

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

FORM 10-K

- Annual report pursuant to the Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended December 31, 2007
Or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

Commission file number: 1-07533

FEDERAL REALTY INVESTMENT TRUST
(Exact Name of Registrant as Specified in its Declaration of Trust)

Maryland
(State of Organization)

52-0782497
(IRS Employer Identification No.)

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

20852
(Zip Code)

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

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

<u>Title of Each Class</u>	<u>Name Of Each Exchange On Which Registered</u>
Common Shares of Beneficial Interest, \$.01 par value per share, with associated Common Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

The aggregate market value of the Registrant's common shares held by non-affiliates of the Registrant, based upon the closing sales price of the Registrant's common shares on June 30, 2007 was \$4.4 billion.

The number of Registrant's common shares outstanding on February 22, 2008 was 58,754,117.

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FEDERAL REALTY INVESTMENT TRUST
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2007

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission for Registrant's 2008 annual meeting of shareholders to be held in May 2008 will be incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS

References to “we,” “us,” “our” or the “Trust” refer to Federal Realty Investment Trust and our business and operations conducted through our directly or indirectly owned subsidiaries.

General

We are an equity real estate investment trust (“REIT”) specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as in California. As of December 31, 2007, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 82 predominantly retail real estate projects comprising approximately 18.2 million square feet. In total, these 82 real estate projects were 96.7% leased at December 31, 2007. A joint venture in which we own a 30% interest owned seven retail real estate projects totaling approximately 1.0 million square feet as of December 31, 2007. In total, the joint venture properties in which we own an interest were 98.3% leased at December 31, 2007. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 40 consecutive years. Revenue, property operating income, and other financial information of each reportable segment are described in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in the financial statements contained in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

We were founded in 1962 as a real estate investment trust under the laws of the District of Columbia and re-formed as a real estate investment trust in the state of Maryland in 1999. Our principal executive offices are located at 1626 East Jefferson Street, Rockville, Maryland 20852 and our telephone number is (301) 998-8100. Our Web site address is www.federalrealty.com. The information contained on our Web site is not a part of this report.

Business Objectives and Strategies

Our primary business objective is to own, manage, acquire and redevelop a portfolio of high quality retail properties, with the dominant property type being grocery anchored community and neighborhood shopping centers, that will:

- generate higher internal growth than our peers;
- protect investor capital;
- provide increasing cash flow for distributions to shareholders; and
- provide potential for capital appreciation.

Our traditional focus has been and remains on grocery anchored community and neighborhood shopping centers. Late in 1994, recognizing a trend of increased consumer acceptance of retailer expansion to main streets, we expanded our investment strategy to include “street retail” and “mixed-use” properties. The mixed-use properties are typically centered around a retail component but also include office, residential and/or hotel components.

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Operating Strategies

Our core operating strategy is to actively manage our properties to maximize rents and maintain high occupancy levels by attracting and retaining a strong and diverse base of tenants and replacing weaker, underperforming tenants with stronger ones. Our properties are generally located in some of the most densely populated and affluent areas of the country. In addition, because of the in-fill nature of our locations, our properties generally face less competition per capita than properties owned by our peers. These strong demographics help our tenants generate higher sales, which has enabled us to maintain high occupancy rates, charge higher rental rates, and maintain steady rent growth, all of which increase the value of our portfolio. Our operating strategies also include:

- increasing rental rates through the renewal of expiring leases or the leasing of space to new tenants at higher rental rates while limiting vacancy and down-time;
- maintaining a diversified tenant base, thereby limiting exposure to any one tenant's financial difficulties;
- monitoring the merchandising mix of our tenant base to achieve a balance of strong national and regional tenants with local specialty tenants;
- minimizing overhead and operating costs;
- monitoring the physical appearance of our properties and the construction quality, condition and design of the buildings and other improvements located on our properties to maximize our ability to attract customers and thereby generate higher rents and occupancy rates;
- developing local and regional market expertise in order to capitalize on market and retailing trends;
- leveraging the contacts and experience of our management team to build and maintain long-term relationships with tenants, investors and financing sources; and
- providing exceptional customer service.

Investing Strategies

Our investment strategy is to deploy capital at risk-adjusted rates of return that exceed our weighted average cost of capital in projects that have potential for future income growth.

Our investments primarily fall into one of the following five categories:

- renovating, expanding, reconfiguring and/or retenanting our existing properties to take advantage of under-utilized land or existing square footage to increase revenue;
- acquiring community and neighborhood shopping centers, located in densely populated or affluent areas where barriers to entry for further development are high, and that have possibilities for enhancing operating performance through renovation, expansion, reconfiguration and/or retenanting;
- renovating or expanding tenant spaces for tenants capable of producing higher sales, and therefore, paying higher rents, including expanding space available to an existing tenant that is performing well but is operating out of an old or otherwise inefficient store format;
- developing the retail portions of mixed-use properties and developing other portions of mixed-use properties we already own; and
- acquiring, in partnership with longer term investors who contribute a substantial portion of the equity needed to acquire those properties, stabilized community and neighborhood shopping centers, located in densely populated or affluent areas where barriers to entry for further development are high.

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Investment Criteria

When we evaluate potential redevelopment, retensing, expansion and acquisition opportunities, we consider such factors as:

- the expected returns in relation to our cost of capital as well as the anticipated risk we will face in achieving the expected returns;
- the anticipated growth rate of operating income generated by the property;
- the tenant mix at the property, tenant sales performance and the creditworthiness of those tenants;
- the geographic area in which the property is located, including the population density and household incomes, as well as the population and income trends in that geographic area;
- competitive conditions in the vicinity of the property, including competition for tenants and the ability to create competing properties through redevelopment, new construction or renovation;
- access to and visibility of the property from existing roadways and the potential for new, widened or realigned, roadways within the property's trade area, which may affect access and commuting and shopping patterns;
- the level and success of our existing investments in the market area;
- the current market value of the land, buildings and other improvements and the potential for increasing those market values; and
- the physical condition of the land, buildings and other improvements, including the structural and environmental condition.

Financing Strategies

Our financing strategy is designed to enable us to maintain a strong balance sheet while retaining sufficient flexibility to fund our operating and investing activities in the most cost-efficient way possible. Our financing strategy includes:

- maintaining a prudent level of overall leverage and an appropriate pool of unencumbered properties that is sufficient to support our unsecured borrowings;
- managing our exposure to variable-rate debt;
- taking advantage of market opportunities to refinance existing debt, reduce interest costs and manage our debt maturity schedule so that a significant portion of our debt does not mature in any one year;
- selling properties that have limited growth potential or are not a strategic fit within our overall portfolio and redeploying the proceeds to redevelop, renovate, retenant and/or expand our existing properties, acquire new properties or reduce debt; and
- utilizing the most advantageous long-term source of capital available to us to finance redevelopment and acquisition opportunities, which may include:
 - the sale of our equity or debt securities through public offerings or private placements,
 - the incurrence of indebtedness through secured or unsecured borrowings,
 - the issuance of operating units in a new or existing "downREIT partnership" that is controlled and consolidated by us (generally operating units in a "downREIT" partnership are issued in exchange for a tax deferred contribution of property; these units receive the same distributions as our common shares and the holders of these units have the right to exchange their units for cash or the same number of our common shares, at our option), or
 - the use of joint venture arrangements.

Employees

At February 22, 2008, we had 301 full-time employees and 155 part-time employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Tax Status

We elected to be taxed as a real estate investment trust for federal income tax purposes beginning with our taxable year ended December 31, 1962. As a REIT, we are generally not subject to federal income tax on REIT taxable income that we distribute to our shareholders. Under the internal revenue Code of 1986, as amended, which we refer to as the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of REIT taxable income each year. We will be subject to federal income tax on our taxable income (including any applicable alternative minimum tax) at regular corporate rates if we fail to qualify as a REIT for tax purposes in any taxable year, or to the extent we distribute less than 100% of REIT taxable income. We will also not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on our undistributed REIT taxable income.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Code. A TRS is subject to federal and state income taxes. The sales of condominiums at Santana Row, which occurred between August 2005 and August 2006, and the sales of Bath Shopping Center, Key Road Plaza and Riverside Plaza in 2007 were conducted through a TRS. In 2007, 2006, and 2005, our TRS incurred approximately \$1.5 million, \$2.4 million and \$3.5 million, respectively, of income taxes.

Governmental Regulations Affecting Our Properties

We and our properties are subject to a variety of federal, state and local environmental, health, safety and similar laws, including:

- the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, which we refer to as CERCLA;
- the Resource Conservation & Recovery Act;
- the Federal Clean Water Act;
- the Federal Clean Air Act;
- the Toxic Substances Control Act;
- the Occupational Safety & Health Act; and
- the Americans with Disabilities Act.

The application of these laws to a specific property that we own depends on a variety of property-specific circumstances, including the current and former uses of the property, the building materials used at the property and the physical layout of the property. Under certain environmental laws, principally CERCLA, we, as the owner or operator of properties currently or previously owned, may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at the property. We may also be held liable to a governmental entity or third parties for property damage and for investigation and clean up costs incurred in connection with the contamination, whether or not we knew of, or were responsible for, the contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. As the owner or operator of real estate, we also may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the real estate. Such costs or liabilities

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could exceed the value of the affected real estate. The presence of contamination or the failure to remediate contamination may adversely affect our ability to sell or lease real estate or to borrow using the real estate as collateral.

Neither existing environmental, health, safety and similar laws nor the costs of our compliance with these laws has had a material adverse effect on our financial condition or results of operations, and management does not believe they will in the future. In addition, we have not incurred, and do not expect to incur, any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on properties we currently own or may acquire in the future. We have no current plans for substantial capital expenditures with respect to compliance with environmental, health, safety and similar laws and we carry environmental insurance which covers a number of environmental risks for most of our properties.

Competition

Numerous commercial developers and real estate companies compete with us with respect to the leasing and the acquisition of properties. Some of these competitors may possess greater capital resources than we do, although we do not believe that any single competitor or group of competitors in any of the primary markets where our properties are located are dominant in that market. This competition may:

- reduce the number of properties available for acquisition;
- increase the cost of properties available for acquisition;
- interfere with our ability to attract and retain tenants, leading to increased vacancy rates and/or reduced rents, and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from outlet stores, discount shopping clubs, superstores, and other forms of marketing of goods and services, such as direct mail, electronic commerce and telemarketing. This competition could contribute to lease defaults and insolvency of tenants.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the Investor Information section of our website at www.federalrealty.com as soon as reasonably practicable after we electronically file the material with, or furnish the material to, the Securities and Exchange Commission, or the SEC.

Our Corporate Governance Guidelines, Code of Business Conduct, Code of Ethics applicable to our Chief Executive Officer and senior financial officers, Whistleblower Policy, organizational documents and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investor Information section of our website.

Amendments to the Code of Ethics or Code of Business Conduct or waivers that apply to any of our executive officers or our senior financial officers will be disclosed in that section of our website as well.

You may obtain a printed copy of any of the foregoing materials from us by writing to us at Investor Relations, Federal Realty Investment Trust, 1626 East Jefferson Street, Rockville, Maryland 20852.

ITEM 1A. RISK FACTORS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Also, documents that we “incorporate by reference” into this Annual Report on Form 10-K, including documents that we subsequently file with the Securities and Exchange Commission, which we refer to as the SEC, will contain forward-looking statements. When we refer to forward-looking statements or information, sometimes we use words such as “may,” “will,” “could,” “should,” “plans,” “intends,” “expects,” “believes,” “estimates,” “anticipates” and “continues.” In particular, the below risk factors describe forward-looking information. The risk factors describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Many things can happen that can cause actual results to be different from those we describe. These factors include, but are not limited to the following:

Revenue from our properties may be reduced or limited if the retail operations of our tenants are not successful.

Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Some of our leases provide for the payment, in addition to base rent, of additional rent above the base amount according to a specified percentage of the gross sales generated by the tenants and for reimbursement of real estate taxes and expenses of operating the property. General economic downturns and other conditions affecting the retail industry may affect the success of our tenants’ retail operations and therefore the amount of rent and expense reimbursements we receive from our tenants. Any reduction in our tenants’ ability to pay base rent, percentage rent or other charges, including the filing by any of our tenants for bankruptcy protection, may adversely affect our financial condition and results of operations.

Our net income depends on the success and continued presence of our “anchor” tenants.

Our net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases may permit termination or rent reduction in those circumstances or whose own operations may suffer as a result. This could reduce our net income.

We may experience difficulty or delay in renewing leases or re-leasing space.

We derive most of our revenue directly or indirectly from rent received from our tenants. We are subject to the risks that, upon expiration or termination of leases, whether by their terms, as a result of a tenant bankruptcy or otherwise, leases for space in our properties may not be renewed, space may not be re-leased, or the terms of renewal or re-lease, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms. As a result, our results of operations and our net income could be reduced.

The amount of debt we have and the restrictions imposed by that debt could adversely affect our business and financial condition.

