions to such properties, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

SECTION 6 CONDUCT OF BUSINESS.

At all times carry on, and cause its Subsidiaries and the other Loan Parties to carry on, the businesses as described in Section 7.1.(x).

SECTION 6 INSURANCE.

In addition to the requirements of any of the other Loan Documents, maintain, and cause each Subsidiary and Loan Party to maintain, insurance with financially sound and reputable insurance companies against such risks and in such amounts as is customarily maintained by Persons engaged in similar businesses or as may be required by Applicable Law. Not in limitation of the foregoing, the Borrower shall, and shall cause its Subsidiaries and the other Loan Parties to, maintain builder's risk insurance during any period of construction and, upon completion, "all risk" insurance in an amount at least equal to the greater of (i) 80% of the replacement cost of the improvements, if any, on each of its Real Property Assets, and (ii) an amount sufficient to avoid the application of any coinsurance clause contained in the related insurance policy, with insurers having an A.M. Best policyholder's rating of not less than A- and financial size category of not less than X, which insurance shall in any event not provide for materially less coverage than the insurance in effect on the Agreement Date. The Borrower will deliver to the Lenders (i) upon request of any Lender through the Administrative Agent from time to time full information as to the insurance carried, (ii) within 5 days of receipt of notice from any insurer a copy of any notice of cancellation or material change in coverage from that existing on the Agreement Date and (iii) promptly upon receipt, notice of any cancellation or nonrenewal of coverage by the Borrower, any Subsidiary or any other Loan Party.

SECTION 6 PAYMENT OF TAXES AND CLAIMS.

Pay or discharge, and cause each Subsidiary and other Loan Party to pay and discharge, when due (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it, and (b) all lawful claims of materialmen, mechanics, carriers, warehousemen and landlords for labor, materials, supplies and rentals which, if unpaid, might become a Lien on any properties of such Person; provided, however, that this Section shall not require the payment or discharge of any such tax, assessment, charge, levy or claim which is being contested in good faith by appropriate proceedings which operate to suspend the collection thereof and for which adequate reserves have been established on the books of the Borrower, such Subsidiary or such other Loan Party, as applicable, in accordance with GAAP.

SECTION 6 VISITS AND INSPECTIONS.

Permit, and cause each Subsidiary and other Loan Party to permit, representatives or agents

of either Arranging Agent or any Lender, from time to time, as often as may be reasonably requested and at the expense of such Agent (unless an Event of Default shall be continuing in which case the exercise by the either Arranging Agent of its rights under this Section shall be at the expense of the Borrower) or such Lender, but only during normal business hours, to: (a) visit and inspect all properties of the Borrower such Subsidiary or such other Loan Party; (b) inspect and make extracts from their respective relevant books and records, including but not limited to management letters prepared by independent accountants; and (c) discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial conditions, results of operations and business prospects. If requested by either Arranging Agent, the Borrower shall execute an authorization letter addressed to its accountants authorizing the Arranging Agents or any Lender to discuss the financial affairs of the Borrower and any Subsidiary with its accountants.

SECTION 6 USE OF PROCEEDS; LETTERS OF CREDIT.

Use the proceeds of Loans and all Letters of Credit for general corporate purposes including, but not limited to, (a) the acquisition, renovation and development of Real Property Assets, (b) the repayment of existing Indebtedness and (c) general working capital needs. The Borrower shall not, and shall not permit any Subsidiary or any other Loan Party to, use any part of such proceeds or Letters of Credit to purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any margin stock (within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

SECTION 6 ENVIRONMENTAL MATTERS.

Comply, and cause all of its Subsidiaries to comply, in all material respects with all Environmental Laws. If the Borrower, any Subsidiary or any other Loan Party shall (a) receive notice that any violation of any Environmental Law may have been committed or is about to be committed by such Person, (b) receive notice that any administrative or judicial complaint or order has been filed or is about to be filed against the Borrower, any Subsidiary or any other Loan Party alleging violations of any Environmental Law or requiring the Borrower, or Subsidiary or any other Loan Party to take any action in connection with the release of Hazardous Materials or (c) receive any notice from a Governmental Authority or private party alleging that the Borrower, or Subsidiary or any other Loan Party may be liable or responsible for costs associated with a response to or cleanup of a release of a Hazardous Materials or any damages caused thereby, and such notices, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, the Borrower shall provide the Administrative Agent with a copy of such notice within 10 days after the receipt thereof by the Borrower or any of the Subsidiaries. The Borrower and the Subsidiaries shall promptly take all actions necessary to prevent the imposition of any Liens on any of their respective properties arising out of or related to any Environmental Laws.

SECTION 6 BOOKS AND RECORDS.

Maintain, and cause each of the Subsidiaries to maintain, books and records pertaining to its business operations in such detail, form and scope as is consistent with good business practice in accordance with GAAP.

SECTION 8.11. REIT STATUS.

At all times maintain its status as a REIT.

SECTION 8.12. FURTHER ASSURANCES.

At the Borrower's cost and expense, upon request of either Arranging Agent, duly execute and deliver or cause to be duly executed and delivered, to such Arranging Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be necessary or advisable in the opinion of such Arranging Agent to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

SECTION 6 ADDITIONAL SUBSIDIARIES.

Within 5 Business Days of any Person becoming a Material Subsidiary after the Agreement Date, deliver to the Administrative Agent each of the following in form and substance satisfactory to the Administrative Agent: (a) a Guaranty executed by such Material Subsidiary and (b) the items that would have been delivered under Sections 6.1.(a)(iii), (ix) through (xiii) and (xvii) if such Material Subsidiary had been one on the Agreement Date; provided, however, a

Non-Guarantor Subsidiary shall not be required to provide an Accession Agreement nor any of the items referred to in Sections 6.1.(a)(iii) or (xi); provided,

further, however, promptly (and in any event within 5 Business Days) of a Non-

Guarantor Subsidiary ceasing to be subject to the restriction which prevented it from delivering a Accession Agreement pursuant to this Section, such Non-Guarantor Subsidiary shall deliver such Accession Agreement and the items referred to in Sections 6.1.(a)(iii) or (xi).

SECTION 8.14. EXCHANGE LISTING.

Maintain at least one class of common shares of the Borrower having trading privileges on the New York Stock Exchange or the American Stock Exchange or which is the subject of price quotations in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System.

ARTICLE 7 INFORMATION

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 13.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 13.6., the Borrower shall furnish to each Lender (or to the Administrative Agent if so provided below) at its Lending Office:

SECTION 7 QUARTERLY FINANCIAL STATEMENTS.

As soon as available and in any event within 60 days after the close of each of the first, second and third fiscal quarters of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for such period, setting forth

in each case in comparative form the figures for the corresponding periods of the previous fiscal year, all of which shall be certified by the chief financial officer or chief accounting officer of the Borrower, in his or her opinion, to present fairly, in accordance with GAAP, the consolidated financial position of the Borrower and its Subsidiaries as at the date thereof and the results of operations for such period (subject to normal year-end adjustments).

SECTION 7 YEAR-END STATEMENTS.

As soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for such fiscal year, setting forth in comparative form the figures as at the end of and for the previous fiscal year, all of which shall be certified by (i) the chief financial officer or chief accounting officer of the Borrower, in his or her opinion, to present fairly, in accordance with GAAP, the financial position of the Borrower and its Subsidiaries as at the date thereof and the result of operations for such period and (ii) independent certified public accountants of recognized national standing acceptable to the Requisite Lenders, whose opinion shall be unqualified.

SECTION 7 COMPLIANCE CERTIFICATE.

At the time the financial statements and reports are furnished pursuant to Sections 9.1. and 9.2., a certificate in the form of Exhibit N (a "Compliance Certificate") executed by the chief financial officer or chief accounting officer of the Borrower: (a) setting forth in reasonable detail as at the end of such quarterly accounting period or fiscal year, as the case may be, the calculations required to establish whether or not the Borrower, and when appropriate its consolidated Subsidiaries, were in compliance with the covenants contained in Sections 10.1., 10.4., and 10.6.; and (b) stating that, to the best of his or her knowledge, information and belief, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default and its nature, when it occurred and whether it is continuing and the steps being taken by the Borrower with respect to such event, condition or failure.

SECTION 7 OTHER INFORMATION.

(a) not later than 30 days after the last day of each fiscal year of the Borrower, pro forma projected consolidated income statements for the Borrower and its Subsidiaries reflecting the forecasted results of operations of the Borrower and its Subsidiaries on an annual basis for the three succeeding fiscal years thereafter;

(b) at the time the financial statements and reports are furnished pursuant to Sections 9.1. and 9.2., operating statements for each Unencumbered Pool Property for the immediately preceding fiscal quarter or fiscal year of the Borrower, as applicable, in each case certified by a representative of the Borrower as being true and correct in all material respects;

(c) at the time the financial statements and reports are furnished pursuant to Section 9.2., a property budget for each Unencumbered Pool Property for the coming fiscal year of the Borrower;

(d) as soon as available and in any event within 60 days after the end of each fiscal quarter of the Borrower, a statement demonstrating a comparison between the cost budget of each Real Property Asset in development to the actual disbursements made, together with a description of each such Real Property Asset setting forth the ownership, scope, status of completion and occupancy, if applicable, of each such Real Property Asset, certified by the chief financial officer or chief accounting officer of the Borrower to the best of his or her knowledge as being complete and correct;

(e) promptly upon receipt thereof, copies of all reports, if any, submitted to the Borrower or its Board of Trustees by its independent public accountants including, without limitation, any management report;

(f) within 10 days of the filing thereof, copies of all registration statements (excluding the exhibits thereto and any registration statements on Form S-8 or its equivalent), reports on Forms 10-K, 10-Q and 8-K (or their equivalents) and all other periodic reports which the Borrower, any Subsidiary or any other Loan Party shall file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor) or any national securities exchange;

(g) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed and promptly upon the issuance thereof copies of all press releases issued by the Borrower, any Subsidiary or any other Loan Party;

(h) within 60 days after the end of each fiscal quarter of the Borrower, an updated Schedule 7.1(f), certified by the chief financial officer or chief accounting officer of the Borrower as true, correct and complete as of the date such updated schedules are delivered;

(i) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(j) to the extent the Borrower, any Subsidiary or any other Loan Party is aware of the same, prompt notice of the commencement of any proceeding or investigation by or before any Governmental Authority and any action or proceeding in any court or other tribunal or before any arbitrator against or in any other way relating adversely to, or adversely affecting, the Borrower, such Subsidiary or such Loan Party or any of their respective properties, assets or businesses which, if determined or resolved adversely to such Person, could reasonably be expected to have a Material Adverse Effect, and prompt notice of the receipt of notice that any United States income tax returns of the Borrower, any of its Subsidiaries or any other Loan Party are being audited;

(k) a copy of any amendment to the declaration of trust, articles of incorporation, bylaws, partnership agreement or other similar organizational documents of the Borrower, any Subsidiary or any other Loan Party within 60 days of the effectiveness thereof;

(l) prompt notice of any change in the senior management of the Borrower and any change in the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any Subsidiary or any other Loan Party which has had or could reasonably be expected to have Material Adverse Effect;

(m) prompt notice of the occurrence of any Default or Event of Default or any event which constitutes or which with the passage of time, the giving of notice, or otherwise, would constitute a default or event of default by the Borrower, any Subsidiary or any other Loan Party under any Material Contract to which any such Person is a party or by which any such Person or any of its respective properties may be bound or under any document, instrument or agreement evidencing or securing any Indebtedness of such Person;

(n) prompt notice of the entry of any order, judgment or decree (not adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) in excess of \$2,500,000 against the Borrower, any Subsidiary or any other Loan Party or any of their respective properties or assets;

(o) any notification of a violation of any material Applicable Law or any inquiry shall have been received by the Borrower, any Subsidiary or any other Loan Party from any Governmental Authority;

(p) prompt notice of the acquisition, incorporation or other creation of any Subsidiary, the purpose for such Subsidiary, the nature of the assets and liabilities thereof;

(q) prompt notice of the proposed sale, transfer or other disposition of any Unencumbered Pool Property and notice within 30 days of the consummation of any sale, transfer or other disposition by the Borrower or any Subsidiary of any other material asset owned directly or indirectly by the Borrower and its Subsidiaries taken as a whole to any Subsidiary, Affiliate or other Person;

(r) prompt notice of any strikes, slow downs, work stoppages or walkouts or other labor disputes in progress or threatened relating to the Borrower, any Subsidiary or any other Loan Party if such action could reasonably be expected to have a Material Adverse Effect;

(s) within 30 days of entering into any Material Contract after the Agreement Date, a copy to the Administrative Agent of such Material Contract;

(t) prompt notice of any change in any rating assigned by a Rating Agency to any series of rated senior unsecured long term indebtedness of the Borrower; and

(u) from time to time and promptly upon each request, such data, certificates, reports, statements, opinions of counsel, documents or further information regarding the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower, any of its Subsidiaries or any other Loan Party as the Administrative Agent or any Lender may reasonably request.

ARTICLE 8 NEGATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 13.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 13.6., the Borrower shall not, directly or indirectly:

SECTION 8 FINANCIAL COVENANTS.

Permit:

(a) Leverage. The ratio of (i) the Total Liabilities of the Borrower and its Subsidiaries determined on a consolidated basis to (ii) Gross Asset Value, to be greater than 0.60 to 1.00 at any

time.

(b) Interest Coverage. The ratio of (i) the EBITDA of the Borrower and its

Subsidiaries determined on a consolidated basis for the four consecutive fiscal
quarter period most recently ended to (ii) the Interest Expense of the Borrower
--
and its Subsidiaries determined on a consolidated basis for such four-fiscal
quarter period, to be less than 1.75 to 1.00 at the end of such four-fiscal
quarter period.

(c) Fixed Charge Coverage. The ratio of (i) EBITDA of the Borrower and its

Subsidiaries determined on a consolidated basis for the four consecutive fiscal
quarter period most recently ended to (ii) Fixed Charges of the Borrower and its
--
Subsidiaries determined on a consolidated basis for such four-fiscal quarter
period, to be less than 1.60 to 1.00 at the end of such four-fiscal quarter
period.

(d) Unencumbered Asset Test. The ratio of (i) the Unencumbered Asset Value

to (ii) the sum of (A) the Unsecured Indebtedness of the Borrower and its
--
Subsidiaries determined on a consolidated basis plus (B) to the extent not

already included in clause (A), the Capitalized Lease Obligations of the
Borrower and its Subsidiaries determined on a consolidated basis, to be less
than 1.67 to 1.00 at any time.

(e) Unencumbered Asset Cash Flow Coverage. The ratio of (i) the Net

Operating Income for all Unencumbered Pool Properties for the four consecutive
fiscal quarter period most recently ended minus Replacement Reserves for such

four-quarter period to (ii) the sum of Interest Expense on Unsecured
--
Indebtedness of the Borrower and its Subsidiaries for such four-quarter period
determined on a consolidated basis plus to the extent not already included in

this clause (ii), all interest expense attributable to payments made in respect
of Capitalized Lease Obligations by the Borrower and its Subsidiaries during
such four-quarter period determined on a consolidated basis, to be less than
1.75 to 1.00 at the end of such four-fiscal quarter period.

(f) Minimum Shareholder's Equity. The aggregate amount of the

Shareholder's Equity of the Borrower determined on a consolidated basis at the
end of any fiscal quarter to be less than (i) \$445,000,000 plus (ii) 75% of the

Net Proceeds of all Equity Issuances (other than issuances of operating
partnership units) effected by the Borrower or any of its Subsidiaries at any
time after June 30, 1997 plus (iii) 100% of the value generated by the issuance

of operating partnership units after June 30, 1997.

(g) Secured Debt Ratio. The ratio of (i) the Secured Indebtedness of the

Borrower and its Subsidiaries determined on a consolidated basis to (ii) Gross
--
Asset Value, to be greater than 0.35 to 1.00 at any time.

(h) Variable Rate Debt. The ratio of (i) the aggregate outstanding

principal amount of Variable Rate Debt of the Borrower and its Subsidiaries
determined on a consolidated basis to (ii) the Gross Asset Value of the Borrower
--
and its Subsidiaries determined on a consolidated basis, to be greater than 0.35
to 1.00 at any time.

SECTION 8 INDEBTEDNESS.

Create, incur, assume, or permit or suffer to exist, or permit any Subsidiary or other Loan Party to create, incur, assume, or permit or suffer to exist, any Indebtedness other than the following:

- (a) the Obligations;
- (b) Indebtedness set forth on Schedule 7.1.(g);
- (c) Subordinated Debt;

(d) intercompany Indebtedness among the Borrower and its Wholly Owned Subsidiaries; provided, however, that the obligations of each obligor of such Indebtedness shall be subordinate to the Obligations on terms acceptable to the Requisite Lenders in their sole discretion; and

(e) other Indebtedness created, incurred or assumed after the Agreement Date so long as immediately prior to the creation, incurring or assumption thereof, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 10.1.

Notwithstanding anything set forth in this Section 10.2. to the contrary so long as each Non-Guarantor Subsidiary owns an Unencumbered Pool Property, such Non-Guarantor Subsidiary shall not create, incur, assume, or permit or suffer to exist any Indebtedness other than (x) Indebtedness of the types described in clauses (a) and (b) of the definition of Indebtedness owing to the Borrower and (y) Indebtedness of the types described in clauses (a), (b) and (d) of the definition of Indebtedness in an aggregate amount not to exceed at any time outstanding the lesser of (i) 5% of the Unencumbered Asset Value attributable to Unencumbered Pool Properties owned or leased by such Non-Guarantor Subsidiaries or (ii) \$2,500,000.

SECTION 8 DERIVATIVES OBLIGATIONS.

Become or remain liable, or permit any Subsidiary to become or remain liable, on or under any Derivatives Obligation other than the following:

(a) Derivatives Obligations in existence as of the Agreement Date and set forth in Schedule 10.3.; and

(b) Derivatives Obligations under Interest Rate Agreements (i) with respect to the Loans and (ii) indexed to interest rates or yields on United States Treasury Bills or Notes with respect to other Indebtedness incurred or anticipated to be incurred by the Borrower or any of its Subsidiaries to finance the acquisition of Real Property Assets.

SECTION 8 PERMITTED INVESTMENTS.

(a) Make any Investment in or otherwise own, and shall not permit any Subsidiary to

make any Investment in or otherwise own, any of the following items which would cause the value of such holdings of the Borrower and its Subsidiaries determined on a consolidated basis to exceed the following percentages of Gross Asset Value:

- (i) Capital Stock of any Unconsolidated Affiliate, such that the aggregate value of such Capital Stock calculated on the basis of the lower of cost or market, exceeds 5% of Gross Asset Value;
- (ii) Investments in partnerships, joint ventures and other non-corporate Persons accounted for on an equity basis (determined in accordance with GAAP), such that the aggregate book value of such Investments exceeds 10% of Gross Asset Value;
- (iii) Mortgages in favor of the Borrower or any Subsidiary, such that the aggregate book value of Indebtedness secured by such Mortgages exceeds 10% of Gross Asset Value;
- (iv) unimproved real estate (excluding unimproved real estate on which development of a property has commenced), such that the aggregate book value of all such unimproved real estate exceeds 5% of Gross Asset Value; and
- (v) Real Property Assets Under Construction, such that the aggregate amount of related Construction in Process exceeds 15% of Gross Asset Value.

(b) In addition to the foregoing limitations, the aggregate value of the Investments subject to the limitations in the preceding clauses (i) through (iv) shall not exceed 30% of Gross Asset Value.

SECTION 8 LIENS; AGREEMENTS REGARDING LIENS; OTHER MATTERS.

(a) Create, assume, incur or permit or suffer to exist, or permit any Subsidiary or any other Loan Party to create, assume, incur or permit or suffer to exist, any Lien (other than Permitted Liens) upon any of its properties, assets, income or profits of any character whether now owned or hereafter acquired if immediately prior to the creation, assumption or incurring of such Lien, or immediately thereafter, a Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 10.1.;

(b) Enter into, assume or otherwise be bound by, or permit any Material Subsidiary or any Wholly Owned Subsidiary to enter into assume or otherwise be bound by any agreement (other than the Loan Documents), prohibiting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired except for (A) any agreement (i) evidencing Indebtedness which the Borrower or such Subsidiary may create, incur, assume, or permit or suffer to exist under Section 10.2.; (ii) which Indebtedness is secured by a Lien permitted to exist under the immediately preceding subsection (a) and (iii) which prohibits the creation of any other Lien in only the property securing such Indebtedness as of the date such agreement was entered into and (B) provisions contained as of the date hereof in the articles of incorporation, bylaws, declaration of trust, partnership agreement, operating agreement or other comparable organizational document of

a Non-Guarantor Subsidiary which prohibit the creation of a Lien upon any equity interest of such Non-Guarantor Subsidiary; or

(c) Create or otherwise cause or suffer to exist or become effective, or permit any Subsidiary or to create or otherwise cause or suffer to exist or become effective, any consensual encumbrance or restriction of any kind on the ability of any Subsidiary to: (i) pay dividends or make any other distribution on any of the capital stock or other equity interests owned by the Borrower, any Subsidiary or any other Loan Party; (ii) pay any Indebtedness owed to the Borrower, any other Subsidiary or any other Loan Party in accordance with its terms; (iii) make loans or advances to the Borrower, any Subsidiary or any other Loan Party; or (iv) transfer any of its property or assets to the Borrower, any Subsidiary or any other Loan Party, other than (x) any such consensual encumbrances or restrictions in existence as of the date hereof and (y) in the case of any Subsidiary that is not a Wholly Owned Subsidiary, limitations arising after the date hereof that any such dividends, distributions, loans, advances or transfers of property must be on fair and reasonable terms and on an arm's length basis.

SECTION 8 RESTRICTED PAYMENTS.

Declare or make, or permit any Subsidiary or other Loan Party to declare or make, any Restricted Payment; provided, however, that (a) so long as no Event of Default shall have occurred and be continuing or would occur as a result thereof, the Borrower may make distributions to its shareholders during any four-quarter period in an aggregate amount not to exceed 95% of the Borrower's Funds From Operations for such four-quarter period determined on a consolidated basis; (b) Subsidiaries and other Loan Parties may make Restricted Payments to the Borrower; (c) so long as no Event of Default shall have occurred and be continuing or would occur as a result thereof, Subsidiaries may make cash distributions to Persons owning equity interest in them or Borrower may purchase or acquire such equity interests from such Persons and (d) the Borrower may make payments with respect to any Subordinated Debt permitted by the terms of Section 10.2. in accordance with the terms thereof but only, in each case, to the extent required by, and subject to the subordination provisions contained in, the agreements evidencing such Indebtedness was issued. Notwithstanding anything contained in this Section to the contrary, the Borrower may make distributions to its shareholders in the minimum amount necessary to maintain compliance with Section 8.11. so long as (a) no Event of Default specified in Section 11.1.(a) shall have occurred and be continuing; (b) the Borrower shall not have failed to make two consecutive scheduled payments of interest on any of the Obligations when due which failure shall remain uncured and (c) none of the Obligations have been accelerated as a result of any Event of Default.

SECTION 8 MERGER, CONSOLIDATION AND SALES OF ASSETS.

(a) Enter into, or permit any Subsidiary or other Loan Party to enter into, any transaction of merger or consolidation; (b) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) or permit any Subsidiary or other Loan Party to do any of the foregoing; or (c) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, or the capital stock of or other equity interests in any of its Subsidiaries, whether now owned or hereafter acquired or permit any Subsidiary or other Loan Party to do any of the foregoing; provided, however, that:

(i) any Subsidiary of the Borrower may merge or consolidate with the Borrower or a Wholly Owned Subsidiary of the Borrower;

(ii) any Subsidiary or other Loan Party may sell, transfer or dispose of its assets to the Borrower or a Wholly Owned Subsidiary of the Borrower;

(iii) a Wholly Owned Subsidiary may liquidate provided that immediately prior to such liquidation and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence;

(iv) a Subsidiary that is not a Material Subsidiary, does not own an Unencumbered Pool Property and is not a party to a Guaranty or Accession Agreement delivered pursuant to Sections 6.1.(a)(viii) and 8.13., as applicable (an "Exempt Subsidiary"), may merge or consolidate with another Person, so long as immediately prior to such merger or consolidation, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence; and

(v) an Exempt Subsidiary may sell all or substantially all of its business or assets, and the Borrower or any Exempt Subsidiary may sell all or substantially all of the capital stock of or other equity interests in any Subsidiary that is itself an Exempt Subsidiary, so long as immediately prior to any such sale, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence.

Further, neither the Borrower, any Subsidiary nor any other Loan Party shall enter into any sale-leaseback transactions or other transaction by which the Borrower, a Subsidiary or a Loan Party shall remain liable as lessee (or the economic equivalent thereof) of any real or personal property that it has sold or leased to another Person.

SECTION 10.8. NO PLAN ASSETS.

Permit, or permit any Subsidiary or any other Loan Party to permit, any of its respective assets to become or be deemed to be "plan assets" within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder other than the contributions to an Employee Benefit Plan.

SECTION 8 FISCAL YEAR.

Change its fiscal year from that in effect as of the Agreement Date.

SECTION 8 MODIFICATIONS TO MATERIAL CONTRACTS.

Enter into, or permit any Subsidiary or other Loan Party to enter into, any amendment or modification to any Material Contract which could reasonably be expected to have a Material Adverse Effect or default in the performance of any obligations of any Material Contract or permit any Material Contract to be canceled or terminated more than one month prior to its stated maturity.

SECTION 8 TRANSACTIONS WITH AFFILIATES.

Permit to exist or enter into, and will not permit any of its Subsidiaries or any of the other Loan Parties to permit to exist or enter into, any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Borrower or with any director, officer or employee of the Borrower or any other Loan Party, except transactions in the ordinary course of and pursuant to the reasonable requirements of the business of the Borrower or any of its Subsidiaries and upon fair and reasonable terms which are no less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate.

ARTICLE 9 DEFAULT

SECTION 9 EVENTS OF DEFAULT.

Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of Applicable Law or pursuant to any judgment or order of any Governmental Authority:

(a) Default in Payment of Principal. The Borrower shall fail to pay when -----
due (whether upon demand, at maturity, by reason of acceleration or otherwise)
the principal of any of the Loans.

(b) Default in Payment of Other Amounts. The Borrower shall fail to pay -----
when due any interest on any of the Loans or any of the other payment
Obligations (other than the principal of any Loan) owing by the Borrower under
this Agreement or any other Loan Document and such failure shall continue for a
period of 3 Business Days after the date upon which the Borrower or any
Subsidiary obtains knowledge of such failure.