As of December 31, 2007, we had approximately \$1.6 billion of debt outstanding. Of that outstanding debt, approximately \$349.4 million was secured by 18 of our properties and approximately \$76.1 million represented capital lease obligations on four of our properties. In addition, we own a 30% interest in a joint venture that had \$81.5 million of debt secured by six properties as of December 31, 2007. Approximately \$1.4 billion (87%) of our debt as of December 31, 2007, which includes all of our property secured debt and our capital lease obligations, is fixed rate debt. Our joint venture’s debt of \$81.5 million is also fixed rate debt. Our organizational

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documents do not limit the level or amount of debt that we may incur. We do not have a policy limiting the ratio of our debt to total capitalization or assets. The amount of our debt outstanding from time to time could have important consequences to our shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, property acquisitions, redevelopments and other appropriate business opportunities that may arise in the future;
- limit our ability to make distributions on our outstanding common shares and preferred shares;
- make it difficult to satisfy our debt service requirements;
- require us to dedicate increased amounts of our cash flow from operations to payments on fixed rate debt upon refinancing or on our variable rate, unhedged debt, if interest rates rise;
- limit our flexibility in planning for, or reacting to, changes in our business and the factors that affect the profitability of our business;
- limit our ability to obtain any additional debt or equity financing we may need in the future for working capital, debt refinancing, capital expenditures, acquisitions, redevelopment or other general corporate purposes or to obtain such financing on favorable terms; and
- limit our flexibility in conducting our business, which may place us at a disadvantage compared to competitors with less debt or debt with less restrictive terms.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness will depend primarily on our future performance, which to a certain extent is subject to economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt or meet our other cash needs. If we are unable to generate this cash flow from our business, we may be required to refinance all or a portion of our existing debt, sell assets or obtain additional financing to meet our debt obligations and other cash needs, including the payment of dividends required to maintain our status as a real estate investment trust. We cannot assure you that any such refinancing, sale of assets or additional financing would be possible on terms that we would find acceptable.

We are obligated to comply with financial and other covenants in our debt that could restrict our operating activities, and the failure to comply with such covenants could result in defaults that accelerate payment under our debt.

Our credit facility and term loans include financial covenants that may limit our operating activities in the future. We are also required to comply with additional covenants that include, among other things, provisions:

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

As of December 31, 2007, we were in compliance with all of our financial covenants. If we were to breach any of our debt covenants, including the covenants listed above, and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a covenant under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares.

Our development activities have inherent risks.

The ground-up development of improvements on real property, as opposed to the renovation and redevelopment of existing improvements, presents substantial risks. We generally do not intend to undertake on our own construction of any new large-scale mixed-use, ground-up development projects; however, we do intend to complete the development and construction of remaining phases of projects we already have started, such as Bethesda Row in Bethesda, Maryland, Santana Row in San Jose, California, and Assembly Square in Somerville, Massachusetts. We may undertake development of these and other projects if it is justifiable on a risk-adjusted return basis. If additional phases of any of our existing projects or if any new projects are not successful, it may adversely affect our financial condition and results of operations.

In addition to the risks associated with real estate investment in general as described elsewhere, the risks associated with our remaining development activities include:

- significant time lag between commencement and completion subjects us to greater risks due to fluctuations in the general economy;
- failure or inability to obtain construction or permanent financing on favorable terms;
- expenditure of money and time on projects that may never be completed;
- inability to achieve projected rental rates or anticipated pace of lease-up;
- higher than estimated construction costs, including labor and material costs; and
- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or acts of God (such as fires, earthquakes or floods).

Redevelopments and acquisitions may fail to perform as expected.

Our investment strategy includes the redevelopment and acquisition of community and neighborhood shopping centers in densely populated areas with high average household incomes and significant barriers to adding competitive retail supply. The redevelopment and acquisition of properties entails risks that include the following, any of which could adversely affect our results of operations and our ability to meet our obligations:

- our estimate of the costs to improve, reposition or redevelop a property may prove to be too low, or the time we estimate to complete the improvement, repositioning or redevelopment may be too short. As a result, the property may fail to achieve the returns we have projected, either temporarily or for a longer time;
- we may not be able to identify suitable properties to acquire or may be unable to complete the acquisition of the properties we identify;
- we may not be able to integrate an acquisition into our existing operations successfully;
- properties we redevelop or acquire may, within the time frames we project, fail to achieve the occupancy or rental rates we project at the time we make the decision to invest, which may result in the properties' failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs until after the property is acquired, which could significantly increase our total acquisition costs; and
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

Our ability to grow will be limited if we cannot obtain additional capital.

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition of additional properties. We believe that it will be difficult to fund our expected growth with cash from operating activities because, in addition to other requirements, we are generally required to distribute to our shareholders at least 90% of our REIT taxable income each year to continue to qualify as a real estate investment trust, or REIT, for federal income tax purposes. As a result, we must rely primarily upon the availability of debt or equity capital, which may or may not be available on favorable terms or at all. The debt could include mortgage loans from third parties or the sale of debt securities. Equity capital could include our common shares or preferred shares. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the market's perception of our growth potential, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

Rising interest rates could adversely affect our cash flow and the market price of our outstanding debt and preferred shares.

Of our approximately \$1.6 billion of debt outstanding as of December 31, 2007, approximately \$209.4 million bears interest at variable rates and was unhedged. We may borrow additional funds at variable interest rates in the future. Increases in interest rates would increase the interest expense on our variable rate debt and reduce our cash flow, which could adversely affect our ability to service our debt and meet our other obligations and also could reduce the amount we are able to distribute to our shareholders. Although we have in the past and may in the future enter into hedging arrangements or other transactions as to a portion of our variable rate debt to limit our exposure to rising interest rates, the amounts we are required to pay under the variable rate debt to which the hedging or similar arrangements relate may increase in the event of non-performance by the counterparties to any of our hedging arrangements. In addition, an increase in market interest rates may lead purchasers of our debt securities and preferred shares to demand a higher annual yield, which could adversely affect the market price of our outstanding debt securities and preferred shares and the cost of refinancing or issuing additional debt securities or preferred shares.

Our performance and value are subject to general risks associated with the real estate industry.

Our economic performance and the value of our real estate assets, and, consequently, the value of our investments, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. As a real estate company, we are susceptible to the following real estate industry risks:

- economic downturns in general, or in the areas where our properties are located;
- adverse changes in local real estate market conditions, such as an oversupply or reduction in demand;
- changes in tenant preferences that reduce the attractiveness of our properties to tenants;
- zoning or regulatory restrictions;
- decreases in market rental rates;
- weather conditions that may increase or decrease energy costs and other weather-related expenses;
- costs associated with the need to periodically repair, renovate and re-lease space; and
- increases in the cost of adequate maintenance, insurance and other operating costs, including real estate taxes, associated with one or more properties, which may occur even when circumstances such as market factors and competition cause a reduction in revenues from one or more properties, although real estate taxes typically do not increase upon a reduction in such revenues.

Many real estate costs are fixed, even if income from our properties decreases.

Our financial results depend primarily on leasing space in our properties to tenants on terms favorable to us. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease, or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent our properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays and may incur substantial legal costs. Additionally, new properties that we may acquire or develop may not produce any significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with such new properties until they are fully leased.

Competition may limit our ability to purchase new properties and generate sufficient income from tenants.

Numerous commercial developers and real estate companies compete with us in seeking tenants for our existing properties and properties for acquisition. This competition may:

- reduce properties available for acquisition;
- increase the cost of properties available for acquisition;
- reduce rents payable to us;
- interfere with our ability to attract and retain tenants;
- lead to increased vacancy rates at our properties; and
- adversely affect our ability to minimize expenses of operation.

Retailers at our properties also face increasing competition from outlet stores, discount shopping clubs, and other forms of marketing of goods, such as direct mail, internet marketing and telemarketing. This competition could contribute to lease defaults and insolvency of tenants. If we are unable to continue to attract appropriate retail tenants to our properties, or to purchase new properties in our geographic markets, it could materially affect our ability to generate net income, service our debt and make distributions to our shareholders.

We may be unable to sell properties when appropriate because real estate investments are illiquid.

Real estate investments generally cannot be sold quickly. In addition, there are some limitations under federal income tax laws applicable to real estate and to REITs in particular that may limit our ability to sell our assets. We may not be able to alter our portfolio promptly in response to changes in economic or other conditions. Our inability to respond quickly to adverse changes in the performance of our investments could have an adverse effect on our ability to meet our obligations and make distributions to our shareholders.

Our insurance coverage on our properties may be inadequate.

We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire, flood, rental loss and acts of terrorism. We also currently carry earthquake insurance on all of our properties in California and environmental insurance on most of our properties. All of these policies contain coverage limitations. We believe these coverages are of the types and amounts customarily obtained for or by an owner of similar types of real property assets located in the areas where our properties are located. We intend to obtain similar insurance coverage on subsequently acquired properties.

The availability of insurance coverage may decrease and the prices for insurance may increase as a consequence of significant losses incurred by the insurance industry. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no

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longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but still remain obligated for any mortgage debt or other financial obligations related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could disrupt seriously our operations, delay revenue and result in large expenses to repair or rebuild the property. Also, due to inflation, changes in codes and ordinances, environmental considerations and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed. Events such as these could adversely affect our results of operations and our ability to meet our obligations, including distributions to our shareholders.

We may have limited flexibility in dealing with our jointly owned investments.

Our organizational documents do not limit the amount of funds that we may invest in properties and assets jointly with other persons or entities and as of February 22, 2008, excluding our joint venture with Clarion Lion Properties Fund, we hold ten predominantly retail real estate projects jointly with other persons. We may make additional joint investments in the future. Our existing and future joint investments may subject us to special risks, including the possibility that our partners or co-investors might become bankrupt, that those partners or co-investors might have economic or other business interests or goals which are unlike or incompatible with our business interests or goals, and that those partners or co-investors might be in a position to take action contrary to our suggestions or instructions, or in opposition to our policies or objectives. Although we hold the managing general partnership or membership interest in all of our existing co-investments as of February 22, 2008, we must obtain the consent of the co-investor or meet defined criteria to sell or to finance three of these properties. Joint ownership gives a third party the opportunity to influence the return we can achieve on some of our investments and may adversely affect our ability to make distributions to our shareholders. We may also be liable for the actions of our co-investors.

In addition, on July 1, 2004, we entered into a joint venture with affiliates of Clarion Lion Properties Fund for purposes of acquiring properties. Although we are the managing general partner of that entity, we have only a 30% ownership interest in that entity. Our partner's consent is required to take certain actions with respect to the properties acquired by the venture, and as a result, we may not be able to take actions that we believe are necessary or desirable to protect or increase the value of the property or the property's income stream. Pursuant to the terms of our partnership, we must obtain our partner's consent to do the following:

- enter into new anchor tenant leases, modify existing anchor tenant leases or enforce remedies against anchor tenants;
- make certain repairs, renovations or other changes or improvements to properties; and
- sell or finance the property with secured debt.

The terms of our partnership require that certain acquisition opportunities be presented first to the joint venture, which limits our ability to acquire properties for our own account which could, in turn, limit our ability to grow. Our investment in this joint venture is also subject to the risks described above for jointly owned investments. As of December 31, 2007, this joint venture owned seven properties.

Environmental laws and regulations could reduce the value or profitability of our properties.

All real property and the operations conducted on real property are subject to federal, state and local laws, ordinances and regulations relating to hazardous materials, environmental protection and human health and safety. Under various federal, state and local laws, ordinances and regulations, we and our tenants may be required to investigate and clean up certain hazardous or toxic substances released on or in properties we own or

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operate, and also may be required to pay other costs relating to hazardous or toxic substances. This liability may be imposed without regard to whether we or our tenants knew about the release of these types of substances or were responsible for their release. The presence of contamination or the failure properly to remediate contamination at any of our properties may adversely affect our ability to sell or lease those properties or to borrow funds by using those properties as collateral. The costs or liabilities could exceed the value of the affected real estate. We are not aware of any environmental condition with respect to any of our properties that management believes would have a material adverse effect on our business, assets or results of operations taken as a whole. The uses of any of our properties prior to our acquisition of the property and the building materials used at the property are among the property-specific factors that will affect how the environmental laws are applied to our properties. If we are subject to any material environmental liabilities, the liabilities could adversely affect our results of operations and our ability to meet our obligations.

We cannot predict what other environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be administered or interpreted or what environmental conditions may be found to exist on the properties in the future. Compliance with existing and new laws and regulations may require us or our tenants to spend funds to remedy environmental problems. Our tenants, like many of their competitors, have incurred, and will continue to incur, capital and operating expenditures and other costs associated with complying with these laws and regulations, which will adversely affect their potential profitability.

Generally, our tenants must comply with environmental laws and meet remediation requirements. Our leases typically impose obligations on our tenants to indemnify us from any compliance costs we may incur as a result of the environmental conditions on the property caused by the tenant. If a lease does not require compliance or if a tenant fails to or cannot comply, we could be forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future or result in lower sales prices or rent payments.

The Americans with Disabilities Act of 1990 could require us to take remedial steps with respect to existing or newly acquired properties.

Our existing properties, as well as properties we may acquire, as commercial facilities, are required to comply with Title III of the Americans with Disabilities Act of 1990. Investigation of a property may reveal non-compliance with this Act. The requirements of this Act, or of other federal, state or local laws, also may change in the future and restrict further renovations of our properties with respect to access for disabled persons. Future compliance with this Act may require expensive changes to the properties.

The revenues generated by our tenants could be negatively affected by various federal, state and local laws to which they are subject.

We and our tenants are subject to a wide range of federal, state and local laws and regulations, such as local licensing requirements, consumer protection laws and state and local fire, life-safety and similar requirements that affect the use of the properties. The leases typically require that each tenant comply with all regulations. Failure to comply could result in fines by governmental authorities, awards of damages to private litigants, or restrictions on the ability to conduct business on such properties. Non-compliance of this sort could reduce our revenues from a tenant, could require us to pay penalties or fines relating to any non-compliance, and could adversely affect our ability to sell or lease a property.

Failure to qualify as a REIT for federal income tax purposes would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of distributions.

We believe that we are organized and qualified as a REIT for federal income tax purposes and currently intend to operate in a manner that will allow us to continue to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). However, we cannot assure you that we will remain qualified as such in the future.

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Qualification as a REIT involves the application of highly technical and complex Code provisions and applicable income tax regulations that have been issued under the Code. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying rents and other income. Satisfying this requirement could be difficult, for example, if defaults by tenants were to reduce the amount of income from qualifying rents. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our REIT taxable income. In addition, new legislation, new regulations, new administrative interpretations or new court decisions may significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT:

- we would not be allowed a deduction for distributions to shareholders in computing taxable income;
- we would be subject to federal income tax at regular corporate rates;
- we could be subject to the federal alternative minimum tax;
- unless we are entitled to relief under specific statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified;
- we could be required to pay significant income taxes, which would substantially reduce the funds available for investment or for distribution to our shareholders for each year in which we failed or were not permitted to qualify; and
- we would no longer be required by law to make any distributions to our shareholders.

We may be required to incur additional debt to qualify as a REIT.

As a REIT, we must make generally annual distributions to shareholders of at least 90% of our REIT taxable income. We are subject to income tax on amounts of undistributed REIT taxable income and net capital gain. In addition, we would be subject to a 4% excise tax if we fail to distribute sufficient income to meet a minimum distribution test based on our ordinary income, capital gain and aggregate undistributed income from prior years. We intend to make distributions to shareholders to comply with the Code's distribution provisions and to avoid federal income and excise tax. We may need to borrow funds to meet our distribution requirements because:

- our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and
- non-deductible capital expenditures, creation of reserves, or debt service requirements may reduce available cash but not taxable income.

In these circumstances, we might have to borrow funds on unfavorable terms and we may have to borrow funds even if our management believes the market conditions make borrowing financially unattractive.

To maintain our status as a REIT, we limit the amount of shares any one shareholder can own.

The Code imposes certain limitations on the ownership of the stock of a REIT. For example, not more than 50% in value of our outstanding shares of capital stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code). To protect our REIT status, our declaration of trust prohibits any one shareholder from owning (actually or constructively) more than 9.8% in value of the outstanding common shares or of any class or series of outstanding preferred shares. The constructive ownership rules are complex. Shares of our capital stock owned, actually or constructively, by a group of related individuals and/or entities may be treated as constructively owned by one of those individuals or entities. As a result, the acquisition of less than 9.8% in value of the outstanding common shares and/or a class or series of preferred shares (or the acquisition of an interest in an entity that owns common shares or preferred shares) by an individual or entity could cause that individual or entity (or another) to own constructively more than 9.8% in value of the outstanding stock. If that

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happened, either the transfer or ownership would be void or the shares would be transferred to a charitable trust and then sold to someone who can own those shares without violating the 9.8% ownership limit.

The Board of Trustees may waive these restrictions on a case-by-case basis. In addition, the Board of Trustees and two-thirds of our shareholders eligible to vote at a shareholder meeting may remove these restrictions if they determine it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The 9.8% ownership restrictions may delay, defer or prevent a transaction or a change of our control that might involve a premium price for the common shares or otherwise be in the shareholders' best interest.

We cannot assure you we will continue to pay dividends at historical rates.

Our ability to continue to pay dividends on our common shares at historical rates or to increase our common share dividend rate, and our ability to pay preferred share dividends and service our debt securities, will depend on a number of factors, including, among others, the following:

- our financial condition and results of future operations;
- the performance of lease terms by tenants;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or increase the dividend rate on our common shares, it could have an adverse effect on the market price of our common shares and other securities. Any preferred shares we may offer in the future may have a fixed dividend rate that would not increase with any increases in the dividend rate of our common shares. Conversely, payment of dividends on our common shares may be subject to payment in full of the dividends on any preferred shares and payment of interest on any debt securities we may offer.

Certain tax and anti-takeover provisions of our declaration of trust and bylaws may inhibit a change of our control.

Certain provisions contained in our declaration of trust and bylaws and the Maryland General Corporation Law, as applicable to Maryland REITs, may discourage a third party from making a tender offer or acquisition proposal to us. If this were to happen, it could delay, deter or prevent a change in control or the removal of existing management. These provisions also may delay or prevent the shareholders from receiving a premium for their common shares over then-prevailing market prices. These provisions include:

- the REIT ownership limit described above;
- authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by the Board of Trustees;
- a staggered, fixed-size Board of Trustees consisting of three classes of trustees;
- special meetings of our shareholders may be called only by the chairman of the board, the chief executive officer, the president, by one-third of the trustees or by shareholders possessing no less than 25% of all the votes entitled to be cast at the meeting;
- the Board of Trustees, without a shareholder vote, can classify or reclassify unissued shares of beneficial interest, including the reclassification of common shares into preferred shares and vice-versa;
- a two-thirds shareholder vote is required to approve some amendments to the declaration of trust;
- advance-notice requirements for proposals to be presented at shareholder meetings; and
- a shareholder rights plan that provides, among other things, that when specified events occur, our shareholders will be entitled to purchase from us a number of common shares equal in value to two times the purchase price, which initially will be equal to \$65 per share, subject to certain adjustments.

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In addition, if we elect to be governed by it in the future, the Maryland control share acquisition law could delay or prevent a change in control. Under Maryland law, unless a REIT elects not to be subject to this law, “control shares” acquired in a “control share acquisition” have no voting rights except to the extent approved by shareholders by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquirer and by officers or trustees who are employees of the REIT. “Control shares” are voting shares that would entitle the acquirer to exercise voting power in electing trustees within specified ranges of voting power. A “control share acquisition” means the acquisition of control shares, with some exceptions.

Our bylaws state that the Maryland control share acquisition law will not apply to any acquisition by any person of our common shares. This bylaw provision may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares, by a vote of a majority of the shareholders entitled to vote, and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

We may amend or revise our business policies without your approval.

Our Board of Trustees may amend or revise our operating policies without shareholder approval. Our investment, financing and borrowing policies and policies with respect to all other activities, such as growth, debt, capitalization and operations, are determined by the Board of Trustees. The Board of Trustees may amend or revise these policies at any time and from time to time at its discretion. A change in these policies could adversely affect our financial condition and results of operations, and the market price of our securities.

The current business plan adopted by our Board of Trustees focuses on our investment in neighborhood and community shopping centers, principally through redevelopments and acquisitions. If this business plan is not successful, it could have a material adverse effect on our financial condition and results of operations.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Annual Report on Form 10-K. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the above risks and the risk factors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

General

As of December 31, 2007, we owned or had a majority ownership interest in community and neighborhood shopping centers and mixed-used properties which are operated as 82 predominantly retail real estate projects comprising approximately 18.2 million square feet. These properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as California. No single property accounted for over 10% of our 2007 total revenue. We believe that our properties are adequately covered by commercial general liability, fire, flood, earthquake, terrorism and business interruption insurance provided by reputable companies, with commercially reasonable exclusions, deductibles and limits.

We operate our business on an asset management model, where asset management teams are responsible for a portfolio of assets. We manage our portfolio as two operating regions: the East and West. Property management teams consist of asset managers, leasing agents, development staff and financial personnel each of whom has responsibility for a distinct portfolio.

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Tenant Diversification

As of December 31, 2007, we had approximately 2,400 leases, with tenants ranging from sole proprietors to major national retailers. No one tenant or affiliated group of tenants accounted for more than 2.5% of our annualized base rent as of December 31, 2007. As a result of our tenant diversification, we believe our exposure to any recent and future bankruptcy filing in the retail sector has not been and will not be significant.

Geographic Diversification

Our 82 real estate projects are located in 12 states and the District of Columbia. The following table shows, by region and state within the region, the number of projects, the gross leasable area of commercial space and the percentage of total portfolio gross leasable area of commercial space in each state as of December 31, 2007.

<u>Region and State</u>	<u>Number of Projects</u>	<u>Gross Leasable Area</u> <u>(In square feet)</u>	<u>Percentage of Gross Leasable Area</u>
East region			
Maryland	17	3,809,000	20.9%
Virginia	15	3,607,000	19.8%
Pennsylvania(1)	11	2,394,000	13.2%
Massachusetts	7	1,651,000	9.1%
New Jersey	4	1,384,000	7.6%
New York	5	1,110,000	6.1%
Illinois	4	757,000	4.2%
Connecticut	2	315,000	1.7%
Michigan	1	217,000	1.2%
District of Columbia	2	168,000	0.9%
North Carolina	1	156,000	0.8%
Total East region	69	15,568,000	85.5%
West region			
California	12	2,450,000	13.5%
Texas	1	177,000	1.0%
Total West region	13	2,627,000	14.5%
Total all regions	82	18,195,000	100.0%

(1) Additionally, we own two participating mortgages totaling approximately \$28.3 million secured by multiple buildings in Manayunk, Pennsylvania.

Leases, Lease Terms and Lease Expirations

Our leases are classified as operating leases and typically are structured to require the monthly payment of minimum rents in advance, subject to periodic increases during the term of the lease, percentage rents based on the level of sales achieved by tenants, and reimbursement of a majority of on-site operating expenses and real estate taxes. These features in our leases reduce our exposure to higher costs and allow us to participate in improved tenant sales.

Commercial property leases generally range from 3 to 10 years; however, certain leases, primarily with anchor tenants, may be longer. Many of our leases contain tenant options that enable the tenant to extend the term of the lease at expiration at pre-established rental rates that often include fixed rent increases, consumer price index adjustments or other market rate adjustments from the prior base rent. Leases on residential units are generally for a period of one year or less and, in 2007, represented approximately 3.3% of total rental revenues.

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The following table sets forth the schedule of lease expirations for our commercial leases in place as of December 31, 2007 for each of the 10 years beginning with 2008 and after 2017 in the aggregate, in both cases, assuming that none of the tenants exercise future renewal options. Annualized base rents reflect in-place contractual rents as of December 31, 2007.

<u>Year of Lease Expiration</u>	<u>Leased Square Footage Expiring</u>	<u>Percentage of Leased Square Footage Expiring</u>	<u>Annualized Base Rent Represented by Expiring Leases</u>	<u>Percentage of Annualized Base Rent Represented by Expiring Leases</u>
2008	1,273,000	7%	\$ 21,948,000	6%
2009	2,050,000	12%	39,036,000	11%
2010	1,623,000	9%	33,002,000	9%
2011	1,788,000	10%	43,408,000	12%
2012	1,995,000	12%	43,926,000	12%
2013	1,532,000	9%	30,912,000	9%
2014	1,148,000	7%	26,387,000	8%
2015	809,000	5%	17,209,000	5%
2016	822,000	5%	20,448,000	6%
2017	1,027,000	6%	23,194,000	7%
Thereafter	3,221,000	18%	53,580,000	15%
Total	<u>17,288,000</u>	<u>100%</u>	<u>\$353,050,000</u>	<u>100%</u>

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Retail and Residential Properties

The following table sets forth information concerning all real estate projects in which we owned an equity interest, had a leasehold interest, or controlled and are consolidated as of December 31, 2007. Except as otherwise noted, we are the sole owner of our retail real estate projects. Principal tenants are the largest tenants in the project based on square feet leased or are tenants important to a project's success due to their ability to attract retail customers.

EAST REGION	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Percentage Leased(2)	Principal Tenant(s)
Andorra Philadelphia, PA 19128	1953	1988	267,000	99%	Acme Markets Kohl's Staples L.A. Fitness
Assembly Square/Sturtevant Street Somerville, MA 02145	2005	2005-2007	554,000	100%	Bed, Bath & Beyond Christmas Tree Shops Kmart Staples TJ Maxx A.C. Moore Sports Authority
Bala Cynwyd Bala Cynwyd, PA 19004	1955	1993	280,000	100%	Acme Markets Lord & Taylor L.A. Fitness
Barracks Road Charlottesville, VA 22905	1958	1985	488,000	100%	Bed, Bath & Beyond Harris Teeter Kroger Barnes & Noble Old Navy
Bethesda Row Bethesda, MD 20814(7)	1945-1991 2001	1993-2006	477,000	92%	Barnes & Noble Giant Food Landmark Theater
Brick Plaza Brick Township, NJ 08723(6)	1958	1989	409,000	100%	A&P Supermarket Barnes & Noble AMC Loews Sports Authority
Bristol Bristol, CT 06010	1959	1995	273,000	98%	Stop & Shop TJ Maxx
Chelsea Commons Chelsea, MA 02150	1962-1969	2006-2007	196,000	91%	Sav-A-Lot Home Depot
Congressional Plaza Rockville, MD 20852(4)	1965	1965	338,000	91%	Buy Buy Baby Whole Foods Container Store
Congressional Plaza Residential Rockville, MD 20852(4)	2003	1965	146 units	90%	
Courthouse Center Rockville, MD 20852(5)	1970	1997	37,000	81%	
Crossroads Highland Park, IL 60035	1959	1993	173,000	89%	Golfsmith Guitar Center
Dedham Dedham, MA 02026	1959	1993	242,000	91%	Star Market
Eastgate Chapel Hill, NC 27514	1963	1986	156,000	97%	Stein Mart
Ellisburg Circle Cherry Hill, NJ 08034	1959	1992	268,000	99%	Genuardi's Stein Mart
Falls Plaza/Falls Plaza—East Falls Church, VA 22046	1960-1962	1967-1972	144,000	99%	Giant Food CVS Staples

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Retail and Residential Properties—continued