(c) Default in Performance. (i) The Borrower shall fail to perform or -----
observe any term, covenant, condition or agreement on its part to be performed
or observed contained in Section 8.11., Section 9.4.(1) or Article X. or (ii)
the Borrower, any Subsidiary or any other Loan Party shall fail to perform or
observe any term, covenant, condition or agreement contained in this Agreement
or any other Loan Document to which it is a party and not otherwise mentioned in
this Section and in the case of this clause (ii) such failure shall continue for
a period of 60 days after the earlier of (x) the date upon which the Borrower,
such Subsidiary or such Loan Party obtains knowledge of such failure or (y) the
date upon which the Borrower has received written notice of such failure from
the Administrative Agent.

(d) Misrepresentations. Any written statement, representation or warranty -----
made or deemed made by or on behalf of the Borrower, any Subsidiary or any other
Loan Party under this Agreement or under any other Loan Document, or any
amendment hereto or thereto, or in any other writing or statement at any time
furnished or made or deemed made by or on behalf of the Borrower, any Subsidiary
or any other Loan Party to the Administrative Agent or any Lender, shall at any
time prove to have been incorrect or misleading in any material respect when
furnished or made.

(e) Indebtedness Cross-Default.

(i) The Borrower, any Subsidiary or any other Loan Party shall fail to pay when due and payable the principal of, or interest on (after giving effect to the expiration of any applicable grace period for the payment of such interest), any Indebtedness (other than the Loans) having an aggregate outstanding principal amount of \$15,000,000 or more; or

(ii) the maturity of any such Indebtedness shall have (x) been accelerated in accordance with the provisions of any indenture, contract or instrument evidencing, providing for the creation of or otherwise concerning such Indebtedness or (y) been required to be prepaid prior to the stated maturity thereof; or

(iii) any other event shall have occurred and be continuing (and any related grace period shall have expired) which would permit any holder or holders of such Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person, to accelerate the maturity of any such Indebtedness or require any such Indebtedness to be prepaid prior to its stated maturity.

(f) Voluntary Bankruptcy Proceeding. The Borrower, any Material Subsidiary

or any other Loan Party shall: (i) commence a voluntary case under the Bankruptcy Code of 1978, as amended or other federal bankruptcy laws (as now or hereafter in effect); (ii) file a petition seeking to take advantage of any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (iii) consent to, or fail to contest in a timely and appropriate manner, any petition filed against it in an involuntary case under such bankruptcy laws or other Applicable Laws or consent to any proceeding or action described in the immediately following subsection; (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign; (v) admit in writing its inability to pay its debts as they become due; (vi) make a general assignment for the benefit of creditors; (vii) make a conveyance fraudulent as to creditors under any Applicable Law; or (viii) take any corporate or similar action for the purpose of effecting any of the foregoing.

(g) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be

commenced against the Borrower, any Material Subsidiary or any other Loan Party, in any court of competent jurisdiction seeking: (i) relief under the Bankruptcy Code of 1978, as amended or other federal bankruptcy laws (as now or hereafter in effect) or under any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person, or of all or any substantial part of the assets, domestic or foreign, of such Person, and such case or proceeding shall continue undismissed or unstayed for a period of sixty consecutive calendar days, or an order granting the relief requested in such case or proceeding against such Person (including, but not limited to, an order for relief under such Bankruptcy Code of 1978 or such other federal bankruptcy laws) shall be entered.

(h) Contest of Loan Documents. The Borrower or any other Loan Party shall

disavow, revoke or terminate any Loan Document to which it is a party or shall otherwise challenge or contest

in any action, suit or proceeding in any court or before any Governmental Authority the validity or enforceability of this Agreement, any Note or any other Loan Document.

(i) Judgment. A judgment or order for the payment of money (not

adequately covered by insurance as to which the insurance company has acknowledged coverage in writing) shall be entered against the Borrower, any Material Subsidiary or any other Loan Party by any court or other tribunal which exceeds, individually or together with all other such judgments or orders entered against the Borrower, the Subsidiaries and the other Loan Parties, \$5,000,000 in amount (or which shall otherwise have a Material Adverse Effect) and such judgment or order shall continue for a period of 30 days without being stayed or dismissed through appropriate appellate proceedings.

(j) Attachment. A warrant, writ of attachment, execution or similar

process shall be issued against any property of the Borrower or any other Loan Party which exceeds, individually or together with all other such warrants, writs, executions and processes, \$5,000,000 in amount and such warrant, writ, execution or process shall not be discharged, vacated, stayed or bonded for a period of 30 days; provided, however, that if a bond has been issued in favor of the claimant or other Person obtaining such warrant, writ, execution or process, the issuer of such bond shall execute a waiver or subordination agreement in form and substance satisfactory to the Administrative Agent pursuant to which the issuer of such bond subordinates its right of reimbursement, contribution or subrogation to the Obligations and waives or subordinates any Lien it may have on the assets of any Loan Party.

(k) ERISA. Any member of the ERISA Group shall fail to pay when due an

amount or amounts aggregating in excess of \$5,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$5,000,000.

(l) Loan Documents. An Event of Default (as defined therein) shall occur

under any of the other Loan Documents.

(m) Change of Control/Change in Management.

(i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person will be deemed to have "beneficial ownership" of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 20% of the total voting power of the then outstanding voting stock of the Borrower; or

(ii) during any twelve-month period (commencing both before and after the Agreement Date), a majority of the Board of Trustees of the Borrower shall no longer be composed of individuals (i) who were members of such Board of Trustees on the first date of such period, (ii) whose election or nomination to such Board of Trustees was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of such Board of Trustees or (iii) whose election or nomination to such Board of Trustees was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of such Board of Trustees; or

(iii) Steven J. Guttman and any two of Hal A. Vasvari, Ron D. Kaplan and Cecily A. Ward shall cease for any reason (including death or disability) to be principally involved in the senior management of the Borrower on a full-time basis (such event a "Change in Management") and the Borrower shall fail to replace such individuals with individuals reasonably acceptable to the Requisite Lenders within 120 days of the last day the occurrence of such Change in Management.

(n) Dissolution. Any order, judgment or decree is entered against the

Borrower any Material Subsidiary or any other Loan Party decreeing the dissolution or split up of the Borrower, such Subsidiary or such other Loan Party and such order remains undischarged or unstayed for a period in excess of 30 days.

(o) Subordination of Obligations. (i) Any Loan Document shall cease to be

in full force and effect, or (ii) any Obligation shall be subordinated in right of payment to any other liability of the Borrower, and, in either case, such condition or event shall continue for 15 days after the Borrower or any other Loan Party obtains knowledge of such condition or event.

SECTION 9 REMEDIES UPON EVENT OF DEFAULT.

Upon the occurrence of an Event of Default the following provisions shall apply:

(a) Acceleration; Termination of Facilities.

(i) Automatic. Upon the occurrence of an Event of Default specified

in Sections 11.1.(f) or 11.1.(g), (A)(i) the principal of, and all accrued interest on, the Loans and the Notes at the time outstanding, (ii) an amount equal to the Stated Amount of all Letters of Credit then outstanding and (iii) all of the other Obligations of the Borrower, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents shall become immediately and automatically due and payable by the Borrower without presentment, demand, protest, or other notice of any kind, all of which are expressly waived by the Borrower and (B) each of the Commitments, the obligation of the Lenders to make Revolving Loans hereunder and the obligation of the Administrative Agent to issue Letters of Credit hereunder, shall immediately and automatically terminate.

(ii) Optional. If any other Event of Default shall have occurred and

be continuing, the Administrative Agent may, and at the direction of the Requisite Lenders shall: (I) declare (1) the principal of, and accrued interest on, the Revolving Loans and Bid Rate Loans and the Notes at the time outstanding, (2) an amount equal to the Stated Amount of all Letters of Credit then outstanding and (3) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Borrower and (II) terminate the Commitments and the obligation of the Lenders to make Revolving Loans hereunder and the obligation of the Administrative Agent to issue Letters of Credit hereunder.

(b) Loan Documents. The Requisite Lenders may direct the Administrative

Agent to, and the Administrative Agent if so directed shall, exercise any and all of its rights under any and all of the other Loan Documents.

(c) Applicable Law. The Requisite Lenders may direct the Administrative

Agent to, and the Administrative Agent if so directed shall, exercise all other rights and remedies it may have under any Applicable Law.

(d) Appointment of Receiver. To the extent permitted by Applicable Law,

the Administrative Agent and the Lenders shall be entitled to the appointment of a receiver for the assets and properties of the Borrower and its Subsidiaries, without notice of any kind whatsoever and without regard to the adequacy of any security for the Obligations or the solvency of any party bound for its payment, to take possession of all or any portion of the business operations of the Borrower and its Subsidiaries and to exercise such power as the court shall confer upon such receiver.

SECTION 11.3. REMEDIES UPON CERTAIN DEFAULTS.

Upon the occurrence of a Default specified in Sections 11.1.(f) or 11.1.(g), the Commitments, and the obligation of the Administrative Agent to issue Letters of Credit, shall immediately and automatically terminate.

SECTION 11.4. ALLOCATION OF PROCEEDS.

If an Event of Default shall have occurred and be continuing and the Obligations have been accelerated, all payments received by the Administrative Agent under any of the Loan Documents, in respect of any principal of or interest on the Obligations or any other amounts payable by the Borrower hereunder or thereunder, shall be applied by the Administrative Agent in the following order and priority:

(a) amounts due to the Arranging Agents and the Lenders in respect of Fees and expenses due under Section 13.2.;

(b) payments of interest on Loans and Reimbursement Obligations, to be applied

for the ratable benefit of the Lenders;

(c) payments of principal of Loans and Reimbursement Obligations, to be applied for the ratable benefit of the Lenders;

(d) payments of cash amounts to the Administrative Agent in respect of outstanding Letters of Credit pursuant to Section 2.13.;

(e) amounts due to the Administrative Agent and the Lenders pursuant to Sections 12.7. and 13.9.;

(f) payments of all other amounts due under any of the Loan Documents, if any, to be applied for the ratable benefit of the Lenders; and

(g) any amount remaining after application as provided above, shall be paid to the Borrower or whomever else may be legally entitled thereto.

SECTION 9 COLLATERAL ACCOUNT.

(a) As collateral security for the prompt payment in full when due of all Letter of Credit Liabilities, the Borrower hereby pledges and grants to the Administrative Agent, for the benefit of the Administrative Agent and the Lenders as provided herein, a security interest in all of its right, title and interest in and to the Collateral Account and the balances from time to time in the Collateral Account (including the investments and reinvestments therein provided for below). The balances from time to time in the Collateral Account shall not constitute payment of any Letter of Credit Liabilities until applied by the Administrative Agent as provided herein. Anything in this Agreement to the contrary notwithstanding, funds held in the Collateral Account shall be subject to withdrawal only as provided in this Section and in Section 2.13.

(b) Amounts on deposit in the Collateral Account shall be invested and reinvested by the Administrative Agent in such Cash Equivalents as the Administrative Agent shall determine in its sole discretion. All such investments and reinvestments shall be held in the name of and be under the sole dominion and control of the Administrative Agent. The Administrative Agent shall exercise reasonable care in the custody and preservation of any funds held in the Collateral Account and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Administrative Agent accords other funds deposited with the Administrative Agent, it being understood that the Administrative Agent shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any funds held in the Collateral Account.

(c) If an Event of Default shall have occurred and be continuing, the Administrative Agent may (and, if instructed by the Requisite Lenders, shall) in its (or their) discretion at any time and from time to time elect to liquidate any such investments and reinvestments and credit the proceeds thereof to the Collateral Account and apply or cause to be applied such proceeds and any other balances in the Collateral Account to the payment of any of the Letter of Credit Liabilities due and payable.

(d) If (i) no Default or Event of Default has occurred and is continuing and (ii) all of the Letter of Credit Liabilities have been paid in full, the Administrative Agent shall, from time to time, at the request of the Borrower, deliver to the Borrower, against receipt but without any recourse, warranty or representation whatsoever, such of the balances in the Collateral Account as exceed the aggregate amount of Letter of Credit Liabilities at such time. When all of the Obligations shall have been paid in full and no Letters of Credit remain outstanding, the Administrative Agent shall promptly deliver to the Borrower, against receipt but without any recourse, warranty or representation whatsoever, the balances remaining in the Collateral Account.

(e) The Borrower shall pay to the Administrative Agent from time to time such fees as the Administrative Agent normally charges for similar services in connection with the Administrative Agent's administration of the Collateral Account and investments and reinvestments of funds therein.

SECTION 9 PERFORMANCE BY ADMINISTRATIVE AGENT.

If the Borrower shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, the Administrative Agent may perform or attempt to perform such covenant, duty or agreement on behalf of the Borrower after the expiration of any cure or grace periods set forth herein. In such event, the Borrower shall, at the request of the Administrative Agent, promptly pay any amount reasonably expended by the Administrative Agent in such performance or attempted performance to the Administrative Agent, together with interest thereon at the applicable Post-Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, neither the Administrative Agent nor any Lender shall have any liability or responsibility whatsoever for the performance of any obligation of the Borrower under this Agreement or any other Loan Document.

SECTION 9 RIGHTS CUMULATIVE.

The rights and remedies of the Administrative Agent and the Lenders under this Agreement and each of the other Loan Documents shall be cumulative and not exclusive of any rights or remedies which any of them may otherwise have under Applicable Law. In exercising their respective rights and remedies the Administrative Agent and the Lenders may be selective and no failure or delay by the Administrative Agent or any of the Lenders in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

SECTION 9 REVISION OF ACCELERATION BY REQUISITE LENDERS.

If at any time after acceleration of the maturity of the Obligations, the Borrower shall pay all arrears of interest and all payments on account of principal of the Obligations which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by Applicable Law, on overdue interest, at the rates specified in this Agreement) and all Events of Default and Defaults (other than nonpayment of principal of and accrued interest on the Obligations due and payable solely by virtue of acceleration) shall be remedied or waived to the satisfaction of the Requisite Lenders, then by written notice to the Borrower, the Requisite Lenders may elect, in

the sole discretion of such Requisite Lenders, to rescind and annul the acceleration and its consequences; but such action shall not affect any subsequent Default or Event of Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders to a decision which may be made at the election of the Requisite Lenders; they are not intended to benefit the Borrower and do not give the Borrower the right to require the Lenders to rescind or annul any acceleration hereunder, even if the conditions set forth herein are satisfied.

ARTICLE 10 THE ARRANGING AGENTS

SECTION 10 AUTHORIZATION AND ACTION.

Each Lender hereby appoints and authorizes each Arranging Agent to take such action as agent on such Lender's behalf and to exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to such Arranging Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The relationship between each Arranging Agent and the Lenders shall be that of principal and agent only and nothing herein shall be construed to deem either Arranging Agent a trustee or fiduciary for any Lender nor to impose on either Arranging Agent duties or obligations other than those expressly provided for herein. At the request of a Lender, the Administrative Agent will forward to such Lender copies or, where appropriate, originals of the documents delivered to the Administrative Agent pursuant to this Agreement or the other Loan Documents. The Administrative Agent will also furnish to any Lender, upon the request of such Lender, a copy of any certificate or notice furnished to the Administrative Agent by the Borrower, any Subsidiary or any other Loan Party, pursuant to this Agreement or any other Loan Document not already delivered to such Lender pursuant to the terms of this Agreement or any such other Loan Document. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of any of the Obligations), neither Arranging Agent shall be required to exercise any discretion or take any action, and in the case of the Administrative Agent shall only be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders (or all of the Lenders if explicitly required under any other provisions of this Agreement), and such instructions shall be binding upon all Lenders and all holders of any of the Obligations; provided, however, that, notwithstanding anything in this Agreement to the contrary, neither Arranging Agent shall be required to take any action which exposes such Arranging Agent to personal liability or which is contrary to this Agreement or any other Loan Document or Applicable Law. Not in limitation of the foregoing, the Administrative Agent shall not exercise any right or remedy it or the Lenders may have under any Loan Document upon the occurrence of a Default or an Event of Default unless the Requisite Lenders have so directed the Administrative Agent to exercise such right or remedy.

SECTION 10 ARRANGING AGENTS' RELIANCE, ETC.

Notwithstanding any other provision of any Loan Document, neither Arranging Agent nor any of such Arranging Agent's directors, officers, agents, employees or counsel shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limiting the generality

of the foregoing, each Arranging Agent: (a) may treat the payee of any Note as the holder thereof until such Arranging Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to such Arranging Agent; (b) may consult with legal counsel (including its own counsel or counsel for the Borrower or any Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender or any other Person and shall not be responsible to any Lender or any other Person for any statements, warranties or representations made by any Person in or in connection with this Agreement or any other Loan Document; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of this Agreement or any other Loan Document or the satisfaction of any conditions precedent under this Agreement or any Loan Document on the part of the Borrower or other Persons or inspect the property, books or records of the Borrower or any other Person; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document, any other instrument or document furnished pursuant thereto or any collateral covered thereby or the perfection or priority of any Lien in favor of the Administrative Agent on behalf of the Lenders in any such collateral; and (f) shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telephone or teletype) believed by it to be genuine and signed, sent or given by the proper party or parties.

SECTION 12.3. NOTICE OF DEFAULTS.

Neither Arranging Agent shall be deemed to have knowledge or notice of the occurrence of a Default or Event of Default, other than, in the case of the Administrative Agent, a Default or Event of Default under Section 11.1.(a) or (b), unless such Arranging Agent has received notice from a Lender or the Borrower referring to this Agreement, describing with reasonable specificity such Default or Event of Default and stating that such notice is a "notice of default." If any Lender becomes aware of any Default or Event of Default, it shall promptly send to both Arranging Agents such a "notice of default." Further, if the Administrative Agent receives such a "notice of default", the Administrative Agent shall give prompt notice thereof to the Lenders.

SECTION 10 FIRST UNION AND WELLS FARGO AS LENDER.

Each of First Union and Wells Fargo, as a Lender, shall have the same rights and powers under this Agreement and any other Loan Document as any other Lender and may exercise the same as though it were not an Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include First Union and Wells Fargo, as applicable, in each case in its individual capacity. First Union and Wells Fargo and their respective affiliates may each accept deposits from, maintain deposits or credit balances for, invest in, lend money to, act as trustee under indentures of, serve as financial advisor to, and generally engage in any kind of business with the Borrower, any Subsidiary, any other Loan Party or any other affiliate thereof as if it were any other bank and without any duty to account therefor to the other Lenders. Further, each Arranging Agent and any affiliate may accept fees and other consideration from the Borrower for services in connection with this Agreement and otherwise without having to account for the same to the other Lenders.

SECTION 12.5. APPROVALS OF LENDERS.

All communications from the Administrative Agent to any Lender requesting such Lender's determination, consent, approval or disapproval (a) shall be given in the form of a written notice to such Lender, (b) shall be accompanied by a description of the matter or issue as to which such determination, approval, consent or disapproval is requested, or shall advise such Lender where information, if any, regarding such matter or issue may be inspected, or shall otherwise describe the matter or issue to be resolved, (c) shall include, if reasonably requested by such Lender and to the extent not previously provided to such Lender, written materials and a summary of all oral information provided to the Administrative Agent by the Borrower in respect of the matter or issue to be resolved, and (d) shall include the Administrative Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within 10 Business Days (or such lesser or greater period as may be specifically required or permitted under the Loan Documents for the Administrative Agent to respond). Unless a Lender shall give written notice to the Administrative Agent that it objects to the recommendation or determination of the Administrative Agent (together with a written explanation of the reasons behind such objection) within the applicable time period for reply, such Lender shall be deemed to have conclusively approved of or consented to such recommendation or determination.

SECTION 10 LENDER CREDIT DECISION, ETC.

Each Lender expressly acknowledges and agrees that neither Arranging Agent nor any of such Arranging Agent's respective officers, directors, employees, agents, counsel, attorneys-in-fact or other affiliates has made any representations or warranties as to the financial condition, operations, creditworthiness, solvency or other information concerning the business or affairs of the Borrower, any Subsidiary, any other Loan Party or other Person to such Lender and that no act by such Arranging Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any such representation or warranty by such Arranging Agent to any Lender. Each Lender acknowledges that it has, independently and without reliance upon either Arranging Agent, any other Lender or counsel to either Arranging Agent, or any of their respective officers, directors, employees and agents, and based on the financial statements of the Borrower, the Subsidiaries or any other Affiliate thereof, and inquiries of such Persons, its independent due diligence of the business and affairs of the Borrower, the Subsidiaries, the other Loan Parties and other Persons, its review of the Loan Documents, the legal opinions required to be delivered to it hereunder, the advice of its own counsel and such other documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to enter into this Agreement and the transaction contemplated hereby. Each Lender also acknowledges that it will, independently and without reliance upon either Arranging Agent, any other Lender or counsel to either Arranging Agent or any of their respective officers, directors, employees and agents, and based on such review, advice, documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under the Loan Documents. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent under this Agreement or any of the other Loan Documents, neither Arranging Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower, any other Loan Party or any other Affiliate thereof which may

come into possession of an Arranging Agent or any of its officers, directors, employees, agents, attorneys-in-fact or other affiliates. The Administrative Agent and each Lender acknowledges that the Documentation Agent's legal counsel in connection with the transactions contemplated by this Agreement is only acting as counsel to the Documentation Agent and is not acting as counsel to the Administrative Agent or such Lender.

SECTION 10 INDEMNIFICATION OF ARRANGING AGENTS.

Each Lender agrees to indemnify each Arranging Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) pro rata in accordance with such Lender's respective Commitment Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against such Arranging Agent in any way relating to or arising out of the Loan Documents (collectively "Indemnifiable Amounts"), any transaction contemplated hereby or thereby or any action taken or omitted by such Arranging Agent under the Loan Documents; provided, however, that no Lender shall be liable for any portion of such Indemnifiable Amounts to the extent resulting from such Arranging Agent's gross negligence or willful misconduct or, in the case of the Administrative Agent, if the Administrative Agent fails to follow the written direction of the Requisite Lenders unless such failure is pursuant to the advice of counsel of which the Lenders have received notice. Without limiting the generality of the foregoing, each Lender agrees to reimburse each Arranging Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees of the counsel(s) of such Arranging Agent's own choosing) incurred by such Arranging Agent in connection with the preparation, execution, administration, or enforcement of, or legal advice with respect to the rights or responsibilities of the parties under, the Loan Documents, any suit or action brought by either Arranging Agent to enforce the terms of the Loan Documents and/or collect any Obligations, any "lender liability" suit or claim brought against either Arranging Agent and/or the Lenders, and any claim or suit brought against either Arranging Agent and/or the Lenders arising under any Environmental Laws, to the extent that such Arranging Agent is not reimbursed for such expenses by the Borrower. Such out-of-pocket expenses (including counsel fees) shall be advanced by the Lenders on the request of each Arranging Agent notwithstanding any claim or assertion that such Arranging Agent is not entitled to indemnification hereunder upon receipt of an undertaking by such Arranging Agent that such Arranging Agent will reimburse the Lenders if it is actually and finally determined by a court of competent jurisdiction that such Arranging Agent is not so entitled to indemnification. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder or under the other Loan Documents and the termination of this Agreement. If the Borrower shall reimburse either Arranging Agent for any Indemnifiable Amount following payment by any Lender to such Arranging Agent in respect of such Indemnifiable Amount pursuant to this Section, such Arranging Agent shall share such reimbursement on a ratable basis with each Lender making any such payment.

SECTION 10 SUCCESSOR ADMINISTRATIVE AGENT.

The Administrative Agent may resign at any time as Administrative Agent under the Loan Documents by giving written notice thereof to the Lenders and the Borrower. In the event of a material breach of its duties hereunder, the Administrative Agent may be removed as Administrative

Agent under the Loan Documents at any time by the Requisite Lenders upon 30-day's prior notice. Upon any such resignation or removal, Wells Fargo shall have the right, but not the obligation, to become the Administrative Agent. Upon Wells Fargo's refusal to do so or upon any resignation or removal of Wells Fargo as the Administrative Agent pursuant to the terms hereof, the Requisite Lenders shall have the right to appoint a successor Administrative Agent and, provided no Default or Event of Default shall have occurred and be continuing, be subject to the Borrower's approval, which approval shall not be unreasonably withheld or delayed (except that Borrower shall, in all events, be deemed to have approved each Lender as a successor Administrative Agent). If no successor Administrative Agent shall have been so appointed by the Requisite Lenders, and shall have accepted such appointment, within 30 days after the resigning Administrative Agent's giving of notice of resignation or the Requisite Lenders' removal of the resigning Administrative Agent, then the resigning or removed Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a Lender, if any Lender shall be willing to serve, and otherwise shall be a commercial bank having total combined assets of at least \$50,000,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by Wells Fargo or another a successor Administrative Agent, Wells Fargo or such other successor Administrative Agent, as applicable, shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations as "Administrative Agent" under the Loan Documents. After any resigning Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article XII. shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

SECTION 10 SYNDICATION AGENT.

The Syndication Agent in its capacity as such, does not assume any responsibility or obligation hereunder, including, without limitation, for servicing, enforcement or collection of any of the Loans, nor any duties as an agent hereunder for the Lenders. The title of "Syndication Agent" is solely honorific and implies no fiduciary responsibility on the part of the Syndication Agent, in its capacity as such, to the Arranging Agents, the Borrower or any Lender and the use of such titles does not impose on the Syndication Agent any duties or obligations greater than those of any other Lender or entitle the Syndication Agent to any rights other than those to which any other Lender is entitled.

SECTION 12.10. APPROVALS AND OTHER ACTIONS BY REQUISITE LENDERS.

Each of the following shall require the approval of, or may be taken at the request of, the Requisite Lenders:

- (a) Consenting to the extension of the Termination Date as provided in Section 2.12.(b);
- (b) Approval of Eligible Properties as Unencumbered Pool Properties as provided in Section 4.1.;
- (c) Termination of the Commitments and acceleration of the Obligations upon the occurrence of an Event of Default as provided in Section 11.2.;

(d) Rescission of acceleration of any of the Obligations as provided in Section 11.8.;

(e) Removing the Administrative Agent for good cause and approving of its replacement as provided in Section 12.8.; and

(f) Except as specifically provided otherwise in Section 13.6., any consent or approval regarding, any waiver of the performance or observance by the Borrower of and the waiver of the continuance of any Default or Event of Default in respect of, any term of this Agreement or any other Loan Document.

ARTICLE 11 MISCELLANEOUS

SECTION 11 NOTICES.

Unless otherwise provided herein, communications provided for hereunder shall be in writing and shall be mailed, telecopied or delivered as follows:

If to the Borrower:

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852-4041
Attention: Legal Department
Telecopy Number: (301) 998-3703
Telephone Number: (301) 998-8311

If to the Administrative Agent:

First Union National Bank
First Union Capital Markets Group
One First Union Center, DC-6
6th Floor
Charlotte, North Carolina 28288-0166
Attention: John Schissel
Telecopy Number: (704) 383-6205
Telephone Number: (704) 383-1967

If to the Documentation Agent:

Wells Fargo Bank, National Association
2020 K Street, Suite 4200
Washington, D.C. 28228-0166
Attention: Office Manager/ Vice President
Telecopy Number: (202) 296-6036
Telephone Number: (202) 296-5577

If to a Lender:

To such Lender's address or telecopy number, as applicable, set forth on its signature page hereto or in the applicable Assignment and Acceptance Agreement.

or, as to each party at such other address as shall be designated by such party in a written notice to the other parties delivered in compliance with this Section. All such notices and other communications shall be effective (i) if mailed, when received; (ii) if telecopied, when transmitted; or (iii) if hand delivered, when delivered. Notwithstanding the immediately preceding sentence, all notices or communications to the Administrative Agent or any Lender under Article II. shall be effective only when actually received. Neither the Administrative Agent nor any Lender shall incur any liability to the Borrower (nor shall the Administrative Agent incur any liability to the Lenders) for acting upon any telephonic notice referred to in this Agreement which the Administrative Agent or such Lender, as the case may be, believes in good faith to have been given by a Person authorized to deliver such notice or for otherwise acting in good faith under hereunder.

SECTION 11 EXPENSES.

The Borrower agrees (a) to pay or reimburse the Agents for all of their reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of, and any amendment, supplement or modification to, any of the Loan Documents (including due diligence expenses and travel expenses relating to closing), and the consummation of the transactions contemplated thereby, including the reasonable fees and disbursements of counsel to the Documentation Agent, (b) to pay or reimburse the Administrative Agent and the Lenders for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under the Loan Documents, including the reasonable fees and disbursements of their respective counsel (including the allocated fees and expenses of in-house counsel) and any payments in indemnification or otherwise payable by the Lenders to the Administrative Agent pursuant to the Loan Documents, (c) to pay, indemnify and hold the Administrative Agent and the Lenders harmless from any and all recording and filing fees and any and all liabilities with respect to, or resulting from any failure to pay or delay in paying, documentary, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of any of the Loan Documents, or consummation of any amendment, supplement or modification of, or any waiver or consent under or in respect of, any Loan Document and (d) to the extent not already covered by any of the preceding subsections, to pay or reimburse the Administrative Agent and the Lenders for all their costs and expenses incurred in connection with any bankruptcy or other proceeding of the type described in Sections 11.1.(f) or 11.1.(g), including the reasonable fees and

disbursements of counsel to the Administrative Agent and any Lender, whether such fees and expenses are incurred prior to, during or after the commencement of such proceeding or the confirmation or conclusion of any such proceeding.

SECTION 11 SETOFF.

Subject to Section 3.3. and in addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon the occurrence and during the continuation of a Default or an Event of Default, each Arranging Agent and each Lender is hereby authorized by the Borrower, at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, but in the case of any Lender only with the prior written consent of the Arranging Agents, to set-off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by such Arranging Agent, such Lender or any affiliate of such Arranging Agent or such Lender, to or for the credit or the account of the Borrower against and on account of any of the Obligations, irrespective of whether or not any or all of the Loans and all other Obligations have declared to be due and payable as permitted by Section 11.2., and although such obligations shall be contingent or unmatured.

SECTION 11 ARBITRATION.

UPON DEMAND OF ANY PARTY HERETO, WHETHER MADE BEFORE OR AFTER INSTITUTION OF ANY JUDICIAL PROCEEDING, ANY CLAIM OR CONTROVERSY ARISING OUT OF, OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS ("DISPUTES") BETWEEN OR AMONG ANY SUCH PARTIES SHALL BE RESOLVED BY BINDING ARBITRATION CONDUCTED UNDER AND GOVERNED BY THE COMMERCIAL FINANCIAL DISPUTES ARBITRATION RULES (THE "ARBITRATION RULES") OF THE AMERICAN ARBITRATION ASSOCIATION (THE "AAA") AND THE FEDERAL ARBITRATION ACT. DISPUTES MAY INCLUDE, WITHOUT LIMITATION, TORT CLAIMS, COUNTERCLAIMS, DISPUTES AS TO WHETHER A MATTER IS SUBJECT TO ARBITRATION, CLAIMS BROUGHT AS CLASS ACTIONS, AND CLAIMS ARISING FROM LOAN DOCUMENTS EXECUTED IN THE FUTURE. A JUDGMENT UPON THE AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. NOTWITHSTANDING THE FOREGOING, THIS ARBITRATION PROVISION DOES NOT APPLY TO DISPUTES UNDER OR RELATED TO INTEREST RATE AGREEMENTS TO WHICH ANY LENDER IS A PARTY. ALL ARBITRATION HEARINGS SHALL BE CONDUCTED IN WASHINGTON, D.C. A HEARING SHALL BEGIN WITHIN 90 DAYS OF DEMAND FOR ARBITRATION AND ALL HEARINGS SHALL CONCLUDE WITHIN 120 DAYS OF DEMAND FOR ARBITRATION. THESE TIME LIMITATIONS MAY NOT BE EXTENDED UNLESS A PARTY SHOWS CAUSE FOR EXTENSION AND THEN NO MORE THAN A TOTAL EXTENSION OF 60 DAYS. THE EXPEDITED PROCEDURES SET FORTH IN RULE 51 ET. SEQ. OF THE ARBITRATION RULES SHALL BE APPLICABLE TO CLAIMS OF LESS THAN \$1,000,000. ARBITRATORS SHALL BE LICENSED ATTORNEYS SELECTED FROM THE COMMERCIAL FINANCIAL DISPUTE ARBITRATION PANEL OF THE AAA. THE PARTIES DO NOT WAIVE ANY APPLICABLE LAWS EXCEPT AS PROVIDED HEREIN. NOTWITHSTANDING THE

PRECEDING BINDING ARBITRATION PROVISIONS, THE PARTIES AGREE TO PRESERVE, WITHOUT DIMINUTION, THE FOLLOWING REMEDIES THAT THE ADMINISTRATIVE AGENT OR THE LENDERS MAY EXERCISE BEFORE OR AFTER AN ARBITRATION PROCEEDING IS BROUGHT. SUBJECT TO THE OTHER TERMS HEREOF, THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO PROCEED IN ANY COURT OF PROPER JURISDICTION OR BY SELF-HELP TO EXERCISE OR PROSECUTE THE FOLLOWING REMEDIES, AS APPLICABLE: (I) ALL RIGHTS TO FORECLOSE AGAINST ANY REAL OR PERSONAL PROPERTY OR OTHER SECURITY BY EXERCISING A POWER OF SALE OR UNDER APPLICABLE LAW BY JUDICIAL FORECLOSURE INCLUDING A PROCEEDING TO CONFIRM THE SALE; (II) ALL RIGHTS OF SELF-HELP INCLUDING PEACEFUL OCCUPATION OF REAL PROPERTY AND COLLECTION OF RENTS, SET-OFF, AND PEACEFUL POSSESSION OF PERSONAL PROPERTY; (III) OBTAINING PROVISIONAL OR ANCILLARY REMEDIES INCLUDING INJUNCTIVE RELIEF, SEQUESTRATION, GARNISHMENT, ATTACHMENT, APPOINTMENT OF RECEIVER AND FILING AN INVOLUNTARY BANKRUPTCY PROCEEDING; AND (IV) WHEN APPLICABLE, A JUDGMENT BY CONFESSION OF JUDGMENT. ANY CLAIM OR CONTROVERSY WITH REGARD TO PARTIES ENTITLEMENT TO SUCH REMEDIES IS A DISPUTE. THE PARTIES HERETO ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED ANY RIGHT THEY MAY HAVE TO A JURY TRIAL WITH REGARD TO A DISPUTE. FURTHER, THE PARTIES AGREE THAT IF (X) THE ADMINISTRATIVE AGENT OR THE LENDERS SHALL BE ENTITLED TO EXERCISE ANY RIGHT OR REMEDY UNDER ARTICLE XI. SOLELY BECAUSE ANY EVENT OR CONDITION HAS OCCURRED OR EXISTS (OR HAS FAILED TO OCCUR OR EXIST) WHICH COULD REASONABLY BE EXPECTED TO HAVE A MATERIAL ADVERSE EFFECT (AS DEFINED HEREIN) AND (Y) THE BORROWER IN GOOD FAITH SHALL DISPUTE THE REQUISITE LENDERS' DETERMINATION OF MATERIALITY AS PERMITTED BY THE LAST SENTENCE OF THE DEFINITION OF THE TERM MATERIAL ADVERSE EFFECT, THEN THE EXERCISE OF SUCH RIGHTS AND REMEDIES SHALL BE SUBJECT TO RESOLUTION OF SUCH DISPUTE PURSUANT TO ARBITRATION IN ACCORDANCE WITH THIS SECTION.

SECTION 13.5. SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Lenders.

(b) Any Lender may make, carry or transfer Loans at, to or for the account of, any of its branch offices or the office of an affiliate of such Lender except to the extent such transfer would result in increased costs to the Borrower.

(c) Any Lender may at any time grant to one or more banks or other financial institutions (each a "Participant") participating interests in its Commitment or the Obligations owing to such Lender; provided, however, (i) any such participating interest must be for a constant and not a

varying percentage interest, (ii) no Lender may grant a participating interest in its Commitment, or if the Commitments have been terminated, the aggregate outstanding principal balance of Notes held by it, in an amount less than \$10,000,000 and integral multiples of \$5,000,000 in excess thereof and (iii) after giving effect to any such participation a Lender, the amount of its Commitment, or if the Commitments have been terminated, the aggregate outstanding principal balance of Notes held by it, in which it has not granted any participating interests must be at least \$10,000,000. Except as otherwise provided in Section 13.3., no Participant shall have any rights or benefits under this Agreement or any other Loan Document. In the event of any such grant by a Lender of a participating interest to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided, however, such Lender may agree with the Participant that it will not, without the consent of the Participant, agree to (i) increase, or extend the term or extend the time or waive any requirement for the reduction or termination of, such Lender's Commitment, (ii) extend the date fixed for the payment of principal or of interest on the Loans or portions thereof owing to such Lender, (iii) reduce the amount of any such payment of principal, or (iv) reduce the rate at which interest is payable thereon. An assignment or other transfer which is not permitted by subsection (d) or (e) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (c). The selling Lender shall notify the Administrative Agent and the Borrower of the sale of any participation hereunder and the terms thereof.

(d) Any Lender may with the prior written consent of each Arranging Agent and the Borrower (which consent in the case of each Arranging Agent and the Borrower shall not be unreasonably withheld) assign to one or more Eligible Assignees (each an "Assignee") all or a portion of its Commitment and its other rights and obligations under this Agreement and the Notes; provided, however, (i) no such consent by the Borrower shall be required (x) in the case of any assignment to another Lender or any affiliate of such Lender or another Lender or (y) if a Default or Event of Default shall have occurred and be continuing; (ii) any partial assignment shall be in an amount at least equal to \$10,000,000 and integral multiples in of \$5,000,000 in excess thereof and after giving effect to such assignment the assigning Lender retains a Commitment, or if the Commitments have been terminated, holds Notes having an aggregate outstanding principal balance, of at least \$10,000,000 and integral multiples of \$5,000,000 in excess thereof; (iii) each such assignment shall be effected by means of an Assignment and Acceptance Agreement; (iv) if CoreStates shall assign any of its Commitment, then CoreStates shall cease to be the Syndication Agent and (v) each Arranging Agent, in such Arranging Agent's capacity as a Lender, shall not effect any assignment of its Commitment, if after giving effect thereto, the amount of such Commitment would be less than \$5,000,000 more than the Commitment of any other Lender (other than the other Arranging Agent or the Syndication Agent) in its capacity as a Lender. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be deemed to be a Lender party to this Agreement as of the effective date of the Assignment and Acceptance Agreement and shall have all the rights and obligations of a Lender with a Commitment

as set forth in such Assignment and Acceptance Agreement, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (d), the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that new Notes are issued to the Assignee and such transferor Lender, as appropriate. In connection with any such assignment, the transferor Lender shall pay to the Administrative Agent an administrative fee for processing such assignment in the amount of \$4,000.

(e) Any Lender (each, a "Designating Lender") may at any time while the Borrower has been assigned an Investment Grade Rating from either S&P or Moody's designate one Designated Lender to fund Bid Rate Loans on behalf of such Designating Lender subject to the terms of this subsection (e) and the provisions in the immediately preceding subsections (c) and (d) shall not apply to such designation. No Lender may designate more than one Designated Lender. The parties to each such designation shall execute and deliver to the Administrative Agent for its acceptance a Designation Agreement. Upon such receipt of an appropriately completed Designation Agreement executed by a Designating Lender and a designee representing that it is a Designated Lender, the Administrative Agent will accept such Designation Agreement and give prompt notice thereof to the Borrower, whereupon, (i) the Borrower shall execute and deliver to the Designating Lender a Designated Lender Note payable to the order of the Designated Lender, (ii) from and after the effective date specified in the Designation Agreement, the Designated Lender shall become a party to this Agreement with a right to make Bid Rate Loans on behalf of its Designating Lender pursuant to Section 2.2. after the Borrower has accepted a Bid Rate Loan (or portion thereof) of the Designating Lender, and (iii) the Designated Lender shall not be required to make payments with respect to any obligations in this Agreement except to the extent of excess cash flow of such Designated Lender which is not otherwise required to repay obligations of such Designated Lender which are then due and payable; provided, however, that regardless of such designation and assumption by the Designated Lender, the Designating Lender shall be and remain obligated to the Borrower, the Administrative Agent and the Lenders for each and every of the obligations of the Designating Lender and its related Designated Lender with respect to this Agreement, including, without limitation, any indemnification obligations under Section 12.7. and any sums otherwise payable to the Borrower by the Designated Lender. Each Designating Lender shall serve as the administrative agent of the Designated Lender and shall on behalf of, and to the exclusion of, the Designated Lender: (i) receive any and all payments made for the benefit of the Designated Lender and (ii) give and receive all communications and notices and take all actions hereunder, including, without limitation, votes, approvals, waivers, consents and amendments under or relating to this Agreement and the other Loan Documents. Any such notice, communication, vote, approval, waiver, consent or amendment shall be signed by the Designating Lender as administrative agent for the Designated Lender and shall not be signed by the Designated Lender on its own behalf and shall be binding on the Designated Lender to the same extent as if signed by the Designated Lender on its own behalf. The Borrower, the Administrative Agent and the Lenders may rely thereon without any requirement that the Designated Lender sign or acknowledge the same. No Designated Lender may assign or transfer all or any portion of its interest hereunder or under any other Loan Document, other than assignments to the Designating Lender which originally designated such Designated Lender. The Borrower, the Lenders and the Administrative Agent each hereby agrees that it will not institute against any Designated Lender or join any other Person in instituting against any Designated Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation

proceeding under any federal or state bankruptcy or similar law, until the later to occur of (x) one year and one day after the payment in full of the latest maturing commercial paper note issued by such Designated Lender and (y) the Termination Date. In connection with any such designation the Designating Lender shall pay to the Administrative Agent an administrative fee for processing such designation in the amount of \$2,000.

(f) The Administrative Agent shall maintain at the Principal Office a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of each Lender from time to time (the "Register"). The Administrative Agent shall give each Lender and the Borrower notice of the assignment by any Lender of its rights as contemplated by this Section. The Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register and copies of each Assignment and Acceptance Agreement shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice to the Administrative Agent. Upon its receipt of an Assignment and Acceptance Agreement executed by an assigning Lender, together with each Note subject to such assignment (the "Surrendered Note"), the Administrative Agent shall, if such Assignment and Acceptance Agreement has been completed and if the Administrative Agent receives the processing and recording fee described in subsection (d) above, (i) accept such Assignment and Acceptance Agreement, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Borrower.

(g) In addition to the assignments and participations permitted under the foregoing provisions of this Section, any Lender may assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank, and such Loans and Notes shall be fully transferable as provided therein. No such assignment shall release the assigning Lender from its obligations hereunder.

(h) A Lender may furnish any information concerning the Borrower, any other Loan Party or any of their respective Subsidiaries in the possession of such Lender from time to time to Assignees and Participants (including prospective Assignees and Participants) subject to compliance with Section 13.8.

(i) Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan held by it hereunder to the Borrower, any other Loan Party or any of their respective Affiliates or Subsidiaries.

(j) Each Lender agrees that, without the prior written consent of the Borrower, or the Arranging Agents, it will not make any assignment hereunder in any manner or under any circumstances that would require registration or qualification of, or filings in respect of, any Loan or Note under the Securities Act or any other securities laws United States of America or of any other jurisdiction.

SECTION 11 AMENDMENTS.

Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement or in any Loan Document to be given by the Lenders may be given, and any term of this Agreement or of any other Loan Document may be amended, and the performance or observance by the Borrower or any Loan Party or Subsidiary of any terms of this Agreement or such other Loan Document or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Requisite Lenders (and, in the case of an amendment to any Loan Document, the written consent of the Borrower). Notwithstanding the foregoing, no amendment, waiver or consent shall, unless in writing, and signed by all of the Lenders (or the Administrative Agent at the written direction of all of the Lenders), do any of the following: (i) increase the Commitments of the Lenders or subject the Lenders to any additional obligations; (ii) reduce the principal of, or interest rates that have accrued or that will be charged on the outstanding principal amount of, any Loans or other Obligations; (iii) reduce the amount of any Fees payable hereunder; (iv) postpone any date fixed for any payment of any principal of, interest on, or Fees with respect to, any Loans or any other Obligations; (v) change the Commitment Percentages; (vi) amend this Section or amend the definitions of the terms used in this Agreement or the other Loan Documents insofar as such definitions affect the substance of this Section; (vii) release any Guarantor from its obligations under its Guaranty or (viii) modify the definition of the term "Requisite Lenders" or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof. Notwithstanding the foregoing, no amendment, waiver or consent shall, unless in writing and signed by the Designating Lender on behalf of its Designated Lender affected thereby, (a) subject such Designated Lender to any additional obligations, (b) reduce the principal of, interest on, or other amounts due with respect to, the Designated Lender Note made payable to such Designated Lender, or (c) postpone any date fixed for any payment of principal of, or interest on, or other amounts due with respect to the Designated Lender Note made payable to the Designated Lender. Further, no amendment, waiver or consent unless in writing and signed by the Administrative Agent, in addition to the Lenders required hereinabove to take such action, shall affect the rights or duties of the Administrative Agent under this Agreement or any of the other Loan Documents. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon and any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose set forth therein. No course of dealing or delay or omission on the part of the Administrative Agent or any Lender in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. Except as otherwise explicitly provided for herein or in any other Loan Document, no notice to or demand upon the Borrower shall entitle the Borrower to other or further notice or demand in similar or other circumstances.

SECTION 11 NONLIABILITY OF ARRANGING AGENTS AND LENDERS.

The relationship between the Borrower, on the one hand, and the Lenders and the Arranging Agents, on the other, shall be solely that of borrower and lender. No Arranging Agent nor any Lender shall have any fiduciary responsibilities to the Borrower and no provision in this Agreement or in any of the other Loan Documents, and no course of dealing between or among any of the parties hereto, shall be deemed to create any fiduciary duty owing by either Arranging Agent or any

Lender to any Lender, the Borrower or any Subsidiary. No Arranging Agent nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

SECTION 11 CONFIDENTIALITY.

Except as otherwise provided by Applicable Law, the Administrative Agent and each Lender shall utilize all non-public information obtained pursuant to the requirements of this Agreement in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices but in any event may make disclosure: (a) to any of their respective affiliates (provided they shall agree to keep such information confidential in accordance with the terms of this Section); (b) as reasonably required by any bona fide Assignee, Participant or other transferee in connection with the contemplated transfer of any Commitment or participations therein as permitted hereunder (provided they shall agree to keep such information confidential in accordance with the terms of this Section); (c) as required by any Governmental Authority or representative thereof or pursuant to legal process; (d) to the Administrative Agent's or such Lender's independent auditors and other professional advisors (provided they shall be notified of the confidential nature of the information); and (e) after the happening and during the continuance of an Event of Default, to any other Person, in connection with the exercise by the Administrative Agent or the Lenders of rights hereunder or under any of the other Loan Documents. The Borrower hereby consents to the disclosure of any non-public information described above by a Designated Lender to any Rating Agency, commercial paper dealer, or provider of a surety, Guarantee or credit or liquidity enhancement to such Designated Lender.

SECTION 11 INDEMNIFICATION.

(a) The Borrower shall and hereby agrees to indemnify, defend and hold harmless the Arranging Agents, any affiliate of the Arranging Agents and each of the Lenders and their respective directors, officers, shareholders, agents, employees and counsel (each referred to herein as an "Indemnified Party") from and against any and all losses, costs, claims, damages, liabilities, deficiencies, judgments or expenses of every kind and nature (including, without limitation, amounts paid in settlement, court costs and the fees and disbursements of counsel incurred in connection with any litigation, investigation, claim or proceeding or any advice rendered in connection therewith, but excluding lost profits) (the foregoing items referred to herein as "Claims and Expenses") incurred by an Indemnified Party in connection with, arising out of, or by reason of, any suit, cause of action, claim, arbitration, investigation or settlement, consent decree or other proceeding (the foregoing referred to herein as an "Indemnity Proceeding") which is in any way related directly or indirectly to: (i) this Agreement or any other Loan Document or the transactions contemplated thereby; (ii) the making of any Loans or issuance of Letters of Credit hereunder; (iii) any actual or proposed use by the Borrower of the proceeds of the Loans or Letters of Credit; (iv) the Administrative Agent's or any Lender's entering into this Agreement; (v) the fact that the Administrative Agent and the Lenders have established the credit facility evidenced hereby in favor of the Borrower; (vi) the fact that the Administrative Agent and the Lenders are creditors of the Borrower and have or are alleged to have information regarding the financial condition, strategic plans or business operations of the Borrower and the Subsidiaries; (vii) the fact that the Administrative Agent and the Lenders are material creditors of the Borrower and are alleged to influence directly or indirectly the business decisions

or affairs of the Borrower and the Subsidiaries or their financial condition; (viii) the exercise of any right or remedy the Administrative Agent or the Lenders may have under this Agreement or the other Loan Documents; and (ix) any violation or non-compliance by the Borrower or any Subsidiary of any Applicable Law (including any Environmental Law) including, but not limited to, any Indemnity Proceeding commenced by (A) the Internal Revenue Service or state taxing authority or (B) any Governmental Authority or other Person under any Environmental Law, including any Indemnity Proceeding commenced by a Governmental Authority or other Person seeking remedial or other action to cause the Borrower or its Subsidiaries (or its respective properties) (or the Administrative Agent and/or the Lenders as successors to the Borrower) to be in compliance with such Environmental Laws; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party (x) for any acts or omissions of such Indemnified Party in connection with matters described in the preceding clause (viii) that constitute gross negligence or willful misconduct or (y) for Claims and Expenses of a Defaulting Lender to the extent such Claims and Expenses result from the gross negligence or willful misconduct of such Defaulting Lender.

(b) The Borrower's indemnification obligations under this Section shall apply to all Indemnity Proceedings arising out of, or related to, the foregoing whether or not an Indemnified Party is a named party in such Indemnity Proceeding. In this connection, this indemnification shall cover all costs and expenses of any Indemnified Party in connection with any deposition of any Indemnified Party or compliance with any subpoena (including any subpoena requesting the production of documents). This indemnification shall, among other things, apply to any Indemnity Proceeding commenced by other creditors of the Borrower or any Subsidiary, any shareholder of the Borrower or any Subsidiary (whether such shareholder(s) are prosecuting such Indemnity Proceeding in their individual capacity or derivatively on behalf of the Borrower), any account debtor of the Borrower or any Subsidiary or by any Governmental Authority.

(c) This indemnification shall apply to any Indemnity Proceeding arising during the pendency of any bankruptcy proceeding filed by or against the Borrower and/or any Subsidiary.

(d) All out-of-pocket fees and expenses of, and all amounts paid to third-persons by, an Indemnified Party shall be advanced by the Borrower at the request of such Indemnified Party notwithstanding any claim or assertion by the Borrower that such Indemnified Party is not entitled to indemnification hereunder upon receipt of an undertaking by such Indemnified Party that such Indemnified Party will reimburse the Borrower if it is actually and finally determined by a court of competent jurisdiction that such Indemnified Party is not so entitled to indemnification hereunder.

(e) An Indemnified Party may conduct its own investigation and defense of, and may formulate its own strategy with respect to, any Indemnified Proceeding covered by this Section and, as provided above, all costs and expenses incurred by the Indemnified Party shall be reimbursed by the Borrower. No action taken by legal counsel chosen by an Indemnified Party in investigating or defending against any such Indemnified Proceeding shall vitiate or in any way impair the obligations and duties of the Borrower hereunder to indemnify and hold harmless each such Indemnified Party; provided, however, that (i) if the Borrower is required to indemnify an Indemnified Party pursuant hereto and (ii) the Borrower has provided evidence reasonably satisfactory to such Indemnified Party that the Borrower has the financial wherewithal to reimburse such Indemnified Party for any amount paid by such Indemnified Party with respect to such Indemnified Proceeding, such Indemnified Party

shall not settle or compromise any such Indemnified Proceeding without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed).

(f) If and to the extent that the obligations of the Borrower hereunder are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under Applicable Law.

(g) The Borrower's obligations hereunder shall survive any termination of this Agreement and the other Loan Documents and the payment in full of the Obligations, and are in addition to, and not in substitution of, any other of their obligations set forth in this Agreement or any other Loan Document to which it is a party.

SECTION 11 TERMINATION; SURVIVAL.