EAST REGION	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Percentage Leased(2)	Principal Tenant(s)
Feasterville Feasterville, PA 19047	1958	1980	111,000	100%	Genuardi's OfficeMax
Federal Plaza Rockville, MD 20852	1970	1989	248,000	99%	Micro Center Ross Dress For Less TJ Maxx
Finley Square Downers Grove, IL 60515	1974	1995	315,000	98%	Bed, Bath & Beyond Petsmart
Flourtown Flourtown, PA 19031	1957	1980	180,000	89%	Genuardi's
Forest Hills Forest Hills, NY	1937-1987	1997	46,000	100%	Midway Theatre
Friendship Center Washington, D.C 20015	1998	2001	119,000	100%	Maggiano's Borders Books Linens 'n Things
Fresh Meadows Queens, NY 11365	1949	1997	403,000	95%	AMC Loews Filene's Basement Kohl's Associated Food Stores
Gaithersburg Square Gaithersburg, MD 20878	1966	1993	209,000	99%	Bed, Bath & Beyond Borders Books Ross Dress For Less
Garden Market Western Springs, IL 60558	1958	1994	140,000	96%	Dominick's Walgreens
Governor Plaza Glen Burnie, MD 21961	1963	1985	269,000	100%	Office Depot Bally's Total Fitness Aldi
Gratiot Plaza Roseville, MI 48066	1964	1973	217,000	100%	Bed, Bath & Beyond Best Buy Kroger DSW
Greenwich Avenue Greenwich Avenue, CT	1993	1995	42,000	100%	Saks Fifth Avenue
Hauppauge Hauppauge, NY 11788	1963	1998	133,000	99%	Shop Rite A.C. Moore
Huntington Huntington, NY 11746	1962	1988/2007	279,000	100%	Barnes & Noble Bed, Bath & Beyond Buy Buy Baby Toys R Us
Idylwood Plaza Falls Church, VA 22030	1991	1994	73,000	100%	Whole Foods
Lancaster Lancaster, PA 17601(3)	1958	1980	107,000	99%	Giant Food Michaels
Langhorne Square Levittown, PA 19056	1966	1985	216,000	100%	Marshalls Redner's Warehouse Market
Laurel Centre Laurel, MD 20707	1956	1986	386,000	99%	Giant Food Marshalls
Lawrence Park Broomall, PA 19008	1972	1980	353,000	100%	Acme Markets TJ Maxx CHI Home Goods
Leesburg Plaza Leesburg, VA 20176(5)	1967	1998	236,000	99%	Giant Food Pier 1 Imports Office Depot Petsmart

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Retail and Residential Properties—continued

EAST REGION	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Percentage Leased(2)	Principal Tenant(s)
Linden Square Wellesley, MA 02481	1960	2006/2007	156,000	93%	Roche Brothers Supermarket CVS Fitness Club for Women Wellesley Volkswagen, Buick
Loehmann's Plaza Fairfax, VA 22042	1971	1983	268,000	96%	Bally's Total Fitness Loehmann's Dress Shop
Melville Mall Huntington, NY 11747(9)	1974	2006	248,000	100%	Waldbaum's Marshalls Kohl's
Mercer Mall Lawrenceville, NJ 08648(3)	1975	2003	501,000	100%	Raymour & Flanigan Bed, Bath & Beyond DSW TJ Maxx Shop Rite
Mid-Pike Plaza Rockville, MD 20852	1963	1982/2007	309,000	100%	Bally's Total Fitness Linens 'n Things Toys R Us A.C. Moore Filene's Basement
Mount Vernon/South Valley/7770 Richmond Hwy Alexandria, VA 22306(5)(6)	1966-1974	2003-2006	566,000	97%	Shoppers Food Warehouse Bed, Bath & Beyond Michaels Home Depot TJ Maxx Gold's Gym
Northeast Philadelphia, PA 19114	1959	1983	285,000	93%	Burlington Coat Factory Marshalls
North Dartmouth North Dartmouth, MA 02747	2004	2006	183,000	100%	Stop & Shop Lowe's Home Center
North Lake Commons Lake Zurich, IL 60047	1989	1994	129,000	93%	Dominick's
The Shoppes at Nottingham Square Baltimore, MD 21236	2005-2006	2007	186,000	100%	Lowe's Home Center
Old Keene Mill Springfield, VA 22152	1968	1976	92,000	100%	Whole Foods
Pan Am Fairfax, VA 22031	1979	1993	227,000	100%	Michaels Micro Center Safeway
Pentagon Row Arlington, VA 22202(6)	2001-2002	1998	296,000	100%	Harris Teeter Bed, Bath & Beyond Cost Plus World Market Bally's Total Fitness DSW
Perring Plaza Baltimore, MD 21134	1963	1985	402,000	99%	Burlington Coat Factory Home Depot Shoppers Food Warehouse Jo-Ann Stores
Pike 7 Plaza Vienna, VA 22180(5)	1968	1997	164,000	100%	DSW Staples TJ Maxx
Queen Anne Plaza Norwell, MA 02061	1967	1994	149,000	100%	TJ Maxx Hannaford

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Retail and Residential Properties—continued

EAST REGION	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Percentage Leased(2)	Principal Tenant(s)
Quince Orchard Gaithersburg, MD 20877(6)	1975	1993	253,000	98%	Circuit City Magruder's Staples
Rockville Town Square Rockville, MD 20852	2006-2007	2006-2007	182,000	100%	CVS Gold's Gym
Rollingwood Apartments Silver Spring, MD 20910 9 three-story buildings	1960	1971	282 units	96%	
Sam's Park & Shop Washington, DC 20008	1930	1995	49,000	90%	Petco
Saugus Plaza Saugus, MA 01906	1976	1996	171,000	94%	Kmart Super Stop & Shop
Village at Shirlington Arlington, VA 22206(11)	1940	1995	245,000	99%	AMC Loews Carlyle Grand Café Harris Teeter
Shoppers' World Charlottesville, VA 23230	1975-2001	2007	170,000	96%	Whole Foods Staples
Tower Shopping Center Springfield, VA 22150	1960	1998	112,000	71%	Talbots
Town Center of New Britain New Britain, PA 18901	1969	2006	124,000	88%	Giant Food Rite Aid
Troy Parsippany-Troy, NJ 07054	1966	1980	207,000	88%	Pathmark A.C. Moore
Tysons Station Falls Church, VA 22043	1954	1978	49,000	100%	Trader Joes
THE AVENUE at White Marsh Baltimore, MD 21236(5)	1997	2007	298,000	98%	AMC Loews Old Navy Barnes & Noble A.C. Moore
White Marsh Plaza Baltimore, MD 21236	1987	2007	80,000	98%	Giant Food
White Marsh Other Baltimore, MD 21236	1985	2007	52,000	100%	
Wildwood Bethesda, MD 20814	1958	1969	85,000	98%	CVS Balducci's
Willow Grove Willow Grove, PA 19090	1953	1984	215,000	99%	Barnes & Noble Marshalls Toys R Us
Shops at Willow Lawn Richmond, VA 23230	1957	1983	476,000	91%	Kroger Old Navy Ross Staples
Wynnwood Wynnwood, PA 19096	1948	1996	255,000	96%	Bed, Bath & Beyond Borders Books Genuardi's Old Navy
Total East Region—Retail			15,568,000	97%	
Total East Region—Residential			428 units	94%	

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Retail and Residential Properties—continued

	Year Completed	Year Acquired	Square Feet(1) /Apartment Units	Percentage Leased(2)	Principal Tenant(s)
WEST REGION					
150 Post Street San Francisco, CA 94108	1965	1997	102,000	96%	Brooks Brothers H & M
Colorado Blvd Pasadena, CA(6)	1922	1996-1998	69,000	100%	Pottery Barn Banana Republic
Crow Canyon Commons San Ramon, CA(3)	1980-2006	2005-2007	242,000	91%	Albertson's Loehmann's Rite Aid
Escondido Promenade Escondido, CA 92029(8)	1987	1996	222,000	98%	Toys R Us TJ Maxx Cost Plus
Fifth Avenue San Diego, CA	1888-1995	1996-1997	51,000	83%	Urban Outfitters
Hermosa Avenue Hermosa Beach, CA	1922	1997	22,000	100%	
Hollywood Blvd Hollywood, CA(10)	1921-1991	1999	150,000	85%	DSW L.A. Fitness
Houston Street San Antonio, TX	1890-1935	1998	177,000	73%	Hotel Valencia
Kings Court Los Gatos, CA 95032(5)(6)	1960	1998	79,000	100%	Lunardi's Supermarket Longs Drug Store
Old Town Center Los Gatos, CA 95030	1962, 1998	1997	95,000	96%	Borders Books Gap Kids Banana Republic
Santana Row – Retail San Jose, CA 95128	2002	1997	562,000	100%	Crate & Barrel Borders Books Container Store Best Buy CineArts Theatre
Santana Row – Residential San Jose, CA 95128	2003-2006	1997	295 units	96%	
Third Street Promenade Santa Monica, CA	1888-2000	1996-2000	211,000	98%	Abercrombie & Fitch J. Crew Old Navy Banana Republic
Westgate Shopping Center San Jose, CA	1960-1966	2004	645,000	99%	Safeway Target Burlington Coat Factory Barnes & Noble Ross
Total West Region—Retail			2,627,000	95%	
Total West Region—Residential			295 units	96%	
Total All Regions—Retail			18,195,000	97%	
Total All Regions—Residential			723 units	95%	

- (1) Represents the physical square footage of the commercial portion of the property, which may differ from the gross leasable square footage used to express percentage leased. Some of our properties include office space which is included in this square footage but is not material in total.
- (2) Retail percentage leased is expressed as a percentage of rentable commercial square feet occupied or subject to a lease under which rent is currently payable and includes square feet covered by leases for stores not yet opened. Residential percentage leased is expressed as a percentage of units occupied or subject to a lease.
- (3) We have a leasehold interest in this property.

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- (4) We own a 64.1% membership interest in this property.
- (5) We own this property in a “downREIT” structure.
- (6) All or a portion of this property is subject to a long-term ground lease.
- (7) This property contains nine buildings; six are subject to a leasehold interest, one is subject to a ground lease and two are owned 100% by us.
- (8) We own the controlling interest in this center.
- (9) On October 16, 2006, the Trust acquired control of Melville Mall through a 20 year master lease and secondary financing to the owner. The master lease includes a purchase option in 2021 for \$5.0 million plus the assumption of the owner’s \$25.8 million first mortgage. Because the Trust controls this property and retains substantially all of the economic benefit and risk associated with it, we consolidate this property and its operations.
- (10) We own a 90% general partnership interest in these buildings.
- (11) A portion of this property is subject to a capital lease obligation.

ITEM 3. LEGAL PROCEEDINGS

In May 2003, First National Mortgage Company filed a complaint against us in the United States District Court for the Northern District of California. The complaint alleged that a one page document entitled “Final Proposal,” which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave First National Mortgage Company the option to require that we acquire the property at a price determined in accordance with a formula included in the “Final Proposal.” A trial as to liability only was held in June 2006 and a jury rendered a verdict against us. A trial on the issue of damages has been set for April 2008. The complaint did not specify the amount of damages claimed. We have now received reports from our experts and the plaintiff’s experts which show potential damages ranging from \$600,000 to \$24 million. We cannot make a reasonable estimate of potential damages until discovery is completed on the damages issue and the court rules on various legal issues impacting the calculation of damages. We intend to appeal the jury verdict; however, no appeal of the judgment can be taken until the trial on damages has been completed. If we are not successful in overturning the jury verdict, we will be liable for damages. Depending on the amount of damages awarded, it is possible there could be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated. In any event, management does not believe it will have a material impact on our financial position.

We are also involved in a litigation matter relating to a shopping center in New Jersey where a former tenant has alleged that we and our management agent acted improperly by failing to disclose a condemnation action at the property that was pending when the lease was signed. A trial as to liability only has been concluded and post-trial briefs have been filed, but no decision has been rendered. One of the plaintiffs in the matter has filed for bankruptcy protection and as a result, the judge in our case has stayed further proceedings in the case. If we are found liable once the stay has been lifted, a trial will be held to determine the amount of damages. Based on the information available to us, we believe there is a reasonable possibility that we will be found liable. If a verdict is rendered against us, we may seek indemnification from the third party management company that negotiated the lease on our behalf. We cannot assess with any certainty at this time the potential damages for which we would be liable if a verdict is rendered against us or the potential amounts we might recover against the third party management company; however, if a verdict is rendered against us, there may be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated. In any event, management does not believe it will have a material impact on our financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

No matters were submitted to a vote of our shareholders during the fourth quarter of the fiscal year ended December 31, 2007.

PART II**ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common shares trade on the New York Stock Exchange under the symbol "FRT." Listed below are the high and low closing prices of our common shares as reported on the New York Stock Exchange and the dividends declared for each of the periods indicated.

	<u>Price Per Share</u>		<u>Dividends Declared Per Share</u>
	<u>High</u>	<u>Low</u>	
2007			
Fourth quarter	\$95.19	\$78.58	\$ 0.610
Third quarter	\$88.92	\$73.82	\$ 0.610
Second quarter	\$92.59	\$75.27	\$ 0.575
First quarter	\$97.12	\$81.93	\$ 0.575
2006			
Fourth quarter	\$87.15	\$73.47	\$ 0.575
Third quarter	\$76.42	\$69.37	\$ 0.575
Second quarter	\$72.43	\$64.72	\$ 0.555
First quarter	\$75.38	\$61.63	\$ 0.755 (1)

(1) Includes regular dividend of \$0.555 and special dividend of \$0.20 resulting from the sales of condominiums at Santana Row.

On February 22, 2008, there were 4,385 holders of record of our common shares.