At such time as (a) all of the Commitments have been terminated, (b) none of the Lenders is obligated any longer under this Agreement to make any Loans, (c) the Administrative Agent is no longer obligated any longer under this Agreement to issue any Letters of Credit, (d) no Letters of Credit remain outstanding and (e) all Obligations (other than obligations which survive as provided in the following sentence) have been paid and satisfied in full, this Agreement shall terminate. Notwithstanding any termination of this Agreement, or of the other Loan Documents, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of Sections 12.7., 13.2. and 13.9. and any other provision of this Agreement and the other Loan Documents, and the waivers of jury trial and submission to jurisdictions contained in Section 13.4., shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 11 SEVERABILITY OF PROVISIONS.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 11 GOVERNING LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NORTH CAROLINA APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

SECTION 11 COUNTERPARTS.

This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

SECTION 11 OBLIGATIONS WITH RESPECT TO LOAN PARTIES.

The obligations of the Borrower to direct or prohibit the taking of certain actions by the other Loan Parties as specified herein shall be absolute and not subject to any defense the Borrower may have that the Borrower does not control such Loan Parties.

SECTION 11 LIMITATION OF LIABILITY.

Neither the Arranging Agents nor any Lender, nor any affiliate, officer, director, employee, attorney, or agent of either Arranging Agent or any Lender shall have any liability with respect to, and the Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by the Borrower in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. The Borrower hereby waives, releases, and agrees not to sue either Arranging Agent or any Lender or any of either Arranging Agent's or any Lender's affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or financed hereby.

SECTION 11 ENTIRE AGREEMENT.

This Agreement, the Notes, and the other Loan Documents referred to herein embody the final, entire agreement among the parties hereto and supersede any and all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

SECTION 11 CONSTRUCTION.

The Administrative Agent, the Borrower and each Lender acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by the Administrative Agent, the Borrower and each Lender.

SECTION 13.18. LIMITATION OF LIABILITY OF TRUSTEES, ETC.

THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL LOOK SOLELY TO THE PROPERTY OF THE BORROWER AND THE OTHER LOAN PARTIES FOR THE ENFORCEMENT OF ANY CLAIM AGAINST THE BORROWER AND SUCH LOAN PARTY UNDER OR IN RESPECT OF ANY OF THE LOAN DOCUMENTS AND ACCORDINGLY NEITHER THE TRUSTEES, OFFICERS, EMPLOYEES, AGENTS NOR SHAREHOLDERS OF THE BORROWER SHALL HAVE ANY PERSONAL LIABILITY FOR OBLIGATIONS ENTERED INTO BY OR ON BEHALF OF THE BORROWER OR ANY OTHER LOAN PARTY.

[Signatures on Following Pages]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be executed by their authorized officers all as of the day and year first above written.

BORROWER:

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Ron D. Kaplan

Name: Ron D. Kaplan

Title: Chief Investment Officer

By: /s/ Steven J. Guttman

Name: Steven J. Guttman

Title: Trustee

[Signatures Continued on Next Page]

FIRST UNION NATIONAL BANK, as
Administrative Agent, as Arranger and as
a Lender

By: /s/ John A. Schissel

Name: John A. Schissel

Title: Vice President

COMMITMENT AMOUNT:

\$50,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

First Union National Bank
One First Union Center
Charlotte, North Carolina 28288-0166
Attn: Donna Hemenway
Telecopier: (704) 383-8763
Telephone: (704) 383-7879

[Signatures Continued on Next Page]

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Documentation Agent, as
Co-Arranger and as a Lender

By: /s/ E.F. Shay III

Name: E.F. Shay III

Title: Vice President

COMMITMENT AMOUNT:

\$50,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

Wells Fargo Bank, National Association
2020 K Street, N.W., Suite 420
Washington, D.C. 20006
Attn: Office Manager/Vice President
Telecopier: (202) 296-6036
Telephone: (202) 296-5577

CORESTATES BANK, N.A., as
Syndication Agent and as a Lender

By: /s/ Glenn W. Gallagher

Name: Glenn W. Gallagher

Title: Vice President

COMMITMENT AMOUNT:

\$40,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

CoreStates Bank, N.A.
1339 Chestnut Street
10th Floor, Widener Building
Philadelphia, Pennsylvania 19107
Attn: Lorraine Alongi
Telecopier: 215-786-4259
Telephone: 215-786-4247

BANK OF MONTREAL, CHICAGO BRANCH

By: /s/ Catherine Sahagian Mousseau

Name: Catherine Sahagian Mousseau

Title: Director

COMMITMENT AMOUNT:

\$25,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

Bank of Montreal, Chicago Branch
Real Estate Department
115 South LaSalle Street, 12W
Chicago, Illinois 60603
Attn: Josie Nichols, Client Services Supervisor
Telecopier: 312-750-4345
Telephone: 312-750-3748

COMMERZBANK AKTIENGESELLSCHAFT,
NEW YORK BRANCH

By: /s/ Douglas P. Traynor

Name: Douglas P. Traynor

Title: Vice President

By: /s/ E. Marcus Perry

Name: E. Marcus Perry

Title: Assistant Treasurer

COMMITMENT AMOUNT:

\$25,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

Commerzbank AG, New York Branch
2 World Financial Center
New York, New York 10281
Attn: Christine Scaffidi, Assistant Vice President
Telecopier: 212-266-7593
Telephone: 212-266-7396

FLEET NATIONAL BANK

By: /s/ Aron D. Levine

Name: Aron D. Levine

Title: Vice President

COMMITMENT AMOUNT:

\$25,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

Fleet National Bank
75 State Street
Mail Code: MA B0 F11A
Boston, Massachusetts 02109
Attn: Lancy Chan, Loan Administrator
Telecopier: 617-346-3233
Telephone: 617-346-2843

MELLON BANK, N.A.

By: /s/ Frederick A. Felter

Name: Frederick A. Felter

Title: Vice President

COMMITMENT AMOUNT:

\$30,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

Mellon Bank, N.A.
1735 Market Street, 4th Floor
Philadelphia, Pennsylvania 19103
Attn: Cheryl Zaborowski, Senior Loan
Administrator
Telecopier: 215-553-3472
Telephone: 215-553-3711

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Ashley J. Smith

Name: Ashley J. Smith

Title: Assistant Vice President

COMMITMENT AMOUNT:

\$25,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

PNC Bank, National Association
One PNC Plaza, 19th Floor
249 Fifth Avenue
Mailstop: P1 POPP 19-2
Pittsburgh, Pennsylvania 15222
Attn: Jan Dotchin, Loan Administrator
Telecopier: 412-768-5754
Telephone: 412-762-3986

UNION BANK OF SWITZERLAND (NEW
YORK BRANCH)

By: /s/ Joseph M. Bassil

Name: Joseph M. Bassil

Title: Director

By: /s/ Susan Le Boutillier

Name: Susan Le Boutillier

Title: Director

COMMITMENT AMOUNT:

\$30,000,000

LENDING OFFICE (ALL TYPES OF LOANS):

Union Bank of Switzerland (New York Branch)
299 Park Avenue
New York, New York 10171
Attn: Mara Martez, Assistant Vice President
Telecopier: 212-821-4138
Telephone: 215-821-3872

FEDERAL REALTY INVESTMENT TRUST
 PERFORMANCE SHARE AWARD AGREEMENT

This Performance Share Award Agreement (this "Agreement") is made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Steven J. Guttman, 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, no par value 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 January 1, 1998 (the "Award Date"), three hundred thousand (300,000) 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, 1998 and ending on December 31, 2005. Within the Performance Period there shall be eight 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. The number of Performance Shares as to which the Restriction Period shall lapse during the Performance Period shall be determined by the Committee in accordance with this Paragraph 4.

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 eighth Award Periods, the Committee shall determine the extent to which the Performance Target (as defined in Paragraph 4.2(b) and as set forth in Appendix A) has been met or exceeded by the Trust within such Award Period, and shall determine, in accordance with this Performance Share Award Agreement, the number of Performance Shares, if any, as to which the Restriction Period will lapse 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 Determination Notice shall specify the number of Performance Shares as to which the Restriction Period has lapsed to the extent that the Performance Target has been met by the Trust within the Award Period. 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 Funds from Operations ("FFO") annual growth rate per Share to equal or exceed seven percent (7%). 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 Shares as to which the Restriction Period will lapse with respect to the eighth Award Period (the "Remaining Shares"), for the period of time beginning on the ninth anniversary of the Award Date until the thirteenth anniversary of the Award Date, as of the first day of each year during such period, the Restriction Period shall lapse with

respect to one-fifth of the number of Remaining Shares; 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 (in accordance with Paragraph 5) in the amount of any such tax obligation.

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 4) 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 Amended and Restated Employment 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 16th/ 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 Loans. (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. The Key Employee hereby pledges the Performance Shares awarded to him hereunder as to which

the Restriction Period has lapsed, and assigns to the Trust all quarterly cash or other dividends paid on the Performance Shares awarded to him hereunder as collateral to secure his obligation to repay any Tax Loans extended to him hereunder and any accrued but unpaid Interest on 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.

(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 (i) the forgiveness of any Tax Loans extended under Paragraph 5(a) and (ii) 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 District of Columbia 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. Exculpatory Clause. Neither the Trust's shareholders nor

the Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

6.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street

Rockville, MD 20852

STEVEN J. GUTTMAN

/s/ Steven J. Guttman

Address:

5126 Wissinoming Road

Bethesda, MD 20816

APPENDIX A

Promptly after the announcement or other publication by the Trust of its final results of operations for each of the first through the eighth Award Periods, the Committee shall determine the extent to which the Performance Target (as defined below) has been met or exceeded by the Trust within such Award Period, and shall determine, in accordance with this Performance Share Award Agreement, the number of Performance Shares, if any, with respect to which the Restriction Period will lapse. To meet or exceed the Performance Target (the "Performance Target"), the Trust must meet or exceed the funds from operations ("FFO") annual per Share growth rate set forth below, and the determination of the number of Performance Shares with respect to which the Restriction Period will lapse shall comply with the General Instructions below. All figures are rounded to the nearest penny.

Performance Target

Funds From Operations/Annual Per Share Growth Rate	Number of Performance Shares as to which Restriction Period Lapses
Less than 7%	None
Equal to or greater than 7% but less than 9%	37,500 shares
Equal to or greater than 9%	60,000 shares

General Instructions

The FFO annual per Share growth rate shall be determined after taking into account the impact of the Performance Shares proposed to be awarded.

If, in any Award Period, the Trust does not achieve the Performance Target, the Restriction Period will not lapse as to any Performance Shares.

Set forth below is an example:

Award Period	FFO Annual Per Share Growth Rate	Performance Target Met or Exceeded?	Shares as to Which Restriction Period Lapses	Total Shares as to which Restriction Period has Lapsed
1998	9%	Yes	60,000	60,000
1999	6%	No	0	60,000
2000	7%	Yes	37,500	97,500
2001	9%	Yes	60,000	157,500
2002	8%	Yes	37,500	195,000
2003	8%	Yes	37,500	232,500
2004	8%	Yes	37,500	270,000
2005	6%	No	0	270,000
2006	N/A	N/A	6,000/1/	276,000
2007	N/A	N/A	6,000	282,000
2008	N/A	N/A	6,000	288,000
2009	N/A	N/A	6,000	294,000
2010	N/A	N/A	6,000	300,000

Any Performance Shares as to which the Restriction Period has not lapsed after the Committee has determined the number of Performance Shares as to which the Restriction Period shall lapse with respect to the eighth Award Period ("Remaining Shares") shall be awarded automatically in equal installments for each of the ninth through the thirteenth Award Periods. These awards of Performance Shares will be made at January 1 of the following year (for example, the Restriction Period for the number of Performance Shares awarded to the Key Employee with respect to 2006 (the ninth Award Period) shall lapse on January 1, 2007). The previous example reflects this treatment.

- - - - -
 /1/ The Restriction Period as to the 30,000 Remaining Shares will lapse in equal installments over the next five years.

FEDERAL REALTY INVESTMENT TRUST
AMENDED AND RESTATED RESTRICTED SHARE AWARD AGREEMENT

This Restricted Share Award Agreement (this "Agreement") made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Steven J. Guttman, an individual employee of the Trust (the "Key Employee"), is amended and restated as of February 27, 1998 as set forth below.

WHEREAS, the Key Employee is eligible to receive a base salary payable in cash for the year 1998 (the "1998 Salary") from the Trust;

WHEREAS, the Key Employee has agreed to forgo receipt of the 1998 Salary and to provide services to the Trust during the period from January 1, 1998 through December 31, 2002 in exchange for a grant from the Trust of the number of shares of beneficial interest, no par value of the Trust (the "Shares") equal to 133% of the 1998 Salary divided by the closing price per Share on December 31, 1997 (the "Restricted Shares");

WHEREAS, the Compensation Committee of the Board of Trustees of the Trust (the "Compensation Committee") 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 Restricted Share Award for the Restricted Shares; and

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

1.1. The Trust hereby grants to the Key Employee, effective as of January 1, 1998 (the "Award Date"), if the Key Employee is an employee of the Trust as of such date, the Restricted 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 Restricted 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 Restricted Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction Period (as hereinafter defined in Paragraph 3) 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 Restricted 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 3, of all or any portion of the Restricted Shares, the certificate or certificates representing the forfeited Restricted Shares shall be canceled.

2. Restrictions Applicable to Restricted Shares.

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

- (a) none of the Restricted 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 or sold by the Key Employee during the Restriction Period (as hereinafter defined in Paragraph 3);
- (b) all or a portion of the Restricted Shares may be forfeited in accordance with Paragraph 3; and
- (c) any Shares distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Shares and shall be represented by book entry and held in the same manner as the Restricted

Shares with respect to which they were distributed.

2.2. Any attempt to dispose of Restricted Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective. As the restrictions set forth in this Paragraph 2 hereof lapse in accordance with the terms of this Agreement as to all or a portion of the Restricted Shares, such shares shall no longer be considered Restricted Shares for purposes of this Agreement.

3. Restriction Period.

3.1. Subject to Paragraphs 3.2 through 3.4, the restrictions set forth in Paragraph 2 shall apply for a period (the "Restriction Period") from the Award Date until such Restriction Period lapses. The Restriction Period shall lapse as to all Restricted Shares on the fifth anniversary of the Award Date; provided, however, that the Restriction Period for any particular

Restricted Shares shall not lapse on the date set forth above unless the Key Employee tenders to the Trust (or the Trust otherwise withholds in accordance with Paragraph 3.4) 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.

3.2.(a) The Restriction Period shall lapse as to all Restricted Shares in the event (i) of the termination of the Key Employee due to Disability (as defined in Paragraph 3.2(b)), (ii) that the Key Employee is terminated by the Trust without Cause (as defined in Paragraph 3.2(b)) or (iii) of the termination of the Key Employee due to his death, provided, however, that

the Restriction Period shall 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 3.4) 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 Restricted Shares.

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

(c) Upon the occurrence of a Change in Control, the Restriction Period shall lapse as to all Restricted Shares. In such event, if the Key Employee tenders (or the Trust otherwise withholds in accordance with Paragraph 3.4), 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 Restricted 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 Shares as to which the Restriction Period shall have lapsed.

(d) If the Key Employee's termination due to Disability or termination without Cause occurs before the first anniversary of the Award Date, or if a Change of Control occurs before such anniversary, any payments which the Key Employee is entitled to receive pursuant to the Amended and Restated Employment Agreement between the Trust and the Key Employee in effect from time to time, in the event of the Key Employee's termination due to Disability or termination without Cause or the Amended and Restated Executive Agreement between the Trust and the Key Employee in effect from time to time, in the event of a Change in Control, shall be setoff by the Trust by the following amount: \$39,583 times the number of months the Key Employee does not work in the year of his termination or in the year in which a Change of Control occurs, (if the Key Employee's employment terminated before the 16th day of a month, that month shall be treated as a month in which he did not work)).

3.3. If the Key Employee (i) is terminated by the Trust for Cause or (ii) voluntarily resigns from employment in all capacities with the Trust before the fifth anniversary of the Award Date, then all rights of the Key Employee to the Restricted Shares shall terminate and be forfeited.

3.4. In the event the Key Employee or his legal representative fails to promptly tender to the Trust any required tax withholding amount in accordance with this Paragraph 3, then the Trust shall retain a portion of the Restricted Shares sufficient to meet its tax withholding obligation.

4. Miscellaneous.

4.1. 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 Restricted Share Award Agreement.

4.2. 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.

4.3. Continued Employment. This Agreement shall not confer upon

the Key Employee any right with respect to continuance of employment by the Trust.

4.4. 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.

4.5. 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.

4.6. 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.

4.7. Governing Law. This Agreement and its validity,

interpretation, performance and enforcement shall be governed by the laws of the District of Columbia other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

4.8. 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.

4.9. 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.

4.10. 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.

4.11. Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

4.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble

Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street

Rockville, MD 20852

STEVEN J. GUTTMAN

/s/ Steven J. Guttman

Address:

5126 Wissinoming Road

Bethesda, MD 20816

FEDERAL REALTY INVESTMENT TRUST
AMENDED AND RESTATED RESTRICTED SHARE AWARD AGREEMENT

This Restricted Share Award Agreement (this "Agreement") made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Steven J. Guttman, an individual employee of the Trust (the "Key Employee"), is amended and restated as of February 27, 1998 as set forth below.

WHEREAS, the Key Employee is eligible to receive a cash bonus for the year 1997 (the "1997 Bonus");

WHEREAS, the Key Employee has agreed to forgo receipt of the 1997 Bonus and to provide services to the Trust during the period from January 1, 1998 through December 31, 2002 in exchange for a grant from the Trust of the number of shares of beneficial interest, no par value of the Trust (the "Shares") equal to 133% of the 1997 Bonus divided by the closing price per Share on December 31, 1997 (the "Restricted Shares");

WHEREAS, the Compensation Committee of the Board of Trustees of the Trust (the "Compensation Committee") 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 Restricted Share Award for the Restricted Shares; and

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

1.1. The Trust hereby grants to the Key Employee, as of the date of the Compensation Committee's determination to award the Key Employee a bonus for 1997 (the "Award Date") the Restricted 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 Restricted 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 Restricted Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction Period (as hereinafter defined in Paragraph 3) 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 Restricted 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 3, of all or any portion of the Restricted Shares, the certificate or certificates representing the forfeited Restricted Shares shall be canceled.

2. Restrictions Applicable to Restricted Shares.

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

(a) none of the Restricted 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 or sold by the Key Employee during the Restriction Period (as hereinafter defined in Paragraph 3);

(b) all or a portion of the Restricted Shares may be forfeited in accordance with Paragraph 3; and

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

2.2. Any attempt to dispose of Restricted Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective. As the restrictions set forth in this Paragraph 2 hereof lapse in accordance with the terms of this Agreement as to all or a portion of the Restricted Shares, such shares shall no longer be considered Restricted Shares for purposes of this Agreement.

3. Restriction Period.

3.1. Subject to Paragraphs 3.2 through 3.5, the restrictions set forth in Paragraph 2 shall apply for a period (the "Restriction Period") from the Award Date until such Restriction Period lapses. The Restriction Period shall lapse as to all Restricted Shares on the fifth anniversary of the Award Date; provided, however, that the Restriction Period for any particular

Restricted Shares shall not lapse on the date set forth above unless the Key Employee tenders to the Trust (or the Trust otherwise withholds in accordance with Paragraph 3.5) 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.

3.2. (a) The Restriction Period shall lapse as to all Restricted Shares (i) in the event of the termination of the Key Employee due to death or Disability (as defined in Paragraph 3.2(b)) or (ii) in the event that the Key Employee is terminated by the Trust without Cause (as defined in Paragraph 3.2(b)), 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 3.5) 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.

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

3.3. The Restriction Period shall lapse as to all Restricted 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 3.5) 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, 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 Shares as to which the Restriction Period shall have lapsed.

3.4. If the Key Employee (i) is terminated by the Trust for Cause or (ii) voluntarily resigns from employment in all capacities with the Trust, then all rights of the Key Employee to the Restricted Shares shall terminate and be forfeited.

3.5. In the event the Key Employee or his legal representative fails to promptly tender to the Trust any required tax withholding amount in accordance with this Paragraph 3, then the Trust shall retain a portion of the Restricted Shares sufficient to meet its tax withholding obligation.

4. Miscellaneous.

4.1. 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 Restricted Share Award Agreement.

4.2. 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.

4.3. Continued Employment. This Agreement shall not confer upon the

Key Employee any right with respect to continuance of employment by the Trust.

4.4. 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.

4.5. 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.

4.6. 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.

4.7. Governing Law. This Agreement and its validity, interpretation,

performance and enforcement shall be governed by the laws of the District of Columbia other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

4.8. 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.

4.9. 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.

4.10. 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.

4.11. Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

4.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

STEVEN J. GUTTMAN

/s/ Steven J. Guttman

Address:

5126 Wissioming Road
Bethesda, MD 20816

FEDERAL REALTY INVESTMENT TRUST
PERFORMANCE SHARE AWARD AGREEMENT

This Performance Share Award Agreement (this "Agreement") is made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Ron D. Kaplan, 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 of a Performance Share Award for a certain number of shares of beneficial interest, no par value of the Trust (the "Shares");

WHEREAS, this Performance Share Award is not made under the Trust's Amended and Restated 1993 Long-Term Incentive Plan (the "Amended Plan"); 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 January 1, 1998 (the "Award Date"), twelve thousand five hundred (12,500) Shares (the "Performance Shares"), subject to the restrictions and other terms and conditions set forth herein.

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, 1998 and ending on December 31, 2005. Within the Performance Period there shall be eight 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. The number of Performance Shares as to which the Restriction Period shall lapse during the Performance Period shall be determined by the Committee in accordance with this Paragraph 4.

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 eighth Award Periods, the Committee shall determine the extent to which the Performance Target (as defined in Paragraph 4.2(b) and as set forth in Appendix A) has been met or exceeded by the Trust within such Award Period, and shall determine, in accordance with this Performance Share Award Agreement, the number of Performance Shares, if any, as to which the Restriction Period will lapse 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 Determination Notice shall specify the number of Performance Shares as to which the Restriction Period has lapsed to the extent that the Performance Target has been met by the Trust within the Award Period. 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 Funds from Operations ("FFO") annual growth rate per Share to equal or exceed seven percent (7%). 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 Shares as to which the Restriction Period will lapse with respect to the eighth Award Period (the "Remaining Shares"), for the period of time beginning on the ninth anniversary of the Award Date until the thirteenth anniversary of the Award Date, as of the first day of each year during such period, the Restriction Period shall lapse with respect to one-fifth of the number of Remaining Shares; 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 (in accordance with Paragraph 5) in the amount of any such tax obligation.

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 4) 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/th/ 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
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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. The Key Employee hereby pledges the Performance Shares awarded to him hereunder as to which the Restriction Period has lapsed, and assigns to the Trust all quarterly cash or other dividends paid on the Performance Shares awarded to him hereunder as collateral to secure his obligation to repay any Tax Loans extended to him hereunder and any accrued but unpaid Interest on 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.

(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 (i) the forgiveness of any Tax Loans extended under Paragraph 5(a) and (ii) 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. Although this

Performance Share Award is not made under the 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 as if the Amended Plan applied hereto.

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 District of Columbia 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. Exculpatory Clause. Neither the Trust's shareholders nor

the Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

6.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble

Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

RON D. KAPLAN

/s/ Ron D. Kaplan

Address:

7909 Greentree Road
Bethesda, MD 20817

APPENDIX A

Promptly after the announcement or other publication by the Trust of its final results of operations for each of the first through the eighth Award Periods, the Committee shall determine the extent to which the Performance Target (as defined below) has been met or exceeded by the Trust within such Award Period, and shall determine, in accordance with this Performance Share Award Agreement, the number of Performance Shares, if any, with respect to which the Restriction Period will lapse. To meet or exceed the Performance Target (the "Performance Target"), the Trust must meet or exceed the funds from operations ("FFO") annual per Share growth rate set forth below, and the determination of the number of Performance Shares with respect to which the Restriction Period will lapse shall comply with the General Instructions below. All figures are rounded to the nearest penny.

Performance Target

Funds From Operations/Annual Per Share Growth Rate	Number of Performance Shares as to which Restriction Period Lapses
Less than 7%	None
Equal to or greater than 7% but less than 9%	1,563 shares
Equal to or greater than 9%	2,500 shares

General Instructions

The FFO annual per Share growth rate shall be determined after taking into account the impact of the Performance Shares proposed to be awarded.

If, in any Award Period, the Trust does not achieve the Performance Target, the Restriction Period will not lapse as to any Performance Shares.

Set forth below is an example:

Award Period	FFO Annual Per Share Growth Rate	Performance Target Met or Exceeded?	Shares as to Which Restriction Period Lapses	Total Shares as to which Restriction Period has Lapsed
1998	9%	Yes	2,500	2,500
1999	6%	No	0	2,500
2000	7%	Yes	1,563	4,063
2001	9%	Yes	2,500	6,563
2002	8%	Yes	1,563	8,126
2003	8%	Yes	1,563	9,689
2004	8%	Yes	1,563	11,252
2005	6%	No	0	11,252
2006	N/A	N/A	250/1/	11,502
2007	N/A	N/A	250	11,752
2008	N/A	N/A	250	12,002
2009	N/A	N/A	250	12,252
2010	N/A	N/A	248	12,500

Any Performance Shares as to which the Restriction Period has not lapsed after the Committee has determined the number of Performance Shares as to which the Restriction Period shall lapse with respect to the eighth Award Period ("Remaining Shares") shall be awarded automatically in equal installments for each of the ninth through the thirteenth Award Periods. These awards of Performance Shares will be made at January 1 of the following year (for example, the Restriction Period for the number of Performance Shares awarded to the Key Employee with respect to 2006 (the ninth Award Period) shall lapse on January 1, 2007). The previous example reflects this treatment.

- -----
 /1/ The Restriction Period as to the 1,248 Remaining Shares will lapse in equal installments over the next five years.

FEDERAL REALTY INVESTMENT TRUST
PERFORMANCE SHARE AWARD AGREEMENT

This Performance Share Award Agreement (this "Agreement") is made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Ron D. Kaplan, 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, no par value 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 January 1, 1998 (the "Award Date"), fifty thousand (50,000) 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,

1998

and ending on December 31, 2005. Within the Performance Period there shall be eight 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. The number of Performance Shares as to which the Restriction Period shall lapse during the Performance Period shall be determined by the Committee in accordance with this Paragraph 4.

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 eighth Award Periods, the Committee shall determine the extent to which the Performance Target (as defined in Paragraph 4.2(b) and as set forth in Appendix A) has been met or exceeded by the Trust within such Award Period, and shall determine, in accordance with this Performance Share Award Agreement, the number of Performance Shares, if any, as to which the Restriction Period will lapse 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 Determination Notice shall specify the number of Performance Shares as to which the Restriction Period has lapsed to the extent that the Performance Target has been met by the Trust within the Award Period. 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 Funds from Operations ("FFO") annual growth rate per Share to equal or exceed seven percent (7%). 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

Shares as to which the Restriction Period will lapse with respect to the eighth Award Period (the "Remaining Shares"), for the period of time beginning on the ninth anniversary of the Award Date until the thirteenth anniversary of the Award Date, as of the first day of each year during such period, the Restriction Period shall lapse with respect to one-fifth of the number of Remaining Shares; 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 (in accordance with Paragraph 5) in the amount of any such tax obligation.

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 4) 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 16th/ 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. The Key Employee

hereby pledges the Performance Shares awarded to him hereunder as to which the Restriction Period has lapsed, and assigns to the Trust all quarterly cash or other dividends paid on the Performance Shares awarded to him hereunder as collateral to secure his obligation to repay any Tax Loans extended to him hereunder and any accrued but unpaid Interest on 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.

(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 (i) the forgiveness of any Tax Loans extended under Paragraph 5(a) and (ii) 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 District of Columbia 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. Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

6.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble

Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

RON D. KAPLAN

/s/ Ron D. Kaplan

Address:

7909 Greentree Road
Bethesda, MD 20817

APPENDIX A

Promptly after the announcement or other publication by the Trust of its final results of operations for each of the first through the eighth Award Periods, the Committee shall determine the extent to which the Performance Target (as defined below) has been met or exceeded by the Trust within such Award Period, and shall determine, in accordance with this Performance Share Award Agreement, the number of Performance Shares, if any, with respect to which the Restriction Period will lapse. To meet or exceed the Performance Target (the "Performance Target"), the Trust must meet or exceed the funds from operations ("FFO") annual per Share growth rate set forth below, and the determination of the number of Performance Shares with respect to which the Restriction Period will lapse shall comply with the General Instructions below. All figures are rounded to the nearest penny.

Performance Target

Funds From Operations/Annual Per Share Growth Rate	Number of Performance Shares as to which Restriction Period Lapses
Less than 7%	None
Equal to or greater than 7% but less than 9%	6,250 shares
Equal to or greater than 9%	10,000 shares

General Instructions

The FFO annual per Share growth rate shall be determined after taking into account the impact of the Performance Shares proposed to be awarded.

If, in any Award Period, the Trust does not achieve the Performance Target, the Restriction Period will not lapse as to any Performance Shares.

Set forth below is an example:

Example 1

Award Period	FFO Annual Per Share Growth Rate	Performance Target Met or Exceeded	Shares as to Which Restriction Period Lapses	Total Shares as to which Restriction Period has Lapsed
1998	9%	Yes	10,000	10,000
1999	6%	No	0	10,000
2000	7%	Yes	6,250	16,250
2001	9%	Yes	10,000	26,250
2002	8%	Yes	6,250	32,500
2003	8%	Yes	6,250	38,750
2004	8%	Yes	6,250	45,000
2005	6%	No	0	45,000
2006	N/A	N/A	1,000/1/	46,000
2007	N/A	N/A	1,000	47,000
2008	N/A	N/A	1,000	48,000
2009	N/A	N/A	1,000	49,000
2010	N/A	N/A	1,000	50,000

Any Performance Shares as to which the Restriction Period has not lapsed after the Committee has determined the number of Performance Shares as to which the Restriction Period shall lapse with respect to the eighth Award Period ("Remaining Shares") shall be awarded automatically in equal installments for each of the ninth through the thirteenth Award Periods. These awards of Performance Shares will be made at January 1 of the following year (for example, the Restriction Period for the number of Performance Shares awarded to the Key Employee with respect to 2006 (the ninth Award Period) shall lapse on January 1, 2007). The previous example reflects this treatment.

 /1/ The Restriction Period as to the 5,000 Remaining Shares will lapse in equal installments over the next five years.

FEDERAL REALTY INVESTMENT TRUST
RESTRICTED SHARE AWARD AGREEMENT

This Restricted Share Award Agreement (this "Agreement") is made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Ron D. Kaplan, 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 of a Restricted Share Award for a certain number of shares of beneficial interest, no par value of the Trust (the "Shares");

WHEREAS, this Restricted Share Award is not made under the Trust's Amended and Restated 1993 Long-Term Incentive Plan (the "Amended Plan"); 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 Restricted Shares.

1.1. The Trust hereby grants to the Key Employee, as of January 1, 1998 (the "Award Date"), twelve thousand five hundred (12,500) Shares (the "Restricted Shares"), subject to the restrictions and other terms and conditions set forth herein.

1.2. On or as soon as practicable after the Award Date, the Trust shall cause one or more stock certificates representing the Restricted 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 Restricted Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction Period

(as hereinafter defined in Paragraph 3) 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 Restricted 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 3, of all or any portion of the Restricted Shares, the certificate or certificates representing the forfeited Restricted Shares shall be canceled.

2. Restrictions Applicable to Restricted Shares.

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

(a) none of the Restricted 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 4 hereof) or sold by the Key Employee during the Restriction Period (as hereinafter defined in Paragraph 3);

(b) all or a portion of the Restricted Shares may be forfeited in accordance with Paragraph 3; and

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

2.2. Any attempt to dispose of Restricted Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective. As the restrictions set forth in this Paragraph 2 hereof lapse in accordance with the terms of this Agreement as to all or a portion of the Restricted Shares, such shares shall no longer be considered Restricted Shares for purposes of this Agreement.

3. Restriction Period.

3.1 Subject to Paragraphs 3.2 through 3.6, 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 the period of time beginning on the Award Date until the eighth anniversary of the Award Date, as of the last day of each month during such period, the Restriction Period with respect to one hundred thirty (130) Restricted Shares shall lapse; provided,

however, that the Restriction Period for any particular Restricted Shares shall

not lapse unless the Key Employee tenders to the Trust (or the Trust otherwise withholds in accordance with Paragraph 3.6) (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 4) in the amount of any such tax obligation.

3.2. (a) The Restriction Period shall lapse as to all Restricted Shares if the Key Employee is terminated by the Trust (i) without Cause (as defined in Paragraph 3.2(b)) or (ii) due to Disability (as defined in Paragraph 3.2(b)), and if the Key Employee or his legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 3.6) (x) 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 Restricted Shares or (y) an executed promissory note evidencing the Key Employee's obligation to repay a Tax Loan (as defined in Paragraph 4) 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.

3.3. The Restriction Period shall lapse as to all Restricted 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 3.6) 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 Restricted 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 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 Restricted Shares under this Paragraph 3.3 (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.

3.4. In the event of the death of the Key Employee, the Restriction Period shall lapse as to one hundred thirty (130) Restricted Shares as provided in Paragraph 3.1, as of the last day of the month in which the Key Employee dies, if the Key Employee's legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 3.6) (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 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 such Shares has lapsed, all rights of the Key Employee to any and all then-remaining Restricted Shares shall terminate and be forfeited.

3.5. If during the Restriction Period (i) the Key Employee is terminated by the Trust for Cause or (ii) the Key Employee voluntarily terminates his employment in all capacities with the Trust (other than due to Disability, death or after a Change in Control), then all rights of the Key Employee to any and all then-remaining Restricted Shares shall terminate and be forfeited.

3.6. 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 3 or (ii) elects not to execute a promissory note evidencing his obligation to repay a Tax Loan (in accordance with Paragraph 4) in the amount of any required tax withholding amount, then the Trust shall retain a portion of the Restricted Shares sufficient to meet its tax withholding obligation.

4. 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 Restricted Shares except with respect to federal and state taxes incurred as a result of the lapsing of the Restriction Period with respect to Restricted Shares under Paragraph 3.3 ("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. The Key Employee hereby pledges the Restricted Shares awarded to him hereunder as to which the Restriction Period has lapsed, and assigns to the Trust all quarterly cash or other dividends paid on the Restricted Shares awarded to him hereunder as collateral to secure his obligation to repay any Tax Loans extended to him hereunder and any accrued but unpaid Interest on 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.

(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 (i) the forgiveness of any Tax Loans extended under Paragraph 4(a) and (ii) 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.

5. Miscellaneous.

5.1. Definitions; Application of Amended Plan. Although this

Restricted Share Award is not made under the 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 Restricted Share Award Agreement as if the Amended Plan applied hereto.

5.2. 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.

5.3. Continued Employment. This Agreement shall not confer upon

the Key Employee any right with respect to continuance of employment by the Trust.

5.4. 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.

5.5. 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.

5.6. 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.

5.7. Governing Law. This Agreement and its validity, interpretation,

performance and enforcement shall be governed by the laws of the District of Columbia other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

5.8. 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.

5.9. 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.

5.10. 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.

5.11. Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

5.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble

Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

RON D. KAPLAN

/s/ Ron D. Kaplan

Address:

7909 Greentree Road
Bethesda, MD 20817

FEDERAL REALTY INVESTMENT TRUST
RESTRICTED SHARE AWARD AGREEMENT

This Restricted Share Award Agreement (this "Agreement") is made as of January 1, 1998 between Federal Realty Investment Trust, an unincorporated business trust organized under the laws of the District of Columbia (the "Trust"), and Ron D. Kaplan, 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 Restricted Share Award for a certain number of shares of beneficial interest, no par value 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 Restricted Shares.

1.1. The Trust hereby grants to the Key Employee, as of January 1, 1998 (the "Award Date"), fifty thousand (50,000) Shares (the "Restricted 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 Restricted 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 Restricted Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restriction Period (as hereinafter defined in Paragraph 3) 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 Restricted 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 3, of all or any portion of the Restricted Shares, the certificate or certificates representing the forfeited Restricted Shares shall be canceled.

2. Restrictions Applicable to Restricted Shares.

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

(a) none of the Restricted 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 4 hereof) or sold by the Key Employee during the Restriction Period (as hereinafter defined in Paragraph 3);

(b) all or a portion of the Restricted Shares may be forfeited in accordance with Paragraph 3; and

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

2.2. Any attempt to dispose of Restricted Shares in a manner contrary to the restrictions set forth in this Agreement shall be null, void and ineffective. As the restrictions set forth in this Paragraph 2 hereof lapse in accordance with the terms of this Agreement as to all or a portion of the Restricted Shares, such shares shall no longer be considered Restricted Shares for purposes of this Agreement.

3. Restriction Period.

3.1. Subject to Paragraphs 3.2 through 3.6, 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 the period of time beginning on the Award Date until the eighth anniversary of the Award Date, as of the last day of each month during such period, the Restriction Period with respect to five hundred twenty-one (521) Restricted Shares shall lapse; provided, however, that the Restriction Period for any particular Restricted

Shares shall not lapse on the date set forth above unless the Key Employee tenders to the Trust (or the Trust otherwise withholds in accordance with Paragraph 3.6) (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 4) in the amount of any such tax obligation.

3.2. (a) The Restriction Period shall lapse as to all Restricted Shares if the Key Employee is terminated by the Trust (i) without Cause (as defined in Paragraph 3.2(b)) or (ii) due to Disability (as defined in Paragraph 3.2(b)), and if the Key Employee or his legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 3.6) (x) 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 Restricted Shares or (y) an executed promissory note evidencing the Key Employee's obligation to repay a Tax Loan (in accordance with Paragraph 4) 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.

3.3. The Restriction Period shall lapse as to all Restricted 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 3.6) 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 Restricted 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 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 Restricted Shares under this Paragraph 3.3 (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.

3.4. In the event of the death of the Key Employee, the Restriction Period shall lapse as to five hundred twenty-one (521) Restricted Shares as provided in Paragraph 3.1, as of the last day of the month in which the Key Employee dies, if the Key Employee's legal representative tenders (or the Trust otherwise withholds in accordance with Paragraph 3.6) (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 estate's obligation to repay a Tax Loan (in accordance with Paragraph 4) in the amount of any such tax obligation. After the Restriction Period with respect to such Shares has lapsed, all rights of the Key Employee to any and all then-remaining Restricted Shares shall terminate and be forfeited.

3.5. If during the Restriction Period (i) the Key Employee is terminated by the Trust for Cause or (ii) the Key Employee voluntarily terminates his employment in all capacities with the Trust (other than due to Disability, death or after a Change in Control), then all rights of the Key Employee to any and all then-remaining Restricted Shares shall terminate and be forfeited.

3.6. 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 3 or (ii) elects not to execute a promissory note evidencing his obligation to repay a Tax Loan (in accordance with Paragraph 4) in the amount of any required tax withholding amount, then the Trust shall retain a portion of the Restricted Shares sufficient to meet its tax withholding obligation.

4. 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 Restricted Shares except with respect to federal and state taxes incurred as a result of the lapsing of the Restriction Period with respect to Restricted Shares under Paragraph 3.3 ("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. The Key Employee hereby pledges the Restricted Shares awarded to him hereunder as to which the Restriction Period has

lapsed, and assigns to the Trust all quarterly cash or other dividends paid on the Restricted Shares awarded to him hereunder as collateral to secure his obligation to repay any Tax Loans extended to him hereunder and any accrued but unpaid Interest on 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.

(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 (i) the forgiveness of any Tax Loans extended under Paragraph 4(a) and (ii) 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.

5. Miscellaneous.

5.1. 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 Restricted Share Award Agreement.

5.2. 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.

5.3. Continued Employment. This Agreement shall not confer upon

the Key Employee any right with respect to continuance of employment by the Trust.

5.4. 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.

5.5. 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.

5.6. 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.

5.7. Governing Law. This Agreement and its validity,

interpretation, performance and enforcement shall be governed by the laws of the District of Columbia other than the conflict of laws provisions of such laws, and shall be construed in accordance therewith.

5.8. 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.

5.9. 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.

5.10. 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.

5.11. Exculpatory Clause. Neither the Trust's shareholders nor

the Trustees, officers, employees or agents of the Trust shall be liable under this Agreement,

and the Key Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

5.12. 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: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

RON D. KAPLAN

/s/ Ron D. Kaplan

Address:

7909 Greentree Road
Bethesda, MD 20817

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Amended and Restated Agreement") is made and entered into as of the 27th day of February, 1998, by and between FEDERAL REALTY INVESTMENT TRUST, a business trust organized under the laws of the District of Columbia (herein called the "Employer" or the "Trust"), and Steven J. Guttman (herein called the "Executive").

WITNESSETH

WHEREAS, Executive and Employer entered into an employment agreement dated April 13, 1989 ("Employment Agreement");

WHEREAS, Employer continues to desire to employ Executive as its President and Chief Executive Officer and Executive continues to desire to serve Employer as its President and Chief Executive Officer; and

WHEREAS, Employer and Executive desire to amend and restate the Employment Agreement as set forth herein;

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, agree as follows:

1. Employment. Employer hereby continues to employ Executive as its

President and Chief Executive Officer to perform the duties set forth in Section 2 of this Amended and Restated Agreement for the salary and for the term set forth in Sections 3 and 6 of this Amended and Restated Agreement, respectively, and subject to all of the other provisions of this Amended and Restated Agreement.

2. Duties. Executive hereby continues to accept employment by Employer

as its President and Chief Executive Officer and agrees to continue to undertake and assume the responsibilities which would ordinarily or customarily be associated with such a

position with a comparable employer and to use his reasonable best efforts in performing, for and on behalf of and at the sole cost and expense of Employer, during normal business hours (other than during absences due to illness or vacation) any and all such responsibilities and such additional and related responsibilities as may from time to time be reasonably designated by the Board of Trustees of Employer (the "Board"), including, without limitation, serving as a director of or in an executive capacity in any other entity in which the Trust has a significant interest. Executive shall report to the Board. All other officers of the Trust shall report to Executive or such person(s) as the Executive designates from time to time. From and after the date first written above, Executive may (i) serve on corporate, trade group, civic or charitable boards or committees, (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions or programs, (iii) manage his personal, financial and legal affairs, and (iv) invest personally in any business in a private capacity where no actual conflict of interest exists between such investment and the business of the Trust.

3. Salary; Bonus; Grant of Options.

(a) Salary. Employer agrees to pay Executive, for all services rendered by Executive under this Amended and Restated Agreement, subject to the stock in lieu of salary plan approved by the Compensation Committee of the Board (the "Committee") on September 26, 1997 (the "Stock in Lieu of Salary Plan"), a Basic Salary of \$475,000 per annum for the first year, and thereafter during the term of his employment under this Amended and Restated Agreement such greater amount as may be fixed by the Board, in each case in accordance with Employer's customary payroll practices for its executives; provided, however, that if Executive has elected to receive stock in lieu of his Basic Salary pursuant to the Stock in Lieu of Salary Plan, his Basic Salary shall be increased to an amount equal to 133% of his Basic Salary; provided, further, that the amount of the Basic Salary shall in no event be decreased below its then-current level (for cash or stock, as appropriate) and; provided, further, that the amount of the Basic Salary shall be

increased as of the January 1st of each year by no less than fifty (50) percent of the percentage increase if any, in the U.S. Bureau of Labor Statistics, Consumer Price Index, "United States City Average for Urban Wage Earners and Clerical Workers Selected Data (1967-100) all items" for the preceding twelve (12) months. In the event the aforementioned Index shall have been replaced by an alternate means of cost price measurement, then such replacement cost price measurement will be used. It is expressly understood that the January 1st percentage increase shall be applied to the Basic Salary level in effect as of the immediately preceding December 31st and that the January 1st percentage increase shall establish the new level of Basic Salary for the then-current year, which level of Basic Salary shall in no event be lower than the level of Basic Salary as of the immediately preceding December 31st. Notwithstanding the foregoing, it is understood and contemplated that the level of Basic Salary may be further increased from time to time by the Board if such additional increases are necessary to accurately reflect the value of Executive's services to Employer and in order to ensure Executive's salary remains competitive with salaries received by chief executive officers of equity real estate investment trusts of the same or larger size than the size of Employer. Notwithstanding the foregoing, nothing in this Amended and Restated Agreement shall be viewed or treated as serving to modify, impinge upon or conflict with any rights previously granted by Employer to Executive under any retirement, stock option, stock grant, disability or other benefit program and all such programs shall remain in full force and effect notwithstanding any provisions of this Amended and Restated Agreement.

(b) Bonus. In addition to the Basic Salary, Executive shall be eligible annually for the term of his employment under this Amended and Restated Agreement to receive a cash bonus, subject to the stock in lieu of bonus plan approved by the Committee on September 26, 1997 (the "Stock in Lieu of Bonus Plan"), of up to 120% of his Basic Salary in the discretion of the Board upon Executive's performance of all services rendered by him under this Amended and Restated Agreement in accordance with

the achievement of the annual or other specific performance criteria fixed by the Board from time to time. If Executive has elected to receive stock in lieu of his Bonus pursuant to the Stock in Lieu of Bonus Plan, his Bonus shall be increased to an amount equal to 133% of his Bonus.

(c) Grant of September 26, 1997 Options. The parties hereto acknowledge that Executive has been granted an option on September 26, 1997 in the amount of three hundred thousand (300,000) shares of beneficial interest, no par value, of the Trust, as set forth in Exhibit A hereto.

4. Benefits.

(a) Participation in Employee Benefit Plans. Executive shall be entitled to participate in all employee benefit plans, practices and programs maintained by Employer and made generally available to other executive officers of Employer, including, without limitation, all pension, retirement, supplemental retirement, profit sharing, savings, medical, hospitalization, disability, dental, life or travel accident insurance benefit plans. Executive's participation in such plans, practices and programs shall be on not less than the same basis and terms as are applicable to the other executive officers of Employer. Executive shall receive service credit for all purposes, including, without limitation, benefit accrual, vesting and participation under any such plans, practices and programs for the entire term of his employment with Employer since August 14, 1972.

(b) Vacation and Other Leave. Executive shall be entitled to receive five (5) weeks of annual paid vacation, or such greater number of weeks of annual paid vacation as the Committee determines from time to time, to be taken at appropriate times so as not to materially interfere with his duties hereunder. In addition to such paid vacation, Executive shall be entitled, without loss of pay, to absent himself voluntarily from the performance of his employment for such periods of time and for such valid reasons as the Board in its discretion may determine. Further, the Board shall be entitled to grant to Executive a leave or leaves of absence with or without pay at such time or times and

upon such terms and conditions as the Board and Executive may determine.

(c) Life Insurance. Employer shall provide, at its cost, supplemental multi-year, renewable split-dollar term life insurance coverage for Executive equal to life insurance protection of \$5,000,000. Employer shall be the owner of the policy and Executive will be entitled to name the beneficiary thereof, subject to the transfer of the policy to the Executive upon a Termination for Cause or upon Voluntary Resignation under Section 7 hereof upon terms mutually satisfactory to the Trust and the Executive as set forth in the agreement with respect to such policy (or policies) to be entered into by Employer and Executive.

(d) Disability Insurance. Employer shall maintain, at its cost, supplemental renewable long-term disability insurance as agreed to by Employer and Employee.

(e) Medical Examination. Employer shall provide, at its cost, a medical examination for Executive on an annual basis at a medical clinic selected by Executive.

(f) Automobile. Employer shall lease an automobile customary for a senior executive officer of a public company of comparable size for Executive's use and otherwise pay the insurance, maintenance and taxes, if any, in respect of such automobile. Executive may select the type of automobile to be leased, subject to the consent of the Chairperson of the Committee.

(g) Tax Preparation and Financial Planning Assistance. Employer shall provide, at its cost, tax preparation and financial planning assistance for Executive, to be furnished by such advisers as chosen by Executive, up to a maximum aggregate of \$10,000 per year.

(h) Office and Facilities. Consistent with his senior executive status hereunder, Executive shall be provided with an appropriate office at Employer's executive offices and such other location as may be mutually agreed and with an executive assistant selected by Executive to provide organizational, writing, analytical, secretarial, and other support services.

5. Reimbursement for Business Expenses. Employer agrees to pay all

reasonable expenses incurred by Executive in furtherance of the business of Employer, including, without limitation, traveling and entertainment expenses, or to reimburse Executive for such reasonable expenses advanced by him.

6. Term. Subject to the provisions for termination set forth in Section 7,

the initial term of Executive's employment under this Amended and Restated Agreement shall be for a period of three (3) years from the date of this Amended and Restated Agreement and shall be automatically extended, at the expiration of the first and each subsequent month of employment under this Amended and Restated Agreement, for additional three (3) year periods beginning on the expiration of each such month, unless one of the parties hereto shall give written notice to the other party hereto on or before ninety (90) days prior to the expiration of such month of such party's intention and election not to so extend the Amended and Restated Agreement.

7. Termination.

(a) Termination for Cause. Employer may terminate Executive's employment under this Amended and Restated Agreement for "Cause" only in the manner set forth below. For purposes of this Amended and Restated Agreement or any amendment or modification hereto, Employer shall be deemed to have terminated Executive's employment for "Cause" in the event that Executive's employment is terminated for any of the following reasons:

willful and continual failure to use reasonable best efforts (other than failure due to disability or Executive's termination of his employment with the Trust under Section 7(c) hereof) to substantially perform his duties with the Trust after demand for substantial performance is delivered by the Trust in writing specifically identifying the manner in which the Trust believes Executive has not used reasonably best efforts to

substantially perform his duties and after expiration of a reasonable time for Executive to pursue diligently a cure to such demand;

- willful misconduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise; or conviction of, or plea of guilty or nolo contendere to, a felony; provided, however, that no termination of Executive under clause (i) or (ii) shall occur until (x) there shall have been delivered to Executive a copy of the written resolution adopted by two thirds of the Board (excluding Executive for purposes of determining this approval) in good faith at a duly called meeting thereof setting forth that Executive was guilty of the conduct set forth in any such clause and specifying the particulars thereof in detail and (y) Executive shall have been provided an opportunity to be heard by the Board at such meeting with 45 days' advance written notice thereof, and; provided, further, that 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 interests of the Trust and no failure to perform by Executive after a notice of termination hereunder is given by the Trust shall constitute "Cause" for purposes of this definition.

Executive shall be entitled to the assistance of his counsel (at the expense of the Trust) in contesting or otherwise disputing in good faith any allegation or finding of such conduct in any Board meeting or any subsequent judicial or other proceeding instigated by Executive, the Trust, or any third party. Under no circumstances shall

Executive be obligated to pay or reimburse the Trust for any attorneys' fees and expenses incurred by the Trust. In the event that Executive's employment is terminated for Cause, Employer only will be obligated to pay to Executive the compensation due and payable to him hereunder as of the date of Executive's termination of employment.

(b) Termination Upon Voluntary Resignation. Executive may terminate his employment in all capacities under this Amended and Restated Agreement at any time by giving written notice to Employer at least six (6) months prior to the effective termination date stated in such notice. In the event of such termination, Employer only will be obligated to pay to Executive the compensation, including, without limitation, any bonus previously awarded but unpaid, due and payable to him hereunder as of the effective date of termination.

(c) Termination Without Cause. Executive may terminate his employment under this Amended and Restated Agreement effective immediately by written notice to Employer, given within six (6) months after the occurrence of any of the following events without Executive's written consent:

- (i) The nature of Executive's duties or the scope of his responsibilities as set forth herein are materially modified without Executive's written consent; or
- (ii) Employer changes the location of its principal office to be outside a fifty (50) mile radius of Washington, D.C.; or
- (iii) The occurrence of a Change in Control as defined in Section 1 of Executive's Executive Agreement with Employer, as amended; or
- (iv) Executive is not reappointed as a member of the Board; or
- (v) A Chairman of the Board is appointed other than Executive; or

- (vi) This Amended and Restated Agreement is not assumed by any successor to Employer pursuant to Section 15(c) hereof in a situation other than a Change in Control.

In the event of any such termination by Executive, Executive shall be entitled to receive, and Employer shall be obligated to provide to Executive, all payments, compensation (including, without limitation, a bonus for each year of the remaining term of Executive's employment under this Amended and Restated Agreement at least equal to the greater of (i) the greatest annual aggregate amount of any cash or stock bonuses paid to Executive in respect of any of the three (3) fiscal years immediately preceding such termination by Executive (it being understood and agreed that this amount shall not include compensation paid pursuant to performance share awards) or (ii) the amount equal to Executive's maximum aggregate cash or stock bonus (it being understood and agreed that a bonus shall not include compensation paid pursuant to performance share awards) which could be awarded for the fiscal year in which such termination by Executive occurs had he continued his employment until the end of such fiscal year, assuming all performance targets and goals (if applicable) had been fully met by Employer and by Executive, as applicable, for such year), and other benefits provided under this Amended and Restated Agreement, as if such termination had not occurred; provided, however, in the event that Executive's employment with Employer is terminated pursuant to Section 7(c)(iii) hereof, Executive shall receive such payments as are set forth in his Executive Agreement with Employer, as amended, in lieu of the payments or benefits due and payable under Section 3 hereof.