Our ongoing operations generally will not be subject to federal income taxes as long as we maintain our REIT status and distribute to shareholders at least 100% of our REIT taxable income. Under the Code, REITs are subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of REIT taxable income. State income taxes are not material to our operations or cash flows.

Future distributions will be at the discretion of our Board of Trustees and will depend on our actual net income available for common shareholders, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our regular annual dividend rate for 40 consecutive years.

Our total annual dividends paid per common share for 2007 and 2006 were \$2.335 per share and \$2.440 per share (including a \$0.20 special dividend), respectively. The annual dividend amounts are different from dividends as calculated for federal income tax purposes. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder's shares. No assurances can be given regarding what portion, if any, of distributions in 2008 or subsequent years will constitute a return of capital for federal income tax purposes. During a year in which a REIT earns a net long-term capital gain, the REIT can elect under Code Sec. 857(b)(3) to designate a portion of dividends paid to shareholders as capital gain dividends. If this election is made, then the capital gain dividends are taxable to the shareholder as long-term capital gains.

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The following table reflects the income tax status of distributions per share paid to common shareholders:

	Year Ended	
	December 31,	
	2007	2006
Ordinary dividend	\$2.174	\$1.813
Ordinary dividend eligible for 15% tax rate	0.044	0.066
Return of capital	—	0.561
Capital gain	0.117	—
	<u>\$2.335</u>	<u>\$2.440(1)</u>

(1) Includes a special dividend of \$0.20 resulting from the sales of condominiums at Santana Row.

Distributions on our 5.417% Series 1 Cumulative Convertible Preferred Shares were paid at the rate of \$1.354 per share per annum commencing on the issuance date of March 8, 2007. We do not believe that the preferential rights available to the holders of our preferred shares or the financial covenants contained in our debt agreements had or will have an adverse effect on our ability to pay dividends in the normal course of business to our common shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

Distributions on our 8.5% Series B Cumulative Redeemable Preferred Shares were paid at the rate of \$2.125 per share per annum, prior to distributions on our common shares. On November 27, 2006, the Trust redeemed all 5,400,000 outstanding shares of our 8.5% Series B Cumulative Redeemable Preferred Shares at their redemption price of \$25.00 per share, plus accrued and unpaid dividends through the redemption date of \$0.159 per share.

Recent Sales of Unregistered Shares

All equity securities sold by us during 2007 that were not registered have been previously reported in a Quarterly Report on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No equity securities were purchased by us during 2007. However, 2,326 common shares were placed into treasury as a result of restricted shares forfeited by former employees.

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ITEM 6. SELECTED FINANCIAL DATA

The following table includes certain financial information on a consolidated historical basis. You should read this section in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Financial Statements and Supplementary Data.” Our selected operating data, other data and balance sheet data for the years ended 2003 through 2006 has been reclassified to conform to the presentation for the year ended 2007.

	For the Year Ended December 31,				
	2007	2006	2005	2004	2003
(In thousands, except per share data and ratios)					
Operating Data:					
Rental income	\$ 468,498	\$ 414,979	\$ 375,927	\$ 351,101	\$ 318,549
Property operating income(1)	\$ 338,269	\$ 301,574	\$ 272,304	\$ 245,253	\$ 219,675
Income from continuing operations	\$ 96,380	\$ 90,552	\$ 83,247	\$ 63,755	\$ 67,716
Gain on sale of real estate	\$ 94,768	\$ 23,956	\$ 30,748	\$ 14,052	\$ 20,053
Net income	\$ 195,537	\$ 118,712	\$ 114,612	\$ 84,156	\$ 94,497
Net income available for common shareholders	\$ 195,095	\$ 103,514	\$ 103,137	\$ 72,681	\$ 75,990
Net cash provided by operating activities(2)	\$ 214,209	\$ 186,654	\$ 174,941	\$ 174,148	\$ 136,393
Net cash used in investing activities(2)	\$ (151,439)	\$ (317,429)	\$ (152,730)	\$ (157,611)	\$ (98,166)
Net cash (used in) provided by financing activities(2)	\$ (23,574)	\$ 133,631	\$ (44,047)	\$ (21,030)	\$ (26,382)
Dividends declared on common shares	\$ 135,102	\$ 133,066	\$ 124,928	\$ 101,969	\$ 93,889
Weighted average number of common shares outstanding:					
Basic	56,108	53,469	52,533	51,008	47,379
Diluted	56,543	53,962	53,050	51,547	48,619
Earnings per common share, basic:					
Continuing operations	\$ 1.71	\$ 1.41	\$ 1.36	\$ 1.02	\$ 1.04
Discontinued operations	1.77	0.39	0.60	0.40	0.56
Gain on sale of real estate	—	0.14	—	—	—
Total	<u>\$ 3.48</u>	<u>\$ 1.94</u>	<u>\$ 1.96</u>	<u>\$ 1.42</u>	<u>\$ 1.60</u>
Earnings per common share, diluted:					
Continuing operations	\$ 1.70	\$ 1.40	\$ 1.35	\$ 1.01	\$ 1.04
Discontinued operations	1.75	0.38	0.59	0.40	0.55
Gain on sale of real estate	—	0.14	—	—	—
Total	<u>\$ 3.45</u>	<u>\$ 1.92</u>	<u>\$ 1.94</u>	<u>\$ 1.41</u>	<u>\$ 1.59</u>
Dividends declared per common share(3)	\$ 2.37	\$ 2.46	\$ 2.37	\$ 1.99	\$ 1.95
Other Data:					
Funds from operations available to common shareholders(4)(5)	\$ 206,762	\$ 177,113	\$ 163,544	\$ 148,671	\$ 131,257
EBITDA(6)	\$ 417,560	\$ 316,783	\$ 292,465	\$ 258,143	\$ 243,956
Adjusted EBITDA(6)	\$ 322,792	\$ 292,827	\$ 261,717	\$ 244,091	\$ 223,903
Ratio of EBITDA to combined fixed charges and preferred share dividends(6)(7)	3.3x	2.6x	2.7x	2.5x	2.2x
Ratio of Adjusted EBITDA to combined fixed charges and preferred share dividends(6)(7)	2.5x	2.4x	2.4x	2.4x	2.1x

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	As of December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share data)				
Balance Sheet Data:					
Real estate at cost	\$ 3,452,847	\$ 3,204,258	\$ 2,829,321	\$ 2,666,276	\$ 2,470,149
Total assets	\$ 2,989,297	\$ 2,688,606	\$ 2,350,852	\$ 2,266,896	\$ 2,141,185
Mortgage, construction loans and capital lease obligations	\$ 450,084	\$ 460,398	\$ 419,713	\$ 410,885	\$ 414,357
Notes payable	\$ 210,820	\$ 109,024	\$ 316,755	\$ 325,051	\$ 361,323
Senior notes and debentures	\$ 977,556	\$ 1,127,508	\$ 653,675	\$ 568,121	\$ 532,750
Preferred stock	\$ 9,997	\$ —	\$ 135,000	\$ 135,000	\$ 135,000
Shareholders' equity	\$ 1,114,632	\$ 784,078	\$ 774,847	\$ 790,534	\$ 691,374
Number of common shares outstanding	58,646	55,321	52,891	52,137	49,201

- (1) Property operating income consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of our regional operations, and we consider it to be a significant measure.
- (2) Determined in accordance with Financial Accounting Standards Board ("FASB") Statement No. 95, Statement of Cash Flows.
- (3) The 2006 and 2005 dividends declared per common share each include a special dividend of \$0.20 resulting from the sales of condominiums at Santana Row.
- (4) Funds from Operations ("FFO") is a supplemental non-GAAP financial measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with the U.S. GAAP, plus depreciation and amortization of real estate assets and excluding extraordinary items and gains on the sale of real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income.

We consider FFO available for common shareholders a meaningful, additional measure of operating performance primarily because it excludes the assumption that the value of the real estate assets diminishes predictably over time, as implied by the historical cost convention of GAAP and the recording of depreciation. We use FFO primarily as one of several means of assessing our operating performance in comparison with other REITs. Comparison of our presentation of FFO to similarly titled measures for other REITs may not necessarily be meaningful due to possible differences in the application of the NAREIT definition used by such REITs. Additional information regarding our calculation of FFO is contained in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

	2007	2006	2005	2004	2003
	(In thousands)				
Net income	\$ 195,537	\$ 118,712	\$ 114,612	\$ 84,156	\$ 94,497
Gain on sale of real estate	(94,768)	(23,956)	(30,748)	(14,052)	(20,053)
Depreciation and amortization of real estate assets	95,565	88,649	82,752	81,649	68,202
Amortization of initial direct costs of leases	8,473	7,390	6,972	7,151	5,801
Depreciation of joint venture real estate assets	1,241	768	630	187	—
Funds from operations	206,048	191,563	174,218	159,091	148,447
Dividends on preferred stock	(442)	(10,423)	(11,475)	(11,475)	(15,084)
Income attributable to operating partnership units	1,156	748	801	1,055	1,317
Preferred stock redemption costs	—	(4,775)	—	—	(3,423)
Funds from operations available for common shareholders	<u>\$ 206,762</u>	<u>\$ 177,113</u>	<u>\$ 163,544</u>	<u>\$ 148,671</u>	<u>\$ 131,257</u>

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- (5) Includes \$3.1 million and \$8.0 million of insurance recoveries in 2004 and 2003, respectively, attributable to rental income lost at Santana Row as a result of the August 2002 fire. Insurance recoveries received in 2005 were insignificant.
- (6) The SEC has stated that EBITDA is a non-GAAP measure as calculated in the table below. Adjusted EBITDA is a non-GAAP measure that means net income or loss plus net interest expense, income taxes, depreciation and amortization, gain or loss on sale of real estate and impairments of real estate if any. Adjusted EBITDA is presented because we believe that it provides useful information to investors regarding our ability to service debt and because it approximates a key covenant in material notes. Adjusted EBITDA should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP. Adjusted EBITDA as presented may not be comparable to other similarly titled measures used by other REITs.

The reconciliation of Adjusted EBITDA to net income for the periods presented is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u> (In thousands)	<u>2004</u>	<u>2003</u>
Net income	\$ 195,537	\$ 118,712	\$ 114,612	\$ 84,156	\$ 94,497
Depreciation and amortization	105,966	97,879	91,503	90,438	75,503
Interest expense	117,394	102,808	88,566	85,058	75,232
Other interest income	<u>(1,337)</u>	<u>(2,616)</u>	<u>(2,216)</u>	<u>(1,509)</u>	<u>(1,276)</u>
EBITDA	417,560	316,783	292,465	258,143	243,956
Gain on sale of real estate	<u>(94,768)</u>	<u>(23,956)</u>	<u>(30,748)</u>	<u>(14,052)</u>	<u>(20,053)</u>
Adjusted EBITDA	<u>\$322,792</u>	<u>\$292,827</u>	<u>\$261,717</u>	<u>\$244,091</u>	<u>\$223,903</u>

- (7) Fixed charges consist of interest on borrowed funds (including capitalized interest), amortization of debt discount and expense and the portion of rent expense representing an interest factor. Preferred share dividends consist of dividends paid on preferred shares and preferred stock redemption costs. Our Series A preferred shares were redeemed in full in June 2003 and our Series B preferred shares were redeemed in full in November 2006.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing in "Item 8. Financial Statements and Supplementary Data" of this report.

Overview

We are an equity real estate investment trust specializing in the ownership, management, development and redevelopment of high quality retail and mixed-use properties. As of December 31, 2007, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 82 predominantly retail real estate projects comprising approximately 18.2 million square feet. These properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, as well as in California. In total, these 82 real estate projects were 96.7% leased at December 31, 2007. A joint venture in which we own a 30% interest owned seven retail real estate projects totaling approximately 1.0 million square feet as of December 31, 2007. In total, the joint venture properties in which we own an interest were 98.3% leased at December 31, 2007. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 40 consecutive years.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, which we refer to as GAAP, requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may affect these estimates is included in "Item 1A. Risk Factors" of this report. Management considers an accounting estimate to be critical if changes in the estimate or accrual results could have a material impact on our consolidated results of operations or financial condition.

The most significant accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. We make estimates of the collectibility of our accounts receivable related to base rents, straight-line rents, expense reimbursements and other revenue or income taking into account our expertise in the retail sector, tenant credit information both internally and externally available, payment history, industry trends, tenant credit-worthiness and the length of remaining lease terms over which certain of these amounts will be collected. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a certain portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2007 and 2006, accounts receivable include approximately \$32.0 million and \$24.8 million, respectively, related to straight-line rents. These estimates have a direct impact on our net income.

Historically, we have recognized bad debt expense between 0.4% and 1.4% of rental income and it was 0.4% in 2007. An increase in our bad debt expense would decrease our net income. For example, if we had experienced an increase in bad debt of 0.5% of rental income in 2007, our net income would have been reduced by approximately \$2.3 million.

Real Estate

The nature of our business as an owner, redeveloper and operator of retail shopping centers and mixed-use properties means that we invest significant amounts of capital. Depreciation and maintenance costs relating to our properties constitute substantial costs for us as well as the industry as a whole. We capitalize real estate investments and depreciate them in accordance with GAAP and consistent with industry standards based on our best estimates of the assets' physical and economic useful lives. The cost of our real estate investments, less

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salvage value, if any, is charged to depreciation expense over the estimated life of the asset using straight-line rates for financial statement purposes. We periodically review the estimated lives of our assets and implement changes, as necessary, to these estimates and, therefore, to our depreciation rates. These reviews take into account the historical retirement and replacement of our assets, the repairs required to maintain the condition of our assets, the cost of redevelopments that may extend the useful lives of our assets and general economic and real estate factors. A newly developed neighborhood shopping center building would typically have an economic useful life of 50 to 60 years, but since many of our assets are not newly developed buildings, estimating the useful lives of assets that are long-lived as well as their salvage value requires significant management judgment. Certain events could occur that would materially affect our estimates and assumptions related to depreciation. Unforeseen competition or changes in customer shopping habits could substantially alter our assumptions regarding our ability to realize the expected return on investment in the property and therefore reduce the economic life of the asset and affect the amount of depreciation expense to be charged against both the current and future revenues. These assessments have a direct impact on our net income. The longer the economic useful life, the lower the depreciation charged to that asset in a fiscal period will be, which in turn will increase our net income. Similarly, having a shorter economic useful life would increase the depreciation for a fiscal period and decrease our net income.

Land, buildings and real estate under development are recorded at cost. We compute depreciation using the straight-line method with useful lives ranging generally from 35 years to a maximum of 50 years on buildings and improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements, which improve or extend the life of the asset, are capitalized and depreciated over the life of the lease or the estimated useful life of the improvements, whichever is shorter. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from three to 15 years. Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including applicable salaries and the related direct costs, are capitalized. The capitalized costs associated with developments and redevelopments are depreciated over the life of the improvement. Capitalized costs associated with leases are depreciated or amortized over the base term of the lease. Unamortized leasing costs are charged to operating expense if the applicable tenant vacates before the expiration of its lease. Undepreciated tenant work is charged to operations if the applicable tenant vacates and the tenant work is replaced.

When applicable, as lessee, we classify our leases of land and building as operating or capital leases in accordance with the provisions of Statement of Financial Accounting Standard (SFAS) No. 13, "Accounting for Leases." We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the interest rate to be used in applying the provisions of SFAS No. 13. These estimates determine whether or not the lease meets the qualification of a capital lease and is recorded as an asset.

Interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use. Generally, rental property is considered substantially complete and ready for its intended use upon completion of tenant improvements, but no later than one year from completion of major construction activity. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period.

Real Estate Acquisitions

Upon acquisition of operating real estate properties, we estimate the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible assets and liabilities (consisting of above-market and below-market leases, in-place leases and tenant relationships), and assumed debt in accordance with SFAS No. 141, Business Combinations. Based on these estimates, we allocate the purchase price to the

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applicable assets and liabilities. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. We evaluate the useful life of each amortizable intangible asset each reporting period and account for any changes in such estimated useful life over the revised remaining useful life.

Long-Lived Assets

There are estimates and assumptions made by management in preparing the consolidated financial statements for which the actual results will be determined over long periods of time. This includes the recoverability of long-lived assets, including our properties that have been acquired or developed. Management must evaluate properties for possible impairment of value and, for those properties where impairment may be indicated, make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over very long periods. Because our properties typically have a very long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly-acquired, and broadens the presentation of discontinued operations to include components of an entity comprising operations and cash flows that can be distinguished operationally and for financial reporting purposes from the rest of the entity. As a result, the sale of a property, or the classification of a property as held for sale, requires us to report the results of operations of that property as "discontinued operations."

We are required to make estimates of undiscounted cash flows in determining whether there is an impairment of an asset. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income, because recording an impairment charge results in a negative adjustment to net income.

Contingencies

We are sometimes involved in lawsuits, warranty claims, and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

Any difference between our estimate of a potential loss and the actual outcome would result in an increase or decrease to net income. In addition, we reserve for estimated losses, if any, associated with warranties given to a buyer at the time an asset is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and the calculation of potential liability requires significant judgment. Any changes to our estimated warranty losses would result in an increase or decrease in net income.

Self-Insurance

We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors, including third-party actuary valuations and future increases in costs of claims, when making these determinations. If our liability costs differ from these accruals, it will increase or decrease our net income.

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New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments under SFAS No. 123(R). We are required to adopt the recognition and disclosure provisions of SFAS No. 157 for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are re-measured at least annually effective January 1, 2008; we are required to adopt the provisions of SFAS No. 157 for all other nonfinancial assets and nonfinancial liabilities effective January 1, 2009. We do not believe the adoption of SFAS No. 157 will have a material impact on our financial position, results of operations or cash flows.

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

On December 4, 2007, the FASB issued Statement No. 141 (R), *Business Combinations* (“SFAS No. 141 (R)”) and Statement No. 160 “*Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*” (“SFAS No. 160”). The new standards significantly change the accounting and reporting of business combination transactions and minority interests in the consolidated financial statements; these changes include expensing all acquisition related transaction costs, recognizing contingent consideration arrangements at their acquisition date fair values with subsequent changes generally reflected in earnings, recognizing 100% of the fair values of assets acquired and liabilities assumed in acquisitions of less than 100% controlling interest and recognizing a non-controlling interest as equity in the consolidated financial statements. We are required to adopt SFAS No. 141 (R) for business combination transactions for which the acquisition date is on or after January 1, 2009 and SFAS No. 160 on January 1, 2009. We are currently evaluating the impact SFAS No. 141 (R) and SFAS No. 160 will have on our financial position, results of operations, and cash flows.

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Property Acquisitions and Dispositions

A summary of our significant acquisitions in 2007 and 2006 is as follows:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (1) (In millions)</u>
Year ended December 31, 2007				
February 28	Crow Canyon Crest	San Ramon, CA	17,000	\$ 10.9(1)
March 8	The White Marsh Portfolio: (2)	White Marsh, MD		189.4(3)
	THE AVENUE at White Marsh		296,000	
	The Shoppes at Nottingham Square		186,000	
	White Marsh Plaza		79,000	
	White Marsh Other		53,000	
May 30	Shoppers' World	Charlottesville, VA	169,000	27.2(4)
October 26	Mid-Pike Plaza	Rockville, MD	—	45.2(5)
October 26	Huntington Shopping Center	Huntington, NY	—	37.7(5)
		Total	<u>800,000</u>	<u>\$ 310.4</u>

Year ended December 31, 2006

January 20	4900 Hampden Lane	Bethesda, MD	35,000	\$ 12.0
January 27	7770 Richmond Hwy	Alexandria, VA	60,000	9.9
June 29	Town Center of New Britain	New Britain, PA	126,000	12.8
August 24	Key Road Plaza	Keene, NH	76,000	14.5
August 24	Riverside Plaza	Keene, NH	218,000	24.0
August 24	Bath Shopping Center	Bath, ME	101,000	22.8
August 24	Linden Square	Wellesley, MA	261,000	99.6
August 24	North Dartmouth	North Dartmouth, MA	183,000	27.5
August 25	Chelsea Commons	Chelsea, MA	180,000	20.1
Various after				
September 13	Rockville Town Square	Rockville, MD	152,000	5.9(6)
October 16	Melville Mall	Huntington, NY	248,000	60.0(7)
		Total	<u>1,640,000</u>	<u>\$ 309.1</u>

- (1) Approximately \$0.4 million and \$1.8 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively.
- (2) The White Marsh Portfolio was purchased using \$11.5 million of cash plus a combination of common stock and convertible preferred stock, downREIT operating partnership units, and the assumption of mortgage loans through a merger with Nottingham Properties, Inc. The acquisition also included ground leases covering 50,000 square feet of office space and a hotel which are not included in gross leasable area.
- (3) Approximately \$3.6 million and \$9.3 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively.
- (4) Approximately \$0.8 million and \$2.1 million of the net assets acquired were allocated to other assets for "above market leases" and liabilities for "below market leases," respectively.
- (5) On October 26, 2007, we completed an exchange transaction whereby we sold our leasehold interests in six New Jersey properties and acquired the fee interests in Mid-Pike Plaza and Huntington Shopping Center. Prior to the transaction, we held leasehold interests in all eight properties. The transaction was completed as a 1031 tax-deferred exchange and involved a cash payment of \$17.2 million. All eight properties were previously encumbered by capital lease obligations which were extinguished as part of the transaction.
- (6) We acquired an additional 30,000 square feet of gross leasable area in 2007.

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- (7) The Trust controls and consolidates Melville Mall at its approximate fair value of \$60.0 million. We gained control of Melville Mall through a 20-year master lease and \$34.1 million secondary financing to the owner. The master lease includes a purchase option in 2021 for \$5.0 million plus the assumption of the owner's first mortgage that has a balance of \$25.1 million at December 31, 2007.

Generally, our acquisitions are initially financed by available cash and borrowings under our revolving credit facility which may be repaid later with funds raised through the issuance of new equity or new long-term debt. On occasion we also finance our acquisitions through the issuance of common stock, preferred stock, or downREIT units as well as through the assumption of mortgages.

On November 16, 2007, we purchased the 10% minority interest in three properties located at our Fifth Avenue, Hermosa Avenue and Third Street Promenade projects for \$5.7 million. We now own 100% of these properties.

The Linden Square acquisition is currently undergoing redevelopment. After the initial phases of the redevelopment are completed the project will include approximately 222,000 square feet of retail, 17,000 square feet of office, seven affordable residential units, and a car dealership. The initial phases of redevelopment are expected to be complete in 2008.

The following table provides a summary of acquisitions made by our unconsolidated real estate partnership in 2007 and 2006:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (In millions)</u>
Year ended December 31, 2007				
February 15	Free State Shopping Center	Bowie, MD	278,000	\$ 64.1
February 20	Lake Barcroft Shopping Center(1)	Falls Church, VA	9,000	6.0
		Total	287,000	\$ 70.1
Year ended December 31, 2006				
June 5	Greenlawn Plaza(2)	Huntington, NY	102,000	\$ 20.4
June 8	Barcroft Plaza	Falls Church, VA	90,000	25.1
		Total	192,000	\$ 45.5

(1) The property acquired is adjacent to and operated as part of Barcroft Plaza which is also owned by the Partnership.

(2) This property was acquired from the Trust.

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A summary of our significant dispositions in 2007 and 2006 is as follows:

<u>Sale Date</u>	<u>Property</u>	<u>Location</u>	<u>Year Acquired or Built</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Sales Price (In millions)</u>	<u>Gain</u>
Year ended December 31, 2007						
April 5	Bath Shopping Center	Bath, ME	2006	101,000	\$ 21.8	\$ 0.6(1)
June 20	Key Road Plaza	Keene, NH	2006	76,000	15.3	0.4(2)
June 20	Riverside Plaza	Keene, NH	2006	218,000	25.9	0.5(3)
October 11	Forest Hills Shopping Center	Forest Hills, NY	1997	39,500	33.2	19.1(4)
October 26	New Jersey Leasehold Interests:				65.7	79.6(5)
	Allwood Shopping Center	Clifton, NJ	1988	50,000		
	Blue Star Shopping Center	Watchung, NJ	1988	410,000		
	Brunswick Shopping Center	North Brunswick, NJ	1988	303,000		
	Clifton Shopping Center	Clifton, NJ	1988	80,000		
	Hamilton Shopping Center	Hamilton, NJ	1988	190,000		
	Rutgers Shopping Center	Franklin, NJ	1988	267,000		
		Total		<u>1,734,500</u>	<u>\$ 161.9</u>	<u>\$ 100.2</u>
Year ended December 31, 2006						
January - August	Santana Row Condominiums (89 units) (6)	San Jose, CA	2002	N/A	\$ 64.1	\$ 16.5(7)
June 5	Greenlawn Plaza	Huntington, NY	2000	102,000	20.4	7.4(8)
		Total		<u>102,000</u>	<u>\$ 84.5</u>	<u>\$ 23.9</u>

(1) Gain of \$0.6 million is net of \$0.3 million in taxes.

(2) Gain of \$0.4 million is net of \$0.1 million in taxes.

(3) Gain of \$0.5 million is net of \$0.1 million in taxes.

(4) We sold two of three retail buildings located in Forest Hills, NY.

(5) On October 26, 2007, we completed an exchange transaction whereby we sold our leasehold interests in six New Jersey properties and acquired the fee interests in Mid-Pike Plaza and Huntington Shopping Center. The transaction was completed as a 1031 tax-deferred exchange and involved a cash payment of \$17.2 million. All eight properties were previously encumbered by capital lease obligations which were extinguished as part of the transaction.

(6) As of August 25, 2006, we had sold all of the 219 condominium units we planned to sell at Santana Row.

(7) Gain of \$16.5 million is net of \$2.4 million in taxes.

(8) This property was contributed to our real estate partnership in which we own a 30% interest. Accordingly, we recognized a partial gain of \$7.4 million on this sale related to the 70% equity interest contributed.

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The proceeds from our dispositions were used to pay down our revolving credit facility and for general corporate purposes.

Warranty reserves for condominium units sold at Santana Row were established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. Our warranty and latent construction defect reserves are calculated based upon historical industry experience and current known factors. Variables used in the calculation of the warranty reserves, as well as the adequacy of the reserves based on the number of condominium units still under warranty, are reviewed on a periodic basis.

During the third and fourth quarters of 2007, we became aware of certain facts and circumstances that caused us to reassess our initial reserve for damages related to defective work done by third party contractors while upgrades were made to the units being prepared for sale. Based on current estimates, we believe the range of possible incremental cost is between \$5.1 million and \$9.3 million, net of taxes of \$1.9 million and \$2.6 million, respectively, before insurance recoveries. The full extent of damages and required repairs on any particular unit cannot be determined until we have evaluated whether there was defective work in the unit and determined the extent of damages (if any) caused by the defective work. We are still in the process of evaluating units for potential damage arising from the defective work and, to date, have completed the repairs caused by the defective work in only a limited number of units. The extent of the damages encountered in those units, and the resulting costs to repair, varied considerably. Accordingly, our current estimates are based on limited and varying actual costs. We are continuing our evaluation of this matter, and in 2007, we increased our reserves by \$5.1 million, net of taxes of \$1.9 million, to the low end of our estimated range of potential obligation related to these particular damages. This range excludes any amounts we may recover from insurance or the contractors responsible for the defective work. In the event that our evaluation allows us to develop a better estimate of these damages, we will adjust our estimate accordingly. This increase reduces our gain on sale of condominium units that were sold during 2005 and 2006. The increase in the reserve is included in "Discontinued operations—gain on sale of real estate". The reserve is included in accounts payable and accrued expenses. Although we consider the reserve to be adequate, there can be no assurance that the reserve will prove to be adequate over time to cover losses due to the difference between the assumptions used to estimate the reserve and actual losses.