(d) Termination Upon Disability. Notwithstanding Executive's right to receive full compensation for any period of illness or incapacity during the term of his employment under this Amended and Restated Agreement pursuant to Section 8 hereof, Employer shall have the right to terminate his employment under this Amended and Restated Agreement upon thirty (30) days prior written notice if (i) Executive's Disability

has disabled Executive totally from rendering service to the Employer for at least a six (6) month consecutive period during the term of his employment, (ii) Executive's "Disability" is within the meaning of such defined term in Employer's group long-term disability policy, and (iii) Executive is covered under such policy. In the event of Executive's termination upon Disability, Executive shall be entitled to receive as severance pay each month for the three (3) years 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 Executive receives or will receive during that month pursuant to the disability insurance policies maintained by Employer for Executive'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.

(e) Termination Upon Death. Subject to the terms of the Stock in Lieu of Salary Plan and the Stock in Lieu of Bonus Plan, if Executive dies, his estate shall receive his then-current Basic Salary through the last day of the month of Executive's death in a lump sum payment, plus any bonus previously awarded but unpaid, and any accrued but unpaid vacation pay through the last day of the month in which Employee's death occurs.

8. Sick Benefits. Subject to Section 7(d) hereof, Executive shall

receive full compensation for any period of illness or incapacity during the term of his employment under this Amended and Restated Agreement.

9. Directors' and Officers' Liability Insurance. Employer shall maintain

Directors' and Officers' liability insurance for the benefit of Executive (and other executives of Employer). After Executive is no longer employed by Employer, for three

(3) years following the date of termination of Executive's employment, Employer shall provide Executive with Director's and Officers' liability insurance coverage for events occurring prior to the termination of Executive's employment that is no less favorable than Employer's Directors' and Officers' liability insurance policy in effect on the date first written above in terms of coverage and amounts; provided, however, that the annual cost to Employer of such coverage shall not exceed two hundred percent (200%) of Employer's fiscal 1997 annual premium for its Directors' and Officers' liability insurance policy (it being understood that in any case Employer shall provide as much coverage as possible for such two hundred percent (200%) premium amount).

10. Executive Obligation to Employer. During the period in which

Executive is employed by Employer, Executive agrees to use his reasonable best efforts to advance the interests of Employer, within appropriate guidelines of Employer, and to conduct his business duties for Employer in a professional manner.

11. Confidential Information. Executive agrees that during or after the

period of his employment, he will not, without authorization from Employer or except as required by law, divulge, disclose or otherwise communicate to any person or company any information of a private, internal or confidential nature pertaining to specific details of Employer's business, functions or operations; provided, however, that the foregoing restriction is not applicable to information concerning Employer's business which was or became generally available to the public other than as a result of a disclosure by Executive. Executive further agrees that, upon termination of his employment with Employer for any reason, he will promptly return to Employer all books and records of or pertaining to Employer's business, and all other property belonging to Employer which is in his custody or possession.

12. Mitigation. Executive shall not be required to mitigate the amount of

any payment, benefit, or other Trust obligation provided for in this Agreement by seeking other employment or otherwise and no such payment, benefit or other Trust obligation

shall be offset or reduced by the amount of any compensation or benefits provided to Executive in any subsequent employment.

13. Indemnification.

(a) General. Employer agrees that if Executive is made a party or

threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that Executive is or was a trustee, director or officer of Employer or any subsidiary thereof or is or was serving at the request of Employer or any subsidiary thereof as a trustee, director, officer, member, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employees benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a trustee, director, officer, member, employee or agent while serving as a trustee, director, officer, member, employee or agent, Executive shall be indemnified and held harmless by Employer to the fullest extent authorized by the Trust's Third Amended and Restated Declaration of Trust, dated as of May 24, 1984 and by District of Columbia law, as the same exists or may hereafter be amended, against all Expenses (as hereinafter defined) incurred or suffered by Executive in connection therewith, and such indemnification shall continue as to Executive even if Executive has ceased to be an officer, director, trustee or agent, or is no longer employed by Employer and shall inure to the benefit of his heirs, executors and administrators; provided, however, that Executive shall not be so indemnified for any Proceeding which shall have been adjudicated to have arisen out of or been based upon his willful misconduct, bad faith, gross negligence or reckless disregard of duty or his failure to act in good faith in the reasonable belief that his action was in the best interests of Employer.

(b) Expenses. As used in this Amended and Restated Agreement, the

term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements, and costs, attorneys' fees, accountants'

investigations, and any expenses of establishing a right to indemnification under this Amended and Restated Agreement.

(c) Enforcement. If a claim or request under this Amended and

Restated Agreement is not paid by Employer or on its behalf, within thirty (30) days after a written claim or request has been received by Employer, Executive may at any time thereafter bring suit against Employer to recover the unpaid amount of the claim or request and if successful in whole or in part, Executive shall be entitled to be paid also the expenses of prosecuting such suit. All obligations for indemnification hereunder shall be subject to, and paid in accordance with, applicable District of Columbia law.

(d) Partial Indemnification. If Executive is entitled under any

provision of this Amended and Restated Agreement to indemnification by Employer for some or a portion of any Expenses, but not, however, for the total amount thereof, Employer shall nevertheless indemnify Executive for the portion of such Expenses to which Executive is entitled.

(e) Advances of Expenses. Expenses incurred by Executive in

connection with any Proceeding shall be paid by Employer in advance upon request of Executive that Employer pay such Expenses and upon Executive's delivery of an undertaking to reimburse Employer for Expenses with respect to which Executive is not entitled to indemnification.

(f) Notice of Claim. Executive shall give to Employer notice of any

claim made against him for which indemnification will or could be sought under this Amended and Restated Agreement, but the failure of Executive to give such notice shall not relieve Employer of any liability Employer may have to Executive except to the extent that Employer is prejudiced thereby. In addition, Executive shall give Employer such information and cooperation as it may reasonably require and as shall be within Executive's power and at such time and places as are convenient for Executive.

(g) Defense of Claim. With respect to any Proceeding as to which

Executive notifies Employer of the commencement thereof;

(i) Employer will be entitled to participate therein at its own expense; and

(ii) Except as otherwise provided below, to the extent that it may wish, Employer will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Executive. Executive also shall have the right to employ his own counsel in such action, suit or proceeding if he reasonably concludes that failure to do so would involve a conflict of interest between Employer and Executive, and under such circumstances the fees and expenses of such counsel shall be at the expense of Employer.

(iii) Employer shall not be liable to indemnify Executive under this Amended and Restated Agreement for any amounts paid in settlement of any action or claim effected without its written consent. Employer shall not settle any action or claim in any manner which would not include a full and unconditional release of Executive without Executive's prior written consent. Neither Employer nor Executive will unreasonably withhold or delay their consent to any proposed settlement.

(h) Non-exclusivity. The right to indemnification and the payment

of Expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Amended and Restated Agreement shall not be exclusive of any other right which Executive may have or hereafter may acquire under any statute, provision of the declaration of trust or certificate of incorporation or by-laws of Employer or any subsidiary, agreement, vote of shareholders or disinterested directors or trustees or otherwise.

14. Legal Fees and Expenses. Employer shall reimburse Executive promptly

following the date first written above for all legal fees and expenses incurred by Executive in connection with Employer and Executive entering into this Amended and

Restated Agreement and any other agreements contemplated hereby upon receipt of reasonable written evidence of such fees and expenses. If any contest or dispute shall arise between Employer and Executive regarding any provision of this Amended and Restated Agreement or an agreement contemplated hereby, Employer shall reimburse Executive (in addition to Executive's right to legal fees and expenses under Section 7(a) hereof) for (i) all legal fees and expenses incurred by Executive in connection with defending such contest or dispute and (ii) all legal fees and expenses incurred by the Executive in bringing such contest or dispute, in each case so long as the Executive is acting in good faith. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses.

15. General Provisions

(a) Severability. In case any one or more of the provisions of this

Amended and Restated Agreement shall, for any reason, be held or found by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect (1) such invalidity, illegality or unenforceability shall not affect any other provisions of this Amended and Restated Agreement, (2) this Amended and Restated Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and (3) if the effect of a holding or finding that any such provision is either invalid, illegal or unenforceable is to modify to Executive's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Executive intended by Employer and Executive in entering into this Amended and Restated Agreement, Employer shall promptly negotiate and enter into an agreement with Executive containing alternative provisions (reasonably acceptable to Executive) that will restore to Executive (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Executive would have enjoyed had any such provision of this Amended and Restated Agreement been upheld as legal, valid and

enforceable. Failure to insist upon strict compliance with any provision of this Amended and Restated Agreement shall not be deemed a waiver of such provision or of any other provision of this Amended and Restated Agreement.

(b) Modification and Waiver. No provision of this Amended and

Restated Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be agreed to in writing and signed by Executive and by a person duly authorized by the Board.

(c) Successor and Assigns. No rights or obligations of Employer

under this Amended and Restated Agreement may be assigned or transferred except that Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer to expressly assume and agree to perform this Amended and Restated Agreement in the same manner and to the same extent that the Company would be required to perform it as if no succession had taken place. In the event of such assignment, any and all references to Employer in other paragraphs of this Amended and Restated Agreement shall be deemed to mean and include such assignee. No rights or obligations of Executive under this Amended and Restated Agreement may be assigned or transferred by Executive other than his rights to payments or benefits hereunder, which may be transferred only by will or the laws of descent and distribution. Upon Executive's death, this Amended and Restated Agreement and all rights of Executive hereunder shall inure to the benefit of and be enforceable by Executive's beneficiary or beneficiaries, personal or legal representatives, or estate, to the extent any such person succeeds to Executive's interests under this Amended and Restated Agreement. Executive shall be entitled to select and change one or more beneficiaries to receive any amount that may be payable hereunder after his death by giving Employer written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Amended and Restated Agreement to Executive shall be deemed, where

appropriate, to refer to his beneficiaries, estate or other legal representatives. If Executive should die following termination of his employment with Employer while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein shall be paid in accordance with the terms of this Amended and Restated Agreement to such person or persons so appointed in writing by Executive, or otherwise to his legal representatives or estate.

(d) No Attachments. Except as required by law, no right to receive

payments under this Amended and Restated Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation, or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be null, void and of no effect.

(e) No Set-Off. The Trust shall have no right of set-off, reduction

or counterclaim in respect of any debt or other obligation of Executive to the Trust against any payment, benefit or other Trust obligation to Executive provided for in this Amended and Restated Agreement or pursuant to any other plan, agreement or policy; provided, however, that the Trust may reduce any payment provided for in this Amended and Restated Agreement in the event of the termination of Executive's employment (i) due to Disability or (ii) without Cause, by the amount of any payment made to Executive pursuant to a Restricted Share Award Agreement between Executive and the Trust in the event of the termination of Executive's employment due to Disability or without Cause expressly intended to act as a setoff against any payment provided for in this Amended and Restated Agreement, such intention to be evidenced only by a written instruction in such Restricted Share Award Agreement.

(f) Headings. The headings of Sections and Subsections hereof are

included solely for conveniences of reference and shall not control the meaning or interpretation of any of the provisions of this Amended and Restated Agreement.

(g) Governing Law. This Amended and Restated Agreement has been

executed and delivered in the State of Maryland shall be construed in accordance
with and governed for all purposes by the laws of the State of Maryland.

(h) Confidentiality of Employment Relationship. Employer, except to

the extent required by law, will not make or publish, without the express prior
written consent of Executive, any written or oral statement concerning the terms
of Executive's employment relationship with Employer and will not, if for any
reason he or Employer severs his employment with Employer, make or publish any
written or oral statement concerning Executive including, without limitation,
his work-related performance or the reasons or basis for Executive or Employer
severing his employment relationship with Employer; provided, however, that the
foregoing restriction is not applicable to information concerning the
Executive's employment relationship with Employer which was or became generally
available to the public other than as a result of a disclosure by Employer.

(i) Termination of Prior Agreements. Except as may otherwise be

provided herein, this Amended and Restated Agreement shall terminate and
supersede any and all prior written agreements existing between Employer and
Executive prior to the date hereof which address the same subject matter as this
Amended and Restated Agreement with respect to the terms and conditions of
Executive's employment with Employer, and Employer and Executive hereby mutually
release and discharge each other from any further obligation, liability or
responsibility under any of the foregoing.

(j) Notices. Any notice required or permitted to be given under

this Amended and Restated 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 Subsection, in which case, to the address
specified in such notice.

(k) Survival. The agreements and obligations of Employer and

Executive made in Sections 7, 9, 11, 12, 13, 14, and 15 of this Amended and
Restated Agreement shall survive the expiration or termination of this Amended
and Restated Agreement.

(l) Federal Income Tax Withholding. Employer may withhold from any

benefits payable under this Amended and Restated Agreement all federal, state,
city or other taxes as shall be required pursuant to any law or governmental
regulation or ruling.

(m) Source of Payments. All payments provided under this Amended

and Restated 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.

(n) Exculpatory Clause. Neither Employer's shareholders nor the

Trustees, officers, employees or agents of Employer shall be liable under this
Amended and Restated Agreement, and Executive shall look solely to Employer's
estate for the payment of any claim under or for performance of this Amended and
Restated Agreement. The Trust is organized pursuant to a Third Amended and
Restated Declaration of Trust dated as of May 24, 1984.

(o) Counterparts. This Amended and Restated 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 parties have executed and delivered this Amended and Restated Agreement as of the day and year indicated above.

STEVEN J. GUTTMAN

/s/ Steven J. Guttman

Address:

5126 Wissioming Road
Bethesda, MD 20816

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

AMENDED AND RESTATED EXECUTIVE AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT ("Amended and Restated Agreement"), made and entered into as of this 27th day of February, 1998 between FEDERAL REALTY INVESTMENT TRUST, an unincorporated business trust organized under the laws of the District of Columbia ("Trust"), and Steven J. Guttman ("Executive").

RECITALS

WHEREAS, Executive and the Trust have entered into an Executive Agreement dated April 13, 1989 ("Executive Agreement");

WHEREAS, the Trust continues to recognize the valuable services that Executive has rendered to the Trust as President and Chief Executive Officer and desires assurance that Executive will continue his services to the Trust;

WHEREAS, Executive is willing to continue to serve the Trust, but desires assurance that in the event of any Change in Control of the Trust he will continue to have the responsibilities and privileges he now has;

WHEREAS, the Board of Trustees of the Trust ("Board of Trustees") has determined that the best interests of the Trust would continue to be served by providing Executive with certain protections and benefits following any Change in Control of the Trust; and

WHEREAS, Executive and Trust wish to amend and restate the Executive Agreement as set forth herein;

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

PROVISIONS

1. Change in Control. No benefits shall be payable under this Amended

and Restated Agreement unless there shall have occurred a Change in Control of the Trust, as defined below. For purposes of this Amended and Restated Agreement a "Change in Control" of the Trust shall mean any of the following events:

(a) An acquisition in one or more transactions (other than directly from the Trust or pursuant to options granted by the Trust) of any voting securities of the Trust (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 the Trust'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 (i) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Trust or (y) 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 the Trust (a "Subsidiary"), (ii) the Trust or any Subsidiary, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(b) The individuals who, as of the date of this Amended and Restated 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 the Trust's shareholders, of any new member was approved by a vote of at least two-thirds of the Incumbent Trustees, such new member shall, for purposes of this Amended and Restated 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

(c) Approval by shareholders of the Trust of

- (i) A merger, consolidation or reorganization involving the Trust, unless:
 - (A) the shareholders of the Trust, 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,
 - (B) 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,
 - (C) no Person (other than the Trust or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Trust, or any Subsidiary, or any Person which, immediately prior to such merger, consolidation or 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
 - (D) a transaction described in clauses (A) through (C) shall herein be referred to as a "Non-Control Transaction;"

- (ii) A complete liquidation or dissolution of the Trust; or
- (iii) An agreement for the sale or other disposition of all or substantially all of the assets of the Trust to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (i) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Trust 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 the Trust, and after such share acquisition by the Trust, 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 (ii) if the Trust (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 the Trust as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

(d) Notwithstanding anything contained in this Amended and Restated Agreement to the contrary, if Executive's employment is terminated while this Amended and Restated Agreement is in effect and Executive reasonably demonstrates that such termination (i) 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 (ii) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes of this

Amended and Restated Agreement, the date of a Change in Control with respect to Executive shall mean the date immediately prior to the date of such termination of Executive's employment.

2. Termination of Employment Following Change in Control. If a Change

in Control of the Trust occurs, Executive shall be entitled to the benefits provided in Section 3 upon the subsequent termination of Executive's employment with the Trust for any reason, either voluntarily or involuntarily, within six (6) months of such Change of Control, unless such termination is because of Executive's death, Disability or retirement. The term "Disability" shall have the meaning assigned to it in the Trust's group long-term disability policy. The term "Retirement" shall mean termination of employment in accordance with (i) a qualified employee pension or profit-sharing plan maintained by the Trust, or (ii) the Trust's retirement policy in effect immediately prior to the Change in Control. For purposes of this Amended and Restated Agreement, Executive's employment shall be terminated by written notice delivered by either the Trust or Executive to the other party. The date of Executive's termination of employment shall be the earlier of the date of Executive's or the Trust's written notice terminating Executive's employment with the Trust, 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").

3. Payment of Benefits upon Termination. If, after a Change in Control

has occurred, Executive's employment with the Trust is terminated for any reason other than for his death, Disability or Retirement, then the Trust shall pay to Executive and provide Executive, his beneficiaries and estate, the following:

(a) The Trust shall pay to Executive a single cash payment equal to 299 percent of the sum of his annual basic salary in effect on the day prior to the Change in Control plus a bonus equal to the greater of (i) the greatest annual aggregate amount of any cash or stock bonuses paid to Executive in respect of any of the three (3) fiscal years immediately preceding such Termination Date (it being understood and agreed that such

amount shall not include compensation paid pursuant to performance share awards) or (ii) the amount equal to Executive's maximum aggregate cash or stock bonus (it being understood and agreed that a bonus shall not include compensation paid pursuant to performance share awards) which could be awarded for the fiscal year in which Executive's termination occurs had he continued his employment until the end of such fiscal year, as if all performance targets and goals (if applicable) had been fully met by the Trust and by Executive, as applicable, for such year. If Executive's employment is terminated by Executive 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 Executive 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;

(b) The Trust shall for a period of three (3) years following the Termination Date, except as otherwise noted, (i) maintain, at the Trust's expense, at not less than Executive's highest levels of coverage during the last twelve (12) months prior to the Change in Control, medical and dental insurance coverage by paying premiums due in connection with COBRA continuation coverage or converting its group medical and dental insurance policy to an individual policy for the benefit of Executive and paying the annual premiums associated with Executive's continued participation thereunder; (ii) maintain, at the Trust's expense, at not less than his highest levels of coverage during the last twelve (12) months prior to the Change in Control, accidental death and dismemberment policies for the benefit of Executive and pay the annual premiums associated therewith; (iii) maintain, at the Trust's expense, the split dollar individual life insurance policy (or policies) for the benefit of Executive for as long as is necessary so that the Trust shall have made a total of seven (7) annual premium payments associated therewith; (iv) maintain, at the Trust's expense, any other individual life insurance policy (or policies) in effect on the Termination Date for one (1) year following the Termination Date; and (v) to the extent that the Trust maintains a long-term disability policy (or policies) that provided coverage to Executive in excess of the coverage provided under

the Trust's group long-term disability policy, maintain at not less than his highest levels of coverage during the last twelve (12) months prior to the Change in Control an individual long-term disability policy for the benefit of Executive and pay the annual premiums associated therewith. The Trust also shall convert its group long-term disability policy to an individual policy for the benefit of Executive and pay the annual premiums associated with Executive's continued participation thereunder for a period of one (1) year following the Termination Date. Notwithstanding the foregoing, Executive shall be required to pay the premiums and any other costs of such benefits in the same dollar amount that he was required to pay such costs immediately prior to the Termination Date. If the Trust is unable to provide any of the foregoing benefits directly for any reason, the Trust shall arrange to provide Executive with benefits substantially similar to those which Executive is entitled to receive under the preceding sentences;

(c) The Trust, to the extent legally permissible, shall continue to provide to Executive for a period of three (3) years following the Termination Date (i) all other principal executive officer perquisites, allowances, accommodations of employment, and benefits on the same terms and conditions as the Trust is required to provide to Executive in the event of the termination of Executive's employment without Cause under the Employment Agreement between the Trust and Executive in effect from time to time and (ii) such principal executive officer perquisites, allowances, accommodations of employment, and benefits as are set forth in Section 3(d) of this Amended and Restated Agreement;

(d) For the purposes of this Section (3), Executive's right to receive executive officer perquisites, allowances and accommodations of employment is intended to include (i) Executive's right to have the Trust provide Executive for a period not to exceed three (3) years from Executive's Termination Date with a telephone number assigned to Executive at the Trust's offices, telephone mail and a secretary to answer the telephone, (ii) Executive's right to have the Trust provide Executive for a period not to exceed three (3) years from Executive's Termination Date with an office at a location to

be agreed upon by Executive and the Trust; provided, however, such benefits described in this Subsection 3(d)(i) shall not include physical access to the Trust's offices and will cease upon the commencement by Executive of employment with another employer, and (iii) Executive's right to have the Trust make available at the Trust's expense to Executive at Executive's option the services of an employment search/outplacement agency selected by Executive for a period not to exceed six (6) months.

4. Purchase Loan Forgiveness. Upon the occurrence of a Change in

Control, the Trust shall accelerate the forgiveness of the repayment of any or all of the outstanding principal on any and all Purchase Loans pursuant to the terms of such Purchase Loans as set forth in the agreement or instrument granting such Purchase Loans.

5. Acceleration of Options. Upon the occurrence of a Change in Control,

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

6. Redemption.

(a) Except as provided in paragraph (b) below, the Trust shall within five (5) business days of receipt of written notice from Executive 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 Executive on the date of the Change in Control, redeem any Voting Securities held by Executive (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;

(b) 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: (i) Executive shall designate in a written notice to the Trust an appraiser to appraise the value of the Voting Securities to be redeemed; (ii) within ten (10) business days of receipt of such notice the Trust shall designate an appraiser to appraise the value of the Voting Securities to be redeemed, (iii) such designated appraisers shall together designate, within ten (10) business days of the date the appraiser is designated by the Trust, a third appraiser to appraise the value of such Voting Securities, (iv) 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 the Trust's assets less all of its liabilities without giving effect for any costs of liquidation or distress sale, if otherwise applicable, and (v) the average of the three (3) values determined by the three (3) appraisers shall constitute the price at which the Trust must redeem the Voting Securities covered by Executive'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 paragraph (b) shall be borne entirely by the Trust.

7. Excise Tax Payments.

(a) In the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) that are provided for hereunder (other than the payment provided for in this Section 7(a)) to be paid to or for the benefit of Executive (including, without limitation, the payments or benefits provided for under any provision of this Amended and Restated Agreement) or payments or benefits under any other plan, agreements or arrangement between Executive and the Trust (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 Executive 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") the Trust shall pay to Executive 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 Executive as a result of the receipt of such additional compensation) (a "Gross-Up Payment") to place Executive in the same after-tax position (including federal, state and local taxes) he would have been in had no such Excise Tax been paid or incurred.

(b) 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 7, 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 Executive 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 the Trust and the Executive by no later than ten (10) days following the Termination Date, if applicable, or such earlier time as is requested by the Trust or the Executive (if the Executive 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 Executive, it shall furnish the Executive and the Trust with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Executive has substantial authority not to report any Excise Tax on his federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Executive within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to the Trust by the Accounting Firm. The cost of obtaining the Determination shall be borne by the Trust, any determination by the Accounting Firm shall be binding upon the

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

(c) As a result of the uncertainty in the application of Sections 4999 and 2806 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 (i) upon notice (formal or informal) to Executive from any governmental taxing authority that Executive's tax liability (whether in respect of Executive'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 the Trust has failed to make a sufficient Gross-Up Payment, (ii) upon determination by a court, (iii) by reason of determination by the Trust (which shall include the position taken by the Trust, together with its consolidated group, on its federal income tax return) or (iv) upon the resolution of the Dispute to Executive's satisfaction. If an Underpayment occurs, Executive shall promptly notify the Trust and the Trust 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 Executive 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 Executive's failure to file a timely tax return or pay taxes shown due on Executive's return where such failure is not due to the Trust'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 Executive had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when Executive has received from the applicable governmental taxing authority a refund of taxes or other reduction in Executive'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 Executive 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 Executive'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 the Trust to Executive and Executive shall pay to the Trust on demand (but not less than ten (10) days after the determination of such Excess Payment and written notice has been delivered to Executive) 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 Executive until date of repayment of the Excess Payment to the Trust.

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

8. Mitigation. Executive shall not be required to mitigate the amount of -----
any payment, benefit, or other Trust obligation provided for in this Agreement by seeking

other employment or otherwise and no such payment, benefit or other Trust obligation shall be offset or reduced by the amount of any compensation or benefits provided to Executive in any subsequent employment.

9. General Provisions

(a) Severability. In case any one or more of the provisions of this

Amended and Restated Agreement shall, for any reason, be held or found by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Amended and Restated Agreement, (ii) this Amended and Restated 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 Executive's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Executive intended by the Trust and Executive in entering into this Amended and Restated Agreement, the Trust shall promptly negotiate and enter into an agreement with Executive containing alternative provisions (reasonably acceptable to Executive), that will restore to Executive (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Executive would have enjoyed had any such provision of this Amended and Restated Agreement been upheld as legal, valid and enforceable. Failure to insist upon strict compliance with any provision of this Amended and Restated Agreement shall not be deemed a waiver of such provision or of any other provision of this Amended and Restated Agreement.

(b) No Set-Off. After a Change in Control, the Trust shall have no

right of set-off, reduction or counterclaim in respect of any debt or other obligation of Executive to the Trust against any payment, benefit or other Trust obligation to Executive provided for in this Amended and Restated Agreement or pursuant to any other plan, agreement or policy; provided, however, that the Trust may reduce any payment provided for in this Amended and Restated Agreement by the amount of any payment made to

Executive pursuant to a Restricted Share Award Agreement between Executive and the Trust in the event of a Change in Control expressly intended to act as a setoff against any payment provided for in this Amended and Restated Agreement, such intention to be evidenced only by a written instruction in such Restricted Share Award Agreement.

(c) Modification and Waiver. No provision of this Amended and

Restated Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be agreed to in writing and signed by Executive and by a person duly authorized by the Board of Trustees.

(d) No Assignment of Compensation. No right to or interest in any

compensation or reimbursement payable hereunder shall be assignable or divisible by Executive; provided, however, that this provision shall not preclude Executive from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude his executor or administrator from assigning any right hereunder to the person or persons entitled thereto.

(e) No Attachments. Except as required by law, no right to receive

payments under this Amended and Restated Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation, or to execution, attachment, levy or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be null, void and of no effect.

(f) Headings. The headings of Sections and Subsections hereof are

included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Amended and Restated Agreement.

(g) Governing Law. This Amended and Restated Agreement has been

executed and delivered in the State of Maryland shall be construed in accordance with and governed for all purposes by the laws of the State of Maryland.

(h) No Assignment of Agreement. This Amended and Restated Agreement

may not be assigned, partitioned, subdivided, pledged, or hypothecated in

whole or in part without the express prior written-consent of Executive and the Trust. This Amended and Restated Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of the Trust, or by any merger or consolidation wherein the Trust is not the surviving entity, or by any transfer of all or substantially all of the Trust's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Amended and Restated 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.

(i) 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 Executive under this Amended and Restated Agreement (or under any other plan, agreement, policy or arrangement with the Trust) 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 Executive 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.

(j) Confidentiality of Employment Relationship. The Trust, except

to the extent required by law, will not make or publish, without the express prior written consent of Executive, any written or oral statement concerning the terms of Executive's employment relationship with the Trust and will not, if for any reason he severs his employment with the Trust, make or publish any written or oral statement concerning Executive including, without limitation, his work-related performance or the reasons or basis for Executive severing his employment relationship with the Trust; provided,

however, that the foregoing restriction is not applicable to information concerning the Executive's employment relationship with the Trust which was or became generally available to the public other than as a result of a disclosure by the Trust.

(k) Termination of Prior Agreements. Except as may otherwise be

provided herein, this Amended and Restated Agreement shall terminate and supersede any and all prior written agreements existing between the Trust and Executive prior to the date hereof which principally concern payments or benefits in the event of a Change of Control, and the Trust and Executive hereby mutually release and discharge each other from any further obligation, liability or responsibility under any of the foregoing.

(l) Notices. Any notice required or permitted to be given under

this Amended and Restated 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 Subsection, in which case, to the address specified in such notice.

(m) 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 Executive in connection with (a) any dispute as to the validity, interpretation or application of any term or condition of this Amended and Restated Agreement, (b) the determination in any tax year of the tax consequences to Executive of any amounts payable (or reimbursable) under this Amended and Restated Agreement, or (c) the preparation of responses to an Internal Revenue Service audit of, and other defense of, Executive'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 the Trust's income tax returns are, upon written demand by Executive, to be paid by the Trust (and Executive 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 the Trust) promptly on a current basis (either directly or by reimbursing Executive). Under no circumstances shall Executive be obligated to pay or reimburse the Trust for any attorneys' fees, costs or expenses incurred by the Trust.

(n) Federal Income Tax Withholding. The Trust may withhold from any -----
benefits payable under this Amended and Restated Agreement all federal, state, 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 7 of this Amended and Restated Agreement apply) as shall be required pursuant to any law or governmental regulation or ruling.

(o) Continued Employment. This Amended and Restated Agreement shall -----
not confer upon the Executive any right with respect to continuance of employment by the Trust.

(p) Source of Payments. All payments provided under this Amended -----
and Restated Agreement 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.

(q) Exculpatory Clause. Neither the Trust's shareholders nor the -----
Trustees, officers, employees or agents of the Trust shall be liable under this Amended and Restated Agreement, and the Executive shall look solely to the Trust's estate for the payment of any claim under or for performance of this Amended and Restated Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

(r) Counterparts. This Amended and Restated 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 parties have executed and delivered this Amended and Restated Agreement as of the day and year indicated above.

/s/ Steven J. Guttman

(Executive's Signature)

Executive's Permanent Address:

5126 Wissinging Road
Bethesda, MD 20816

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Kristin Gamble

Name: Kristin Gamble

Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

EXECUTIVE AGREEMENT

THIS AGREEMENT ("Agreement"), made and entered into as of this 6th day of March, 1998 between FEDERAL REALTY INVESTMENT TRUST, an unincorporated business trust organized under the laws of the District of Columbia ("Trust"), and Ron D. Kaplan ("Executive").

RECITALS

WHEREAS, the Trust recognizes the valuable services that Executive has rendered to the Trust as Senior Vice President, Capital Markets and Chief Investment Officer and desires assurance that Executive will continue his services to the Trust;

WHEREAS, Executive is willing to continue to serve the Trust, but desires assurance that in the event of any Change in Control of the Trust he will continue to have the responsibilities and privileges he now has; and

WHEREAS, the Board of Trustees of the Trust ("Board of Trustees") has determined that the best interests of the Trust would be served by providing Executive with certain protections and benefits following any Change in Control of the Trust;

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

PROVISIONS

1. Change in Control. No benefits shall be payable under this

Agreement unless there shall have occurred a Change in Control of the Trust, as defined below. For purposes of this Agreement a "Change in Control" of the Trust shall mean any of the following events:

(a) An acquisition in one or more transactions (other than directly from the Trust or pursuant to options granted by the Trust) of any voting securities of the Trust (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 the Trust'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 (i) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Trust or (y) 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 the Trust (a "Subsidiary"), (ii) the Trust or any Subsidiary, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(b) The individuals who, as of the date of this 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 the Trust's shareholders, of any new member was approved by a vote of at least two-thirds of the Incumbent Trustees, such new member shall, for purposes of this 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

(c) Approval by shareholders of the Trust of

- (i) A merger, consolidation or reorganization involving the Trust,

unless:

- (A) the shareholders of the Trust, 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,
- (B) 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,
- (C) no Person (other than the Trust or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Trust, or any Subsidiary, or any Person which, immediately prior to such merger, consolidation or 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
- (D) a transaction described in clauses (A) through (C) shall herein be referred to as a "Non-Control Transaction;"

- (ii) A complete liquidation or dissolution of the Trust; or

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

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (i) solely because any Person (the "Subject Person") acquired Beneficial

Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Trust 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 the Trust, and after such share acquisition by the Trust, 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 (ii) if the Trust (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 the Trust as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

(d) Notwithstanding anything contained in this Agreement to the contrary, if Executive's employment is terminated while this Agreement is in effect and Executive reasonably demonstrates that such termination (i) 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 (ii) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes of this Agreement, the date of a Change in Control with respect to Executive shall mean the date immediately prior to the date of such termination of Executive's employment.

2. Termination of Employment Following Change in Control. If a

Change in Control of the Trust occurs, Executive shall be entitled to the benefits provided in Section 3 upon the subsequent termination of Executive's employment with the Trust for any reason, either voluntarily or involuntarily, within six (6) months of such Change of

Control, unless such termination is because of Executive's death, Disability or retirement. The term "Disability" shall have the meaning assigned to it in the Trust's group long-term disability policy. The term "Retirement" shall mean termination of employment in accordance with (i) a qualified employee pension or profit-sharing plan maintained by the Trust, or (ii) the Trust's retirement policy in effect immediately prior to the Change in Control. For purposes of this Agreement, Executive's employment shall be terminated by written notice delivered by either the Trust or Executive to the other party. The date of Executive's termination of employment shall be the earlier of the date of Executive's or the Trust's written notice terminating Executive's employment with the Trust, 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").

3. Payment of Benefits upon Termination. If, after a Change in

Control has occurred, Executive's employment with the Trust is terminated for any reason other than for his death, Disability or Retirement, then the Trust shall pay to Executive and provide Executive, his beneficiaries and estate, the following:

(a) The Trust shall pay to Executive a single cash payment equal to 200 percent of the sum of (i) his annual basic salary in effect on the day prior to the Change in Control plus (ii) a bonus equal to the greater of (x) the greatest annual aggregate amount of any cash or stock bonuses paid to Executive in respect of any of the three (3) fiscal years immediately preceding such Termination Date (it being understood and agreed that such amount shall not include compensation paid pursuant to performance share awards) or (y) the amount equal to Executive's maximum aggregate cash or stock bonus (it being understood and agreed that a bonus shall not include compensation paid pursuant to performance share awards) which could be awarded for the fiscal year in which Executive's termination occurs had he continued his employment until the end of such fiscal year, as if all performance targets and goals (if applicable) had been fully met by the Trust and by Executive, as applicable, for such year plus (iii) the greatest annual

aggregate amount of compensation paid to Executive pursuant to restricted share "service" awards during the previous three (3) years. If Executive's employment is terminated by Executive 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 Executive 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;

(b) The Trust shall for a period of two (2) years following the Termination Date, except as otherwise noted, (i) maintain, at the Trust's expense, at not less than Executive's highest levels of coverage during the last twelve (12) months prior to the Change in Control, medical and dental insurance coverage by paying premiums due in connection with COBRA continuation coverage or converting its group medical and dental insurance policy to an individual policy for the benefit of Executive and paying the annual premiums associated with Executive's continued participation thereunder; (ii) maintain, at the Trust's expense, at not less than his highest levels of coverage during the last twelve (12) months prior to the Change in Control, accidental death and dismemberment policies for the benefit of Executive and pay the annual premiums associated therewith; (iii) maintain, at the Trust's expense, the split dollar individual life insurance policy (or policies) for the benefit of Executive for as long as is necessary so that the Trust shall have made a total of seven (7) annual premium payments associated therewith; (iv) maintain, at the Trust's expense, any other individual life insurance policy (or policies) in effect on the Termination Date for one (1) year following the Termination Date; and (v) to the extent that the Trust maintains a long-term disability policy (or policies) that provided coverage to Executive in excess of the coverage provided under the Trust's group long-term disability policy, maintain at not less than his highest levels of coverage during the last twelve (12) months prior to the Change in Control an individual long-term disability policy for the benefit of Executive and pay the annual premiums associated therewith. The Trust also shall convert its group long-term disability policy to an individual policy for the benefit of Executive and pay the annual

premiums associated with Executive's continued participation thereunder for a period of one (1) year following the Termination Date. Notwithstanding the foregoing, Executive shall be required to pay the premiums and any other costs of such benefits in the same dollar amount that he was required to pay such costs immediately prior to the Termination Date. If the Trust is unable to provide any of the foregoing benefits directly for any reason, the Trust shall arrange to provide Executive with benefits substantially similar to those which Executive is entitled to receive under the preceding sentences;

(c) The Trust, to the extent legally permissible, shall continue to provide to Executive all other principal executive 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 principal executive officers of the Trust but in no event less than the highest level of the perquisites, allowances, accommodations of employment and benefits that were available to Executive during the last twelve (12) months of his employment prior to the Change in Control for a period of two (2) years following the Termination Date;

(d) For the purposes of this Subsection (3), Executive's right to receive executive officer perquisites, allowances and accommodations of employment is intended to include (i) Executive's right to have the Trust provide Executive for a period not to exceed six (6) months from Executive's Termination Date with a telephone number assigned to Executive at the Trust's offices, telephone mail and a secretary to answer the telephone; provided, however, such benefits described in this Subsection 3(d)(i) shall not include an office or physical access to the Trust's offices and will cease upon the acceptance by Executive of a position with another employer, and (ii) Executive's right to have the Trust make available at the Trust's expense to Executive at Executive's option the services of an employment search/outplacement agency selected by Executive for a period not to exceed six (6) months.

4. Purchase Loan Forgiveness. Upon the occurrence of a Change in

Control, the Trust shall accelerate the forgiveness of the repayment of any or all of the outstanding

principal on any and all Purchase Loans pursuant to the terms of such Purchase Loans as set forth in the agreement or instrument granting such Purchase Loans.

5. Acceleration of Options. Upon the occurrence of a Change in

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

6. Redemption.

(a) Except as provided in paragraph (b) below, the Trust shall within five (5) business days of receipt of written notice from Executive 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 Executive on the date of the Change in Control, redeem any Voting Securities held by Executive (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;

(b) 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: (i) Executive shall designate in a written notice to the Trust an appraiser to appraise the value of the Voting Securities to be redeemed; (ii) within ten (10) business days of receipt of such notice the Trust shall designate an appraiser to appraise the value of the Voting Securities to be redeemed, (iii) such designated appraisers shall together designate, within ten (10) business days of the date the appraiser is designated by the Trust, a third appraiser to appraise the value of such Voting

Securities, (iv) 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 the Trust's assets less all of its liabilities without giving effect for any costs of liquidation or distress sale, if otherwise applicable, and (v) the average of the three (3) values determined by the three (3) appraisers shall constitute the price at which the Trust must redeem the Voting Securities covered by Executive'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 paragraph (b) shall be borne entirely by the Trust.

7. Excise Tax Payments.

(a) In the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) that are provided for hereunder (other than the payment provided for in this Section 7(a)) to be paid to or for the benefit of Executive (including, without limitation, the payments or benefits provided for under any provision of this Amended and Restated Agreement) or payments or benefits under any other plan, agreements or arrangement between Executive and the Trust (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 Executive 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") the Trust shall pay to Executive 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 Executive as a result of the receipt of such additional compensation) (a "Gross-Up Payment") to place Executive in the same after-tax position (including federal, state and local taxes) he would have been in had no such Excise Tax been paid or incurred.

(b) 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 7, 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 Executive 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 the Trust and the Executive by no later than ten (10) days following the Termination Date, if applicable, or such earlier time as is requested by the Trust or the Executive (if the Executive 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 Executive, it shall furnish the Executive and the Trust with a written statement that such Accounting Firm has concluded that no Excise Tax is payable (including the reasons therefor) and that the Executive has substantial authority not to report any Excise Tax on his federal income tax return. If a Gross-Up Payment is determined to be payable, it shall be paid to the Executive within twenty (20) days after the Determination (and all accompanying calculations and other material supporting the Determination) is delivered to the Trust by the Accounting Firm. The cost of obtaining the Determination shall be borne by the Trust, any determination by the Accounting Firm shall be binding upon the Trust and the Executive, absent manifest error. Without limiting the obligation of the Trust hereunder, Executive agrees, in the event that the Trust makes a Gross-Up Payment to cover any Excise Tax, to negotiate with the Trust in good faith with respect to procedures reasonably requested by the Trust which would afford the Trust the ability to contest the imposition of such Excise Tax; provided, however, that Executive will not be required to afford the Trust any right to contest the applicability of any such Excise Tax to the extent that Executive reasonably determines

(based upon the opinion of the Accounting Firm) that such contest is inconsistent with the overall tax interest of Executive.

(c) 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 (i) upon notice (formal or informal) to Executive from any governmental taxing authority that Executive's tax liability (whether in respect of Executive'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 the Trust has failed to make a sufficient Gross-Up Payment, (ii) upon determination by a court, (iii) by reason of determination by the Trust (which shall include the position taken by the Trust, together with its consolidated group, on its federal income tax return) or (iv) upon the resolution of the Dispute to Executive's satisfaction. If an Underpayment occurs, Executive shall promptly notify the Trust and the Trust 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 Executive 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 Executive's failure to file a timely tax return or pay taxes shown due on Executive's return where such failure is not due to the Trust'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 Executive had previously received a Gross-Up Payment. A "Final Determination" shall be deemed to have occurred when Executive has received from the applicable governmental taxing authority a refund of taxes or other reduction in Executive'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 Executive 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 Executive'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 the Trust to Executive and Executive shall pay to the Trust on demand (but not less than ten (10) days after the determination of such Excess Payment and written notice has been delivered to Executive) 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 Executive until date of repayment of the Excess Payment to the Trust.

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

8. Mitigation. Executive shall not be required to mitigate the

amount of any payment, benefit, or other Trust obligation provided for in this Agreement by seeking other employment or otherwise and no such payment, benefit or other Trust obligation shall be offset or reduced by the amount of any compensation or benefits provided to Executive in any subsequent employment.

9. General Provisions

(a) Severability. In case any one or more of the provisions of

this Agreement shall, for any reason, be held or found by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect (i) such

invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, (ii) this 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 Executive's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Executive intended by the Trust and Executive in entering into this Agreement, the Trust shall promptly negotiate and enter into an agreement with Executive containing alternative provisions (reasonably acceptable to Executive), that will restore to Executive (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Executive would have enjoyed had any such provision of this Agreement been upheld as legal, valid and enforceable. Failure to insist upon strict compliance with any provision of this Agreement shall not be deemed a waiver of such provision or of any other provision of this Agreement.

(b) No Set-Off. After a Change in Control, the Trust shall have

no right of set-off, reduction or counterclaim in respect of any debt or other obligation of Executive to the Trust against any payment, benefit or other Trust obligation to Executive provided for in this Agreement or pursuant to any other plan, agreement or policy.

(c) Modification and Waiver. No provision of this Agreement may

be amended, modified or waived unless such amendment, modification or waiver shall be agreed to in writing and signed by Executive and by a person duly authorized by the Board of Trustees.

(d) No Assignment of Compensation. No right to or interest in any

compensation or reimbursement payable hereunder shall be assignable or divisible by Executive; provided, however, that this provision shall not preclude Executive from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude his executor or administrator from assigning any right hereunder to the person or persons entitled thereto.

(e) No Attachments. Except as required by law, no right to

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

(f) Headings. The headings of Sections and Subsections hereof are

included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

(g) Governing Law. This Agreement has been executed and

delivered in the State of Maryland shall be construed in accordance with and governed for all purposes by the laws of the State of Maryland.

(h) No Assignment of Agreement. This Agreement may not be

assigned, partitioned, subdivided, pledged, or hypothecated in whole or in part without the express prior written consent of Executive and the Trust. This Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of the Trust, or by any merger or consolidation wherein the Trust is not the surviving entity, or by any transfer of all or substantially all of the Trust's assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this 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.

(i) 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 Executive under this Agreement (or under any other plan, agreement, policy or arrangement with the Trust) 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 Executive 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.

(j) Confidentiality of Employment Relationship. The Trust,

except to the extent required by law, will not make or publish, without the express prior written consent of Executive, any written or oral statement concerning the terms of Executive's employment relationship with the Trust and will not, if for any reason he severs his employment with the Trust, make or publish any written or oral statement concerning Executive including, without limitation, his work-related performance or the reasons or basis for Executive severing his employment relationship with the Trust; provided, however, that the foregoing restriction is not applicable to information concerning the Executive's employment relationship with the Trust which was or became generally available to the public other than as a result of a disclosure by the Trust.

(k) Termination of Prior Agreements. Except as may otherwise be

provided herein, this Agreement shall terminate and supersede any and all prior written agreements existing between the Trust and Executive prior to the date hereof which principally concern payments or benefits in the event of a Change of Control, and the Trust and Executive hereby mutually release and discharge each other from any further obligation, liability or responsibility under any of the foregoing.

(l) 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 Subsection, in which case, to the address specified in such notice.

(m) 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 Executive in connection with (a) any dispute as to the validity, interpretation or application of any term or condition of this Amended and Restated Agreement, (b) the determination in any tax year of the tax consequences to Executive of any amounts payable (or reimbursable) under this Amended and Restated Agreement, or (c) the preparation of responses to an Internal Revenue Service audit of, and other defense of, Executive'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 the Trust's income tax returns are, upon written demand by Executive, to be paid by the Trust (and Executive 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 the Trust) promptly on a current basis (either directly or by reimbursing Executive). Under no circumstances shall Executive be obligated to pay or reimburse the Trust for any attorneys' fees, costs or expenses incurred by the Trust.

(n) Federal Income Tax Withholding. The Trust may withhold from

any benefits payable under this Agreement all federal, state, 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 7 of this Agreement apply) as shall be required pursuant to any law or governmental regulation or ruling.

(o) Continued Employment. This Agreement shall not confer upon

the Executive any right with respect to continuance of employment by the Trust.

(p) Source of Payments. All payments provided under this

Agreement 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.

(q) Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Agreement, and the Executive shall look solely to the Trust's estate for the payment of any claim

under or for performance of this Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

(r) 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 parties have executed and delivered this Agreement as of the day and year indicated above.

/s/ Ron D. Kaplan

(Executive's Signature)
Executive's Permanent Address:
7909 Greentree Road
Bethesda, MD 20817

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address:
1626 East Jefferson Street
Rockville, MD 20852

AMENDED AND RESTATED SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED SEVERANCE AGREEMENT ("Amended and Restated Severance Agreement"), made and entered into as of this 6th day of March, 1998 by and between FEDERAL REALTY INVESTMENT TRUST, an unincorporated business trust organized under the laws of the District of Columbia ("Employer"), and Ron D. Kaplan ("Employee").

WHEREAS, Employee and Employer entered into a Severance Agreement ("Severance Agreement") dated as of December 31, 1994; and

WHEREAS, Employee and Employer wish to amend and restate that Severance Agreement as set forth herein;

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 to amend and restate the Severance Agreement as follows:

1. Termination of Severance Agreement. As of the date first written

 above, the Severance Agreement shall be null and void and of no further force or effect.

2. Effective Date of Amended and Restated Severance Agreement. This

 Amended and Restated Severance Agreement shall be effective as of the date first written above and shall continue and remain in full force and effect until terminated by the parties in writing.

3. Termination Without Cause. In the event that Employee's

 employment with Employer is terminated under any of the circumstances in Sections 3(a) or 3(b), Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 3; provided, however, in the event Employee's employment with Employer is terminated pursuant to Section 3(b)(iii), Employee shall receive such payments and benefits as are set forth in the Executive Agreement between Employee and Employer in effect from time to time ("Executive Agreement") in lieu of the payments and benefits under this Section 3:

- (a) by Employer other than with Cause (as "Cause" is defined in Section 5, 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 as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes a demotion of Employee or a substantial reduction in Employee's responsibilities; provided, however, that a change in the person(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) the occurrence of a Change in Control as defined in Section 1 of Employee's Executive Agreement;
 - (iv) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of the greater of (x) Employee's base salary for the 1998 calendar year, or (y) Employee's highest base salary during the three (3) then most recent calendar years (including the year of termination), regardless of whether such salary reduction occurs in one year or over the course of years;
 - (v) this Amended and Restated Agreement is not expressly assumed by any successor (directly or indirectly, and whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer, in a situation other than a Change in Control.
- (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, Employee will receive as severance pay an amount in cash equal to one (1) year's salary plus one (1) month's pay for each year of service to Employer in excess of five (5) years, with a maximum of eighteen (18) months' salary payable. The number of months for which such a payment is due shall determine the length of the severance term ("Severance Term"). For the purpose of calculating amounts payable pursuant to this Section 3(d), "salary" shall be an amount equal to (i) the greater of

(x) Employee's highest annual base salary paid during the previous three (3) years or (y) Employee's annual base salary in the year of termination, plus (ii) the greatest annual aggregate amount of any cash or stock bonus paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination (it being understood and agreed that such amount shall not include compensation paid pursuant to performance share awards), plus (iii) the greatest annual aggregate amount of compensation paid pursuant to restricted share "service" awards during the previous three (3) years. The maximum aggregate annual bonus (it being understood and agreed that a bonus shall not include compensation paid pursuant to performance share awards) which can be awarded to Employee is 100% of his then current annual base salary. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination. No payments will be made for any partial year of service.

(e) Benefits. In the event of Termination Without Cause,

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 Employer's expense, at not less than his highest levels of coverage during the last twelve (12) months prior to the Termination Without Cause, accidental death and dismemberment policies for the benefit of Employee and pay the annual premiums associated therewith; (iii) maintains, at Employer's expense, the split dollar individual life insurance policy (or policies) for the benefit of Employee in accordance with the agreement with respect to such policy (or policies) to be entered into by Employee and Employer (the "Split Dollar Life Insurance Agreement"); (iv) maintains, at Employer's expense, any other individual life insurance policy (or policies) in effect on the Termination Date for one (1) year following the Termination Without Cause; (v) to the extent that Employer maintains a long-term disability policy (or policies) that provided coverage to Employee in excess of the coverage provided under Employer's group long-term disability policy, maintains at not less than his highest levels of coverage during the last twelve (12) months prior to the Termination Without Cause an individual long-term disability policy for the benefit of Employee and pays the annual premiums associated therewith; and (vi) converts its group long-term

disability policy to an individual policy for the benefit of Employee and pays the annual premiums associated with Employee's continued participation thereunder for a period of one (1) year following Termination Without Cause. 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 he was required to pay for such costs immediately prior to Termination Without Cause.

- (f) Loan Forgiveness. Notwithstanding any agreement to the -----
contrary other than the Executive Agreement and its application to the Termination Without Cause described in Section 3(b)(iii), in the event of any other Termination Without Cause, Employee will continue to receive forgiveness as otherwise scheduled to occur during the Severance Term of his loan(s) issued pursuant to Employer's Share Purchase Plan dated January 31, 1991, as modified from time to time thereafter, ("Share Purchase Loan(s)") at a rate of forgiveness equal to one-sixteenth (1/16th) of the principal amount of each loan for every twelve (12) month period. The Share Purchase Loan(s) shall become due and payable twelve (12) months after the expiration of the Severance Term.
- (g) Stock Options. Notwithstanding any agreement to the contrary -----
other than the Executive Agreement and its application to the Termination Without Cause described in Section 3(b)(iii), in the event of any other Termination Without Cause, the vesting of options to purchase shares of Employer's common stock ("Shares") granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the Severance Term shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer; provided, however, that if the terms of any option agreement between the Trust and Employee provides for more favorable treatment in the event of Termination without Cause than that provided above of the vesting of options to purchase Shares granted to Employee and outstanding as of the date of Employee's termination, the terms of such option agreement shall determine the vesting of the options granted thereunder in the event of Termination without Cause. The terms of the Trust's stock option plans, as amended shall determine the period during which any vested options may be exercisable; provided, however, that if the terms of any option agreement between the Trust and Employee provides for more favorable treatment in the event of Termination without Cause than that provided in the Trust's stock

option plans with respect to the exercisability of vested options, the terms of such option agreement shall determine the period for which any vested options granted thereunder may be exercisable.