2007 Significant Debt, Equity and Other Transactions

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

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

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

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

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

On October 26, 2007, we acquired the fee interest in Mid-Pike Plaza and Huntington Shopping Center and sold our leasehold interest in six properties, Allwood, Blue Star, Brunswick, Clifton, Hamilton and Rutgers Shopping Centers. Prior to the transaction, we had capital lease obligations totaling \$76.4 million on all eight properties. The capital lease obligations were extinguished as part of the transactions.

On November 9, 2007, we entered into a \$200 million unsecured term loan bearing interest at LIBOR plus 57.5 basis points. The loan matures on November 6, 2008, subject to a one-year extension at our option and is prepayable without penalty. The spread over LIBOR is subject to adjustment based on our credit rating.

On November 15, 2007, we repaid our 6.125% senior notes with a principal amount of \$150.0 million. These notes were repaid with funds borrowed on our \$200 million unsecured term loan.

On December 27, 2007, we issued 2.0 million common shares at \$81.21 per share, for cash proceeds of approximately \$162.4 million before other expenses of the offering. The proceeds were used on an interim basis to repay our revolving credit facility.

Effective December 31, 2007, Larry Finger, our former Chief Financial Officer, was no longer employed by the Trust. Under his existing severance agreement, his departure was treated as a termination without cause. As a result, we recognized approximately \$0.6 million related to the accelerated vesting of unvested shares and options and \$0.4 million related to a cash payment to Mr. Finger. These amounts are included in general and administrative expenses in the consolidated statement of income.

Outlook

General

We anticipate our 2008 income from continuing operations to grow in comparison to our 2007 income from continuing operations. We expect this income growth primarily to be generated by a combination of the following:

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

On October 31, 2007, we announced a regular quarterly cash dividend of \$0.61 per share on our common shares, resulting in an indicated annual rate of \$2.44 per share. The regular common dividend was payable on January 15, 2008, to common shareholders of record as of January 2, 2008.

We continue to see a positive impact on our income as a result of the redevelopment of our shopping centers and higher rental rates on existing spaces as leases on these spaces expire. For example, leases signed in 2005, 2006 and 2007 on spaces for which there was a previous tenant have on average been renewed at double digit cash base rent increases. On spaces where the tenant leases are expiring over the next few years, our analysis of current market rents as compared to rents on the existing leases leads us to expect that the base rents on new leases will have double-digit weighted average increases over the cash basis base rents currently in place. We anticipate investments in redevelopment projects of approximately \$104 million and \$55 million to stabilize in 2008 and 2009, respectively. As redevelopment properties are completed, spaces that were out of service begin generating revenue; in addition, spaces that were not out of service and that have expiring leases may generate higher revenue because we generally receive higher rent on new leases.

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At December 31, 2007 the leasable square feet in our shopping centers was 95.4% occupied and 96.7% leased. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved, or that are awaiting permits and therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant bankruptcies.

Acquisitions

We anticipate further growth in earnings from the acquisition of neighborhood and community shopping centers in our primary markets in the East and West regions, as well as a reduction in earnings from selective dispositions. We continue to evaluate potential acquisitions in additional markets.

Any growth in earnings from acquisitions is contingent, however, on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates also may affect our success in achieving growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisitions.

Results of Operations

YEAR ENDED DECEMBER 31, 2007 COMPARED TO YEAR ENDED DECEMBER 31, 2006

	2007	2006	Change	
			Dollars	%
			(Dollar amounts in thousands)	
Rental income	\$ 468,498	\$ 414,979	\$ 53,519	12.9%
Other property income	12,834	7,461	5,373	72.0%
Mortgage interest income	4,560	5,095	(535)	-10.5%
Total property revenues	485,892	427,535	58,357	13.6%
Rental expenses	100,389	84,763	15,626	18.4%
Real estate taxes	47,234	41,198	6,036	14.7%
Total property expenses	147,623	125,961	21,662	17.2%
Property operating income	338,269	301,574	36,695	12.2%
Other interest income	921	2,042	(1,121)	-54.9%
Income from real estate partnership	1,395	656	739	112.7%
Interest expense	(111,365)	(95,234)	(16,131)	16.9%
General and administrative expense	(25,575)	(21,340)	(4,235)	19.8%
Depreciation and amortization	(101,675)	(92,793)	(8,882)	9.6%
Total other, net	(236,299)	(206,669)	(29,630)	14.3%
Income from continuing operations before minority interests	101,970	94,905	7,065	7.4%
Minority interests	(5,590)	(4,353)	(1,237)	28.4%
Discontinued operations—income	4,389	4,204	185	4.4%
Discontinued operations—gain on sale of real estate	94,768	16,515	78,253	473.8%
Gain on sale of real estate	—	7,441	(7,441)	-100.0%
Net income	<u>\$ 195,537</u>	<u>\$ 118,712</u>	<u>\$ 76,825</u>	64.7%

Same-center

Throughout this section, we have provided certain information on a “same-center” basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both

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periods being compared except for properties for which significant development, redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations.

Property Revenues

Total property revenue increased \$58.4 million, or 13.6%, to \$485.9 million in 2007 compared to \$427.5 million in 2006. The percentage leased at our shopping centers increased to 96.7% at December 31, 2007 compared to 96.5% at December 31, 2006. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost recoveries from tenants and percentage rent. Rental income increased \$53.5 million, or 12.9%, to \$468.5 million in 2007 compared to \$415.0 million in 2006, due primarily to the following:

- an increase of \$32.0 million attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- an increase of \$11.6 million at same-center properties due to increased rental rates on new leases and increased cost recoveries,
- an increase of \$8.9 million at redevelopment properties due to increased occupancy, increased rental rates on new leases and increased cost recoveries,
- an increase of \$2.2 million at Santana Row residential due primarily to leasing of residential units,

partially offset by

- a decrease of \$0.8 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

Other Property Income

Other property income increased \$5.4 million, or 72.0%, to \$12.8 million in 2007 compared to \$7.5 million in 2006. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees. In 2007, the increase is primarily due to an increase in lease and other termination fees at our same-center properties, an increase in marketing income, and an increase in management fee income.

Property Expenses

Total property expenses increased \$21.7 million, or 17.2%, to \$147.6 million in 2007 compared to \$126.0 million in 2006. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$15.6 million, or 18.4%, to \$100.4 million in 2007 compared to \$84.8 million in 2006. This increase is due primarily to the following:

- an increase of \$5.7 million attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- an increase of \$4.6 million in repairs and maintenance at same-center and redevelopment properties due primarily to higher snow removal and maintenance costs,

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- an increase of \$1.3 million in bad debt expense at same-center and redevelopment properties due to amounts recovered in 2006 of receivables previously deemed uncollectible,
- an increase of \$1.1 million in utilities at same-center and redevelopment properties,
- an increase of \$0.9 million in legal fees related to the litigation at a shopping center in New Jersey and at Santana Row,
- an increase of \$0.8 million in insurance at same-center and redevelopment projects, and
- an increase of \$0.7 million attributable to Santana Row residential.

As a result of the changes in rental income, rental expenses and other property income described above, rental expenses as a percentage of rental income plus other property income increased to 20.9% in 2007 from 20.1% in 2006.

Real Estate Taxes

Real estate tax expense increased \$6.0 million, or 14.7%, to \$47.2 million in 2007 compared to \$41.2 million in 2006. This increase is due primarily to increased taxes of \$3.8 million related to properties acquired in 2007 and 2006 and Assembly Square Mall and \$2.4 million related to higher assessments at our same-center, redevelopment and Santana Row residential properties.

Property Operating Income

Property operating income increased \$36.7 million, or 12.2%, to \$338.3 million in 2007 compared to \$301.6 million in 2006. This increase is due primarily to the following:

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

Other

Interest Expense

Interest expense increased \$16.1 million, or 16.9%, to \$111.4 million in 2007 compared to \$95.2 million in 2006. This increase is primarily due to the following:

- an increase of \$23.4 million due to higher borrowings to finance our acquisitions,

partially offset by

- an increase of \$3.8 million in capitalized interest,
- a decrease of \$1.8 million due to a lower overall weighted average borrowing rate, and
- a decrease of \$1.4 million due to the termination of the Mid-Pike and Huntington capital leases on October 26, 2007, as part of the acquisition of the fee interests in these properties.

Gross interest costs were \$119.2 million and \$99.3 million in 2007 and 2006, respectively. Capitalized interest amounted to \$7.9 million and \$4.1 million in 2007 and 2006, respectively. Capitalized interest increased due primarily to redevelopment at Linden Square, which was acquired in 2006, and redevelopment at Arlington East (Bethesda Row).

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General and Administrative Expense

General and administrative expense increased \$4.2 million, or 19.8%, to \$25.6 million in 2007 compared to \$21.3 million in 2006. This is primarily due to an increase in personnel, primarily in our asset management department, and increased share-based and other compensation expense. Approximately \$1.0 million of the increase is due to additional stock and other compensation expense related to the departure of Larry Finger, our Chief Financial Officer, effective December 31, 2007.

Depreciation and Amortization

Depreciation and amortization expense increased \$8.9 million, or 9.6%, to \$101.7 million in 2007 from \$92.8 million in 2006. This increase is due primarily to acquisitions and capital improvements at same-center and redevelopment properties.

Minority Interests

Income to minority partners increased \$1.2 million, or 28.4%, to \$5.6 million in 2007 from \$4.4 million in 2006. This increase is due primarily to an increase in earnings at properties held in non-wholly owned partnerships and an increase in operating partnership units issued to acquire the White Marsh portfolio in March 2007.

Discontinued Operations—Income

Income from discontinued operations represents the income of properties that have been disposed, or will be disposed, which is required to be reported separately from results of ongoing operations. The reported income of \$4.4 million and \$4.2 million in 2007 and 2006, respectively, represent the income for the period during which we owned properties sold, or deemed held for sale, in 2007 and 2006.

Discontinued Operations—Gain on Sale of Real Estate

The gain on sale of real estate from discontinued operations of \$94.8 million for the year ended December 31, 2007 is due to a \$100.2 million gain primarily related to the sales of Bath Shopping Center, Key Road Plaza, Riverside Plaza, two properties in Forest Hills, and Allwood, Blue Star, Brunswick, Clifton, Hamilton and Rutgers Shopping Centers, partially offset by a \$5.1 million increase in the reserve, net of taxes, for the reassessment of damages in 2007 of defective work completed when making upgrades to certain condominiums sold in 2006 and 2005 at Santana Row. The gain on sale of real estate from discontinued operations of \$16.5 million for the year ended December 31, 2006, was due to the sale of condominiums at Santana Row.

Gain on Sale of Real Estate

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

YEAR ENDED DECEMBER 31, 2006 COMPARED TO YEAR ENDED DECEMBER 31, 2005

	2006	2005	Change	
			Dollars	%
			(Dollar amounts in thousands)	
Rental income	\$ 414,979	\$ 375,927	\$ 39,052	10.4%
Other property income	7,461	9,511	(2,050)	-21.6%
Mortgage interest income	5,095	5,370	(275)	-5.1%
Total property revenues	427,535	390,808	36,727	9.4%
Rental expenses	84,763	82,055	2,708	3.3%
Real estate taxes	41,198	36,449	4,749	13.0%
Total property expenses	125,961	118,504	7,457	6.3%
Property operating income	301,574	272,304	29,270	10.7%
Other interest income	2,042	1,731	311	18.0%
Income from real estate partnership	656	493	163	33.1%
Interest expense	(95,234)	(81,617)	(13,617)	16.7%
General and administrative expense	(21,340)	(19,909)	(1,431)	7.2%
Depreciation and amortization	(92,793)	(84,521)	(8,272)	9.8%
Total other, net	(206,669)	(183,823)	(22,846)	12.4%
Income from continuing operations before minority interests	94,905	88,481	6,424	7.3%
Minority interests	(4,353)	(5,234)	881	-16.8%
Discontinued operations—income	4,204	617	3,587	581.4%
Discontinued operations—gain on sale of real estate	16,515	30,748	(14,233)	-46.3%
Gain on sale of real estate	7,441	—	7,441	100.0%
Net income	<u>\$ 118,712</u>	<u>\$ 114,612</u>	<u>\$ 4,100</u>	3.6%

Property Revenues

Total property revenues increased \$36.7 million, or 9.4%, to \$427.5 million in 2006 compared to \$390.8 million in 2005. The percentage leased at our commercial properties increased to 96.5% at December 31, 2006 compared to 96.3% at December 31, 2005 due primarily to new leases signed at existing properties. Changes in the components of property revenue are discussed below.

Rental income

Rental income consists primarily of minimum rent, cost recoveries from tenants, and percentage rent. Rental income increased \$39.1 million, or 10.4%, to \$415.0 million in 2006 compared to \$375.9 million in 2005. This increase is due primarily to the following:

- an increase of \$17.8 million attributable to the properties acquired in 2006 and 2005,
- an increase of \$10.1 million at same-center properties due primarily to increased rental rates on new leases and increased occupancy,
- an increase of \$6.6 million at redevelopment properties due primarily to increased occupancy and increased rental rates on new leases, and
- an increase of \$6.5 million at Santana Row due primarily to leasing newly constructed residential units, increased rental rates on new retail leases, and increased occupancy,

partially offset by

- a decrease of \$1.0 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

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Other Property Income

Other property income decreased \$2.1 million, or 21.6%, to \$7.5 million in 2006 compared to \$9.5 million in 2005. Included in other property income are items which, although recurring, tend to fluctuate more than rental income from period to period, such as lease termination fees and temporary tenant income. In 2006, the decrease is primarily due to a decrease in lease termination fees.

Property Expenses

Total property operating expenses increased \$7.5 million, or 6.3%, to \$126.0 million in 2006 compared to \$118.5 million in 2005. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$2.7 million, or 3.3%, to \$84.8 million in 2006 compared to \$82.1 million in 2005. This increase is primarily due to the following:

- an increase of \$2.9 million in expenses attributable to properties acquired in 2006 and 2005,
- an increase of \$2.5 million at Santana Row due primarily to higher repair and maintenance expenses and common area costs associated with newly constructed residential units placed into service, and
- an increase of \$0.9 million in utility costs at same-center and redevelopment properties,

partially offset by

- a decrease of \$1.2 million in bad debt expense due to recoveries in 2006 of receivables previously deemed uncollectible, and
- a decrease of \$1.0 million in repairs and maintenance expense at same-center and redevelopment properties due primarily to a decrease in snow removal costs.

As a result of these changes in rental expenses, rental income and other property income, rental expense as a percentage of rental income plus other property income decreased to 20.1% in 2006 from 21.3% in 2005.

Real Estate Taxes

Real estate tax expense increased \$4.7 million, or 13.0%, to \$41.2 million in 2006 compared to \$36.4 million in 2005. The increase is due to the following:

- an increase of \$2.3 million attributable to properties acquired in 2006 and 2005,
- an increase of \$2.1 million at Santana Row due primarily to higher assessments and a change in estimated real estate taxes recorded in June 2005. This change in estimate resulted from our receipt of the final real estate tax assessments, which decreased our real estate taxes for retail real estate and increased our real estate taxes for residential units at Santana Row by \$1.1 million in 2005. The related residential units impacted by this change in estimate were sold as condominiums and, therefore, the increase in residential real estate taxes is included in discontinued operations as discussed below, and
- an increase of \$0.4 million due to higher assessments at same-center properties.

Property Operating Income

Property operating income increased \$29.3 million, or 10.7%, to \$301.6 million in 2006 compared to \$272.3 million in 2005. This increase is due primarily to the following:

- earnings attributable to properties acquired in 2006 and 2005,

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- growth in same-center earnings, and
- growth in earnings at redevelopment properties and Santana Row.

Other

Interest Expense

Interest expense increased \$13.6 million, or 16.7%, to \$95.2 million in 2006 compared to \$81.6 million in 2005. This increase is due primarily to the following:

- an increase of \$8.0 million due to higher borrowings to finance our acquisitions,
- an increase of \$3.6 million due to higher interest rates on certain borrowings,
- an increase of \$1.6 million due to a decrease in capitalized interest.

Gross interest costs were \$99.3 million and \$87.3 million in 2006 and 2005, respectively. Capitalized interest amounted to \$4.1 million and \$5.7 million in 2006 and 2005, respectively. Capitalized interest decreased due primarily to the placement into service of newly constructed residential rental units at Santana Row and retail development at Assembly Square, partially offset by capitalized interest related to construction at Linden Square, which was acquired in 2006.

General and Administrative Expense

General and administrative expenses increased by \$1.4 million, or 7.2%, to \$21.3 million in 2006 compared to \$19.9 million in 2005. This is primarily due to an increase in compensation (including increased grant expense under SFAS No. 123(R)), partially offset by an increase in compensation capitalized as a result of increased redevelopment activities.

Depreciation and Amortization

Depreciation and amortization expense increased \$8.3 million, or 9.8%, to \$92.8 million in 2006 compared to \$84.5 million in 2005. This increase is due primarily to depreciation on acquired properties, improvements at same-center properties, the placement into service of the newly constructed residential rental units at Santana Row, and retail development at Assembly Square.

Minority Interests

Income to minority partners decreased \$0.9 million, or 16.8%, to \$4.4 million in 2006 from \$5.2 million in 2005. This decrease is due primarily to a decrease in earnings at a property under redevelopment which is held in a non-wholly owned partnership, and a decrease in operating units held by partners in certain of our "downREIT" partnerships.

Discontinued Operations—Income

Income from discontinued operations represents the income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported income of \$4.2 million and \$0.6 million for the years ended December 31, 2006 and 2005, respectively, represents the income for the period during which we owned properties sold or to be sold between 2005 and 2007.

Discontinued Operations—Gain on Sale of Real Estate

The gain on sale of real estate from discontinued operations of \$16.5 million for 2006 is due to the sale of condominiums at Santana Row. The gain on sale of real estate from discontinued operations of \$30.7 million for 2005 was due to the sales of properties in Tempe, Arizona and Winter Park, Florida, Shaw's Plaza in Carver, Massachusetts and condominiums at Santana Row in San Jose, California.

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Gain on Sale of Real Estate

The gain on sale of real estate includes properties in which we maintained continuing involvement through our unconsolidated real estate partnership. One property, Greenlawn Plaza, was sold in 2006 to our unconsolidated real estate partnership, which resulted in a \$7.4 million gain. No properties in which we maintained continuing involvement were sold in 2005.

Segment Results

We operate our business on an asset management model, where asset management teams are responsible for a portfolio of assets. We manage our portfolio as two operating regions: East and West. Property management teams consist of asset managers, leasing agents, development staff and financial personnel, each of whom has responsibility for a distinct portfolio.

The following selected key segment data is presented for 2007, 2006 and 2005. The results of properties classified as discontinued operations have been excluded from rental income, total revenue, and property operating income from the following table.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(Dollars and square feet in thousands)		
East			
Rental income	\$363,698	\$318,176	\$292,688
Total revenue	\$375,857	\$325,928	\$299,658
Property operating income(1)	\$267,704	\$236,968	\$214,352
Property operating income as a percent of total revenue	71.2%	72.7%	71.5%
Gross leasable square feet	15,568	16,195	14,941
West			
Rental income	\$104,800	\$96,803	\$83,239
Total revenue	\$110,035	\$101,607	\$91,150
Property operating income(1)	\$70,565	\$64,606	\$57,952
Property operating income as a percent of total revenue	64.1%	63.6%	63.6%
Gross leasable square feet	2,627	2,605	2,610

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

East

Rental income for the East region increased \$45.5 million, or 14.3%, to \$363.7 million in 2007 compared to \$318.2 million in 2006 due primarily to the following:

- an increase of \$31.3 million attributable to properties acquired in 2007 and 2006 and the completion of the power-center at Assembly Square Mall,
- an increase of \$9.0 million at same-center properties due to increased rental rates on new leases and increased cost recoveries, and
- an increase of \$6.4 million at redevelopment properties,

partially offset by

- a decrease of \$0.8 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

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Property operating income for the East region increased \$30.7 million in 2007 due primarily to the increase in rental income discussed above and an increase of \$2.8 million in lease and other termination fees. These increases in income were partially offset by a \$13.7 million increase in rental expense due to the acquisition of properties, increased snow removal costs, repairs and maintenance costs, insurance costs, and additional legal costs and a \$5.5 million increase in real estate taxes due primarily to the acquisition of properties and higher assessments on our same-center and redevelopment properties. As a result of these changes, the ratio of property operating income to total revenue for the East region decreased to 71.2% in 2007 from 72.7% in 2006.

Rental income for the East region increased \$25.5 million, or 8.7%, to \$318.2 million in 2006 compared to \$292.7 million in 2005 due primarily to the following:

- an increase of \$12.4 million attributable to properties acquired in 2006 and 2005,
- an increase of \$9.4 million at same-center properties due to increased rental rates on new leases and increased cost recoveries, and
- an increase of \$6.6 million at redevelopment properties,

partially offset by

- a decrease of \$1.0 million related to the sale of Greenlawn Plaza to our unconsolidated real estate partnership in June 2006.

Property operating income for the East region increased \$22.6 million in 2006 due primarily to the increase in rental income discussed above. These increases in income were partially offset by a \$1.2 million increase in rental expense primarily due to the acquisition of properties offset by lower snow removal costs, and a \$2.5 million increase in real estate taxes due primarily to the acquisition of properties and increased assessments at same-center properties. As a result of these changes, the ratio of property operating income to total revenue for the East region increased to 72.7% in 2006 from 71.5% in 2005.

West

Rental income for the West region increased \$8.0 million, or 8.3%, to \$104.8 million in 2007 from \$96.8 million in 2006 due primarily to the following:

- an increase of \$4.0 million at Santana Row due to leasing residential units throughout 2006, increased retail occupancy and increased rental rates on new retail leases, and
- an increase of \$2.5 million at a redevelopment project.

Property operating income for the West region increased \$6.0 million in 2007 due primarily to the increase in rental income discussed above, partially offset by a \$2.5 million increase in rental expense and real estate taxes primarily at Santana Row and a \$0.4 million decrease in mortgage interest income due to an amendment of our \$17.7 million mortgage note receivable secured by the hotel at our Santana Row project in San Jose, California, which was executed on August 14, 2006 and decreased the interest rate from 14% per annum to 9% per annum. As a result of these changes, the ratio of property operating income to total revenue for the West region increased to 64.1% in 2007 from 63.6% in 2006.

Rental income for the West region increased \$13.6 million, or 16.3%, to \$96.8 million in 2006 from \$83.2 million in 2005 due primarily to the following:

- an increase of \$6.5 million at Santana Row due to leasing residential units throughout 2006 and increased retail occupancy, and
- an increase of \$5.4 million attributable to the acquisition of Crow Canyon Commons in 2005.

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Property operating income for the West region increased \$6.7 million in 2006 due primarily to the increase in rental income discussed above, partially offset by a \$3.8 million increase in rental expense and real estate taxes primarily at Santana Row and a \$2.5 million decrease in other property income primarily due to a decrease in lease termination fees. The ratio of property operating income to total revenue for the West region stayed constant at 63.6% in 2006 and 2005.

Liquidity and Capital Resources

Due to the nature of our business and strategy, we generally generate significant amounts of cash from operations. The cash generated from operations is primarily paid to our shareholders in the form of dividends. As a REIT, we must generally make annual distributions to shareholders of at least 90% of our REIT taxable income.

Our short-term liquidity requirements consist primarily of obligations under our capital and operating leases, normal recurring operating expenses, regular debt service requirements (including debt service relating to additional or replacement debt, as well as scheduled debt maturities), recurring expenditures, non-recurring expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Overall capital requirements in 2008 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of future phases of existing properties.

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

The cash needed to execute our strategy and invest in new properties, as well as to pay our debt at maturity, must come from one or more of the following sources:

- cash provided by operations that is not distributed to shareholders,
- proceeds from the issuance of new debt or equity securities, or
- proceeds from property dispositions.

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

- additional equity offerings,
- unsecured debt financing and/or secured mortgage financings, and
- other debt and equity alternatives, including formation of joint ventures, in a manner consistent with our intention to operate with a conservative debt structure.

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

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

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We seek to maintain a staggered schedule of debt maturities such that a disproportionate amount of debt maturities does not occur in any one year. Consistent therewith, we have less than \$220 million of debt maturities occurring through December 31, 2008, \$200 million of which can be extended for one-year at our option. Despite the current turmoil in the credit markets, we believe that we will be able to refinance these maturities.

Cash and cash equivalents were \$50.7 million and \$11.5 million at December 31, 2007 and 2006, respectively. Cash and cash equivalents are not a good indicator of our liquidity. We have a \$300.0 million unsecured revolving credit facility that matures July 27, 2010, subject to a one-year extension at our option. No amounts were outstanding on the revolving credit facility at December 31, 2007. We intend to utilize our revolving credit facility to finance the initial acquisition of properties and meet other short-term working capital requirements.

Summary of Cash Flows for 2007 and 2006

	Year Ended December 31,	
	2007	2006
	(In thousands)	
Cash provided by operating activities	\$ 214,209	\$ 186,654
Cash used in investing activities	(151,439)	(317,429)
Cash (used in) provided by financing activities	(23,574)	133,631
Increase in cash and cash equivalents	39,196	2,856
Cash and cash equivalents, beginning of year	11,495	8,639
Cash and cash equivalents, end of year	<u>\$ 50,691</u>	<u>\$ 11,495</u>

Net cash provided by operating activities increased by \$27.6 million to \$214.2 million during the year ended December 31, 2007 from \$186.7 million during the year ended December 31, 2006. The increase was primarily attributable to:

- \$10.0 million higher net income before gain on sale of real estate, depreciation and amortization, minority interest and other non-cash items, and
- \$17.6 million increase in cash provided for working capital due primarily to lower prepaid expenses and other assets and higher prepaid rent balances.

Net cash used in investing activities decreased approximately \$166.0 million to \$151.4 million during the year ended December 31, 2007 from \$317.4 million during the year ended December 31, 2006. The decrease was due primarily to:

- \$197.5 million decrease in acquisitions of real estate,

partially offset by

- \$17.7 million increase in capital expenditures due primarily to an increase in development and redevelopment activities, and
- \$15.5 million increase in capital contributions to our unconsolidated