- (h) Outplacement Services. In the event of Termination Without -----
Cause, 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 during the Severance Term.
- (i) Provision of Telephone/Secretary. In the event of -----
Termination Without Cause, 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.

4. Severance Benefits Upon Voluntary Resignation. In the event that -----

Employee resigns from employment in all capacities with Employer upon (i) sixty (60) days' written notice to Employer if Employee is not an executive officer of Employer or (ii) ninety (90) days' written notice if Employee is an executive officer of Employer, Employee shall be entitled to receive as severance pay an amount in cash equal to one (1) month's salary for every year of service to the Trust in excess of five (5) years of service; such resignation payment shall not exceed six (6) months' pay. The number of months for which such a payment is due shall determine the length of the resignation term ("Resignation Term"). For the purposes of this Section 4 only, "salary" shall mean Employee's then current annual base salary and shall not include any bonus or other compensation. Payment also shall be made for accrued, but unused vacation time.

- (a) Benefits. Subject to Section 4(d) below, Employee shall receive -----
Full Benefits (as defined above) for the Resignation Term (subject to the provisions of the Split Dollar Life Insurance Agreement).
- (b) Loan Forgiveness. In the event that Employee resigns, the terms -----
of the Share Purchase Plan shall determine Employee's rights and responsibilities with respect to Employee's Share Purchase Loan(s).
- (c) Stock Options. In the event that Employee resigns, 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 resignation and the exercise period for any vested option.

(d) Cessation of Benefits. In the event that, following Employee's

voluntary resignation, Employee becomes employed by or affiliated
with, as a partner, consultant, contractor or otherwise, any
entity which is substantially engaged in the business of property
investment or management ("Competitor"), all payments specified
in this Section 4 shall cease upon the date Employee commences
such employment or affiliation; provided, however, Employee shall
continue to receive medical and dental care benefits from
Employer until (i) Employee is eligible to receive medical and
dental care benefits from the Competitor, or (ii) the date of
expiration of Employee's Resignation Term, whichever comes first
("Cessation Date").

5. Severance Benefits Upon Termination With Cause. Employee shall be

deemed to have been terminated with Cause in the event that the employment of
Employee is terminated for any of the following reasons:

- (a) willful and continual failure to use reasonable best efforts
(other than failure due to disability or Employee's termination
of his employment with Employer under Section 3(b) hereof) to
substantially perform his duties with Employer after demand for
substantial performance is delivered by Employer in writing
specifically identifying the manner in which Employer believes
Employee has not used reasonable best efforts to substantially
perform his duties and after expiration of a reasonable time for
Employee to pursue diligently a cure to such demand;
- (b) willful misconduct which is demonstrably and materially injurious
to Employer or an affiliate thereof, monetarily or otherwise; or
- (c) conviction of, or plea of guilty or nolo contendere to, a felony
provided, however, that no termination of Employee under clause
(a) or (b) shall occur until (x) there shall have been delivered
to Employee a copy of the written resolution adopted by two
third's of the Board in good faith at a duly called meeting
thereof setting forth that Employee was guilty of the conduct set
forth in any such clause and specifying the particulars thereof
in detail and (y) Employee shall have been provided an
opportunity to be heard by the Board at such meeting with 45
days' advance written notice thereof, and; provided, further,
that 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 interests of
Employer and no failure to perform by Employee after a notice of
termination hereunder is given by Employer shall constitute
"Cause" for purposes of this definition. Employee shall be
entitled to the assistance of his counsel (at the expense of
Employer) in contesting or otherwise

disputing any allegation or finding of such conduct in any Board meeting or any subsequent judicial or other proceeding instigated by Employee, Employer, or any third party. Under no circumstances shall Employee be obligated to pay or reimburse the Trust for any attorneys' fees, costs or expenses incurred by Employer.

(d) 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.

(e) Severance Payment Upon Termination with Cause. In the event of

termination with Cause, the terms of the stock option agreements between Employer and Employee will determine the terms of the vesting of options and the exercisability of vested options.

(i) For Cause Termination. 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.

(g) Loan Forgiveness. In the event that Employee's employment is

terminated with Cause, the terms of the Share Purchase Plan shall determine Employee's rights and responsibilities with respect to Employee's Share Purchase Loan(s).

6. 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 his 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
(subject to the provisions of the Split Dollar Life Insurance
Agreement).
- (b) Loan Forgiveness. In the event that Employee's employment is

terminated due to Disability, the terms of the Share Purchase
Plan shall determine Employee's rights and responsibilities with
respect to Employee's Share Purchase Loan(s).
- (c) Stock Options. In the event that 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.

7. Severance Benefits Upon Termination Upon Death. If Employee dies,

Employee's estate shall be entitled to receive an amount in cash equal to his
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.

- (a) Loan Forgiveness. If Employee dies, the terms of the Share

Purchase Plan shall determine the rights and responsibilities of
Employee's estate with respect to Employee's Share Purchase
Loan(s).
- (b) Stock Options. If Employee dies, 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
death and the exercise period for any vested option.

8. 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 or With Cause pursuant to
Section 5(a) above, 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.

9. 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.

10. Payments. In the event of Employee's voluntary resignation,

severance payments made pursuant to this Amended and Restated Severance Agreement shall be made pro rata on a monthly basis. All other severance payments payable to Employee pursuant to the terms of this Amended and Restated Severance Agreement may be made either as a lump sum payment or pro rata on a monthly basis, at Employee's option.

11. Tax Withholding. Employer may withhold from any benefits payable

under this Amended and Restated Severance Agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

12. Arbitration.

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- (a) Any controversy, claim or dispute arising out of or relating to this Amended and Restated Severance Agreement or the breach thereof, other than any controversy, claim or dispute arising out of or relating to Section 5 of this Amended and Restated Agreement, 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 Amended and Restated Severance Agreement may be inadequate, and that, in the event of a breach by Employee of Section 9, 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 him 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.

13. No Assignment. Neither this Amended and Restated 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.

14. Mitigation. Employee shall not be required to mitigate the

amount of any payment, benefit or other Trust obligation provided for in this Amended and Restated 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.

15. Continued Employment. This Amended and Restated Severance

Agreement shall not confer upon the Employee any right with respect to continuance of employment by Employer.

16. Amendment. This Amended and Restated 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 Amended and Restated Severance Agreement; (ii) waive compliance with any of the conditions or covenants of the other party contained in this Amended and Restated

Severance Agreement; (iii) waive or modify performance of any of the obligations of the other party under this Amended and Restated Severance Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Amended and Restated 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 Amended and Restated 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

Amended and Restated 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 12 above to be invalid, illegal or unenforceable in any respect (i) such invalidity, illegality or unenforceability shall not affect any other provisions of this Amended and Restated Severance Agreement, (ii) this Amended and Restated Severance Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. Failure to insist upon strict compliance with any provision of this Amended and Restated Severance Agreement shall not be deemed a waiver of such provision or of any other provision of this Amended and Restated Severance Agreement.

19. Governing Law. This Amended and Restated 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 12 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 Amended and Restated 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 Amended and

Restated 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. Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Amended and Restated Severance Agreement, and the Employee shall look solely to the Trust's estate

for the payment of any claim under or for performance of this Amended and Restated Severance Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

23. Headings. The section and other headings contained in this

Amended and Restated Severance Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Amended and Restated Severance Agreement.

24. Notices. Any notice required or permitted to be given under this

Amended and Restated 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.

25. Counterparts. This Amended and Restated 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.

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

/s/ Ron D. Kaplan

Employee's Signature

Employee's Permanent Address:

7909 Greentree Road
Bethesda, MD 20817

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address: 1626 East Jefferson Street
Rockville, MD 20852

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this 27th day of February, 1998 by and between FEDERAL REALTY INVESTMENT TRUST, an unincorporated business trust organized under the laws of the District of Columbia ("Employer" or "Trust"), and Catherine R. Mack ("Employee").

WHEREAS, Employee and Employer entered into an Employment Agreement, as amended ("Employment Agreement") dated as of April 13, 1989;

WHEREAS, the Employment Agreement expires according to its terms on March 31, 1998;

WHEREAS, Employer continues to desire to employ Employee as its Vice President-General Counsel and Secretary, and Employee continues to desire to serve the Company as its Vice President-General Counsel and Secretary;

WHEREAS, as an inducement for Employee to continue to remain in the employ of Employer, the parties hereto have agreed upon payments and benefits due Employee upon termination of her employment, and

WHEREAS, the parties intend that the provisions of this Severance Agreement, together with the provisions of the Executive Agreement between Employer and Employee dated as of April 13, 1988, as the same may be amended and restated from time to time ("Executive Agreement"), shall be the entire agreement between the parties with respect to such payments and benefits due to the Employee upon termination of her employment and shall be in lieu of any rights of the Employee to make any claim or demand for compensation or damages as a result of the employment arrangement and termination thereof.

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 to amend and restate the Severance Agreement as follows:

1. Termination of Employment Agreement. As of the date first written

above, the Employment Agreement shall be null and void and of no further force or effect.

2. Effective Date of Severance Agreement. This Severance Agreement shall

be effective as of the date first written above and shall continue and remain in full force and effect until earlier terminated by the parties in writing.

3. Termination Without Cause. In the event that Employee's employment

with Employer is terminated under any of the circumstances in Sections 3(a) or 3(b), Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 3; provided, however, in the event Employee's employment with Employer is terminated pursuant to Section 3(b)(iii), Employee shall receive such payments and benefits as are set forth in her Executive Agreement in lieu of the payments and benefits under this Section 3:

- (a) by Employer other than with Cause (as "Cause" is defined in Section 5, 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 as of the date first written above are materially modified by Employer without Employee's written consent;
 - (ii) Employer changes the location of its principal office to outside a fifty (50) mile radius of Washington, D.C.;
 - (iii) the occurrence of a Change in Control as defined in Section 1 of Employee's Executive Agreement;
 - (iv) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of the greater of (x) Employee's base salary for the 1998 calendar year, or (y) Employee's highest base salary during the three (3) then most recent calendar years (including the year of termination), regardless of whether such salary reduction occurs in one year or over the course of years;
 - (v) this 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, in a situation other than a Change in Control; and
 - (vi) Employee's title as of the date first written above is changed without her prior written consent and/or Employer hires any attorney to perform functions within the scope of Employee's

responsibilities as Vice President-General Counsel and Secretary as of the date first written above, including, without limitation, functions pertaining to litigation, leasing and shopping center management, securities and corporate law, without Employee's prior written consent.

- (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, Employee will receive as severance pay an amount in cash equal to one (1) year's salary plus one (1) month's pay for each year of service to Employer in excess of five (5) years, with a maximum of eighteen (18) months' salary payable. The number of months for which such a payment is due shall determine the length of the severance term ("Severance Term"). For the purpose of calculating amounts payable pursuant to this Section 3(d), "salary" shall be an amount equal to (i) the greater of (x) Employee's highest annual base salary paid during the previous three (3) years or (y) Employee's annual base salary in the year of termination, plus (ii) the greatest annual aggregate amount of any cash or stock bonus paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination (it being understood and agreed that such amount shall not include compensation paid pursuant to performance share awards). Payment also will be made for vacation time that has accrued, but is unused as of the date of termination. No payments will be made for any partial year of service.
- (e) Benefits. In the event of Termination Without Cause, 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 her 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 the Trust's group long-term disability policy, maintains at not less than her 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; and (iv) converts its group long-term disability policy to an individual policy for the benefit of Employee and pays the annual premiums associated with Employee's continued participation thereunder for a period of one (1) year following Termination Without Cause. 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 she was required to pay for such costs immediately prior to Termination Without Cause.

(f) Loan Forgiveness. Notwithstanding any agreement to the contrary

other than the Executive Agreement and its application to the Termination Without Cause described in Section 3(b)(iii), in the event of any other Termination Without Cause, Employee will continue to receive forgiveness as otherwise scheduled to occur during the Severance Term of her loan(s) issued pursuant to Employer's Share Purchase Plan dated January 31, 1991, as modified from time to time thereafter, ("Share Purchase Loan(s)") at a rate of forgiveness equal to one-sixteenth (1/16th) of the principal amount of each loan for every twelve (12) month period. The Share Purchase Loan(s) shall become due and payable twelve (12) months after the expiration of the Severance Term.

(g) Stock Options. Notwithstanding any agreement to the contrary

other than the Executive Agreement and its application to the Termination Without Cause described in Section 3(b)(iii), in the event of any other Termination Without Cause, 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 Severance Term 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.

(h) Outplacement Services. In the event of Termination Without Cause, 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 during the Severance Term.

(i) Provision of Telephone/Secretary. In the event of Termination Without Cause, 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.

4. Severance Benefits Upon Voluntary Resignation; Part-Time Employment.

(a) Severance Pay. In the event that Employee resigns from full-time employment in all capacities with Employer upon ninety (90) days' written notice to Employer, Employee shall be entitled to receive as severance pay an amount in cash equal to the greater of (i) \$102,802.50 or (ii) one-half of the sum of (A) Employee's Salary and (B) her prior fiscal year's aggregate cash or stock bonus (it being understood and agreed that this amount shall not include compensation paid pursuant to performance share awards). For the purposes of this Section 4 only, "Salary" shall mean Employee's then current annual base salary. Payment also shall be made for accrued, but unused vacation time. This amount shall be payable on the first day of Employee's part-time employment with Employer pursuant to Section 4(b) hereof ("Transition Date").

(b) Part-Time Employment. For the period of time beginning on the Transition Date and ending on the second anniversary thereof (the "Transition Period"), Employee shall be employed on a part-time basis by Employer as "Vice President-Special Counsel."

(i) Duties; Hours. Employee will be responsible for (x) directing the prosecution and defense of all litigation involving Employer, including, without limitation, supervising the Corporate and Litigation paralegals and the Director of Recovery and Collections and coordinating with them with respect to all litigation matters involving Employer on at least a weekly basis, and (y) providing

legal support to the Property Management Department and coordinating with the Vice President-Property Management on at least a weekly basis. Employee shall devote whatever time is reasonably required to perform the duties set forth above, but shall in any event remain available to perform such duties a minimum of fifty (50) hours per month.

- (ii) Compensation. As compensation for performance of the duties set

forth in Section 4(b)(i) hereof, Employer shall pay Employee an amount equal to the greater of (x) \$205,605 or (y) the sum of Employee's Salary plus her prior fiscal year's aggregate cash or stock bonus (it being understood and agreed this amount shall not include compensation paid pursuant to performance share awards) (the "Retainer Payment"). The Retainer Payment shall be paid in twenty-four (24) equal monthly installments, each installment to be due and payable on the first day of each month during the Transition Period. The Retainer Payment will not be adjusted if Employee devotes more or less than fifty (50) hours per month to the duties set forth in Section 4(b)(i) hereof (whether or not Employer reduces the duties it requires Employee to perform during the Transition Period). If Employer assigns duties to Employee in addition to the duties set forth in Section 4(b)(i) hereof, Employee shall be compensated for the hours of work she devotes to performing such duties at an hourly rate obtained by dividing the Retainer Payment by 1,200.

- (iii) Other Services. During the Transition Period, Employee shall

have the right to provide legal services to persons other than the Trust; provided, however, such right shall be subject to Employee's responsibility to perform the duties set forth in Section 4(b)(i) hereof as a principal priority and to Employee's ethical obligations to the Trust as its attorney and employee; and provided, further, that all payments specified in this Section 4(b) shall cease upon the date Employee commences employment (whether in a legal or other executive capacity) with any entity which is substantially engaged in the business of property investment or management ("Competitor"); and provided, further, in such event, Employee shall continue to receive medical and dental care benefits from Employer until (i) Employee is eligible to receive medical and dental care benefits from the Competitor, or (ii) the Transition Period ends, whichever comes first. Notwithstanding the foregoing, Employee shall not be deemed to be employed by a Competitor if she is acting as "outside" counsel

to a Competitor (whether on a retainer or any other basis other than that of an employee).

(iv) Benefits; Plans. During the Transition Period, Employer shall

provide, at its cost, medical and dental care, life insurance, disability insurance and accidental death insurance for Employee at the same level of coverage which Employee received immediately prior to her voluntary resignation as a full-time employee. If the terms of such plans do not allow Employer to provide such coverage to Employee thereunder, Employer shall provide, at its cost, equivalent coverage to Employee under individual policies. During the Transition Period, Employee shall be entitled to participate in all employee benefit plans, practices and programs maintained by Employer and made generally available to other executive officers of Employer, including, without limitation, all pension, share purchase, deferred compensation, stock option, retirement, supplemental retirement, profit sharing, savings, hospitalization, benefit plans, as if Employee were still a full-time employee to the extent permitted under such plans.

(v) Conferences. During the Transition Period, Employer shall

reimburse Employee for program fees, travel, lodging, meals, transportation and other reasonable expenses incurred in connection with Employee's attendance each year at the annual meeting of the American Corporate Counsel Association and of the Law Conference of the International Council of Shopping Centers.

(vi) Office Space; Communications with Employer. During the

Transition Period, Employer shall pay Employee a car phone allowance of \$200 per month and shall reimburse Employee up to a maximum of \$1,000 per month for the aggregate cost of a secretary and office space separate from Employer's corporate offices. During the Transition Period, Employer shall provide Employee with a fax machine, computer, printer and modem. During the Transition Period, Employer shall either reimburse Employee's long-distance telephone expenses for communications with or on behalf of Employer or make other arrangements to provide her with long-distance telephone service for such purposes.

(vii) Termination.

- (A) Termination Without Cause. If Employee's part-time

employment is terminated without Cause during the Transition
Period, Employee will receive an amount in cash equal to the
balance of the Retainer Payment as of the effective date of
such termination and the benefits described in Sections
4(b)(iv), (v) and (vi) hereof shall continue until the end
of the Transition Period.
- (B) Termination With Cause. Employer may terminate Employee's

part-time employment during the Transition Period for Cause,
as defined in Section 5 hereof. If Employee's part-time
employment is terminated for Cause during the Transition
Period pursuant to Section 5(a) hereof, Employee will
receive an amount in cash equal to the balance of the
Retainer Payment as of the effective date of such
termination and the benefits described in Sections 4(b)(iv),
(v) and (vi) hereof shall continue until the end of the
Transition Period. If Employee's part-time employment is
terminated for Cause during the Transition Period pursuant
to Section 5(b), (c) or (d) hereof, all payments and
benefits specified in this Section 4(b) shall cease as of
the effective date of such termination.
- (C) Termination Upon Voluntary Resignation. In the event that

Employee resigns from part-time employment in all capacities
during the Transition Period upon thirty (30) days' written
notice to Employer, all payments and benefits specified in
this Section 4(b) shall cease as of the effective date of
such termination.
- (D) Termination Upon Disability. Employer may terminate

Employee's part-time employment during the Transition Period
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 her employment, (ii) Employee's
"Disability" is within the meaning of such defined term in
Employer's group long-term disability policy or is within
the meaning of such defined term in the individual
disability policy Employer is maintaining for Employee
pursuant to Section 4(b)(iv) hereof, whichever is
applicable, 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 during the Transition Period 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 monthly installment of the Retainer Payment. 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. Employee shall also receive the benefits described in Section 4(b)(iv) hereof until the end of the Transition Period.

(E) Termination Upon Death. If Employee dies during the -----
Transition Period, Employee's estate shall be entitled to receive an amount in cash equal to the balance of the Retainer Payment as of the date of Employee's death.

5. Severance Benefits Upon Termination With Cause. Employee shall be -----
deemed to have been terminated with Cause in the event that her employment is terminated for any of the following reasons:

- (a) failure (other than failure due to disability) to substantially perform 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;
- (b) willful conduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise;
- (c) breach of fiduciary duty involving personal profit; or
- (d) willful violation in the course of performing her duties for Employer of any law, rule or regulation (other than traffic violations or misdemeanor offenses). No act or failure to act shall be considered willful unless done

or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of Employer.

(e) Decision by Employer to Terminate With Cause. The decision to

terminate the employment of Employee with Cause shall be made by the Board of Trustees.

(f) Severance Payment Upon Termination with Cause. In the event of

termination of Employee's full-time employment with Employer for failure to perform pursuant to Section 5(a), or termination for cause pursuant to Section 5(b), (c) or (d) above, the terms of the stock option agreements between Employer and Employee thereunder will determine the terms of the vesting of options and the exercisability of vested options.

(i) For Cause Termination for Failure to Perform. In the event

that Employee's employment is terminated with Cause pursuant to Section 5(a) above, Employee shall receive the payments, part-time employment and benefits she would have received pursuant to Section 4 above had she voluntarily resigned on the date of termination with Cause.

(ii) Other Cause Termination. In the event that Employee's

employment is terminated with Cause pursuant to Section 5(b), (c) or (d), Employee shall receive all base salary due and payable as of the date of Employee's termination of employment. No payment shall be made for bonus or other compensation. Payment also will be made for accrued, but unused vacation time.

(g) Loan Forgiveness. In the event that Employee's employment is

terminated with Cause, the terms of the Share Purchase Plan shall determine Employee's rights and responsibilities with respect to Employee's Share Purchase Loan(s).

6. Severance Benefits Upon Termination Upon Disability. Employer may

terminate Employee's full-time employment 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 her 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) Loan Forgiveness. In the event that Employee's employment is -----
terminated due to Disability, the terms of the Share Purchase Plan shall determine Employee's rights and responsibilities with respect to Employee's Share Purchase Loan(s).
- (c) Stock Options. In the event that 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.

7. Severance Benefits Upon Termination Upon Death. If Employee dies -----

while she is a full-time employee of Employer, Employee's estate shall be entitled to receive an amount in cash equal to her 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 last day of the month in which Employee's death occurs.

- (a) Loan Forgiveness. If Employee dies, the terms of the Share Purchase -----
Plan shall determine the rights and responsibilities of Employee's estate with respect to Employee's Share Purchase Loan(s).
- (b) Stock Options. If Employee dies, 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 her death and the exercise period for any vested option.

8. 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 or With Cause pursuant to Section 5(a) above, 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.

9. Confidentiality - Employee's Obligations. Employee acknowledges and

reaffirms that Employee will comply with the terms of the confidentiality letter executed by Employee during Employee's employment with Employer.

10. Payments. In the event of Employee's voluntary resignation, severance

payments made pursuant to Section 4(b) of this Severance Agreement shall be made pro rata on a monthly basis. Unless otherwise specified herein, 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.

11. Tax Withholding. Employer may withhold from any payments or benefits

payable under this Severance Agreement, and pay over to the appropriate authority, all federal, state, county, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

12. 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 Section 9, 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 him 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.

13. Legal Fees. Employer shall reimburse Employee promptly following the

date first written above for all reasonable attorney's fees incurred by Employee in connection with the negotiation and preparation of this Severance Agreement upon receipt of reasonable written evidence of such fees.

14. Continued Employment. This Severance Agreement shall not confer upon

the Employee any right with respect to continuance of employment by Employer.

15. Mitigation. Employee shall not be required to mitigate the amount of

any payment, benefit or other Trust 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.

16. 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.

17. Amendment. This Severance Agreement may be terminated, amended,

modified or supplemented only by a written instrument executed by Employee and
Employer.

18. 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.

19. 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 12
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. 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.

20. 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 12 hereof shall be conducted in accordance
with the Federal Arbitration Act as then in force.

21. 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.

22. 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.

23. Exculpatory Clause. Neither the Trust's shareholders nor the

Trustees, officers, employees or agents of the Trust shall be liable under this Severance Agreement, and the Employee shall look solely to the Trust's estate for the payment of any claim under or for performance of this Severance Agreement. The Trust is organized pursuant to a Third Amended and Restated Declaration of Trust dated as of May 24, 1984.

24. 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.

25. 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.

26. 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.

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

/s/ Catherine R. Mack

Employee's Signature

Employee's Permanent Address:
5415 Cathedral Ave NW,
Washington, DC 20016

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Kristin Gamble

Name: Kristin Gamble
Title: Chair, Compensation Committee

Address:

1626 East Jefferson Street
Rockville, MD 20852

Consent of Independent Accountants

We have issued our reports dated February 5, 1998 accompanying the consolidated financial statements and schedules included in the Annual Report of Federal Realty Investment Trust on Form 10K for the year ended December 31, 1997. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Federal Realty Investment Trust on Form S-3 (File No. 33-63687, effective December 4, 1995, which pursuant to Rule 429 of the Securities and Exchange Act of 1934 constitutes a post-effective amendment to Registration Statement No. 33-51029 effective December 13, 1993; File No. 33-63955, effective November 3, 1995; and File No. 33-15264, effective August 4, 1987).

Grant Thornton LLP
Washington, D.C.
March 9, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET OF FEDERAL REALTY INVESTMENT TRUST AS OF DECEMBER 31, 1997 AND THE RELATED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS		
	DEC-31-1997	
	JAN-01-1997	
	DEC-31-1997	
		17,043
		0
	18,794	0
		0
	0	1,453,639
	(247,497)	
	1,316,573	
	0	670,890
	0	100,000
		684,823
		(231,013)
1,316,573		0
	198,234	0
		62,369
		0
		0
	47,288	
	44,627	
		0
	0	
		0
		0
		0
	44,627	
	1.16	
	1.14	

CURRENT ASSETS AND CURRENT LIABILITIES ARE NOT LISTED SINCE FEDERAL REALTY DOES NOT PREPARE A CLASSIFIED BALANCE SHEET.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET OF FEDERAL REALTY INVESTMENT TRUST AS OF DECEMBER 31, 1996 AND THE RELATED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. IT HAS BEEN AMENDED FOR THE RESTATEMENT OF EARNINGS PER SHARE CALCULATED UNDER SFAS 128.

1,000

12-MOS	
	DEC-31-1996
	JAN-01-1996
	DEC-31-1996
	11,041
	0
	17,294
	0
	0
	0
	1,147,865
	(223,553)
	1,035,306
	0
	585,584
	0
	0
	597,917
	(209,032)
1,035,306	0
	0
	174,703
	0
	57,098
	0
	0
	45,555
	28,742
	0
	0
	0
	0
	0
	0
	28,742
	.87
	.86

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1,000

12-MOS	
	DEC-31-1995
	JAN-01-1995
	DEC-31-1995
	10,521
	261
	16,102
	0
	0
	0
	1,009,682
	(190,795)
	886,154
	0
	512,586
	0
	508,870
	(181,402)
886,154	0
	0
	150,276
	0
	49,564
	0
	0
	39,268
	23,110
	0
	0
	0
	0
	0
	0
	23,110
	.73
	.72

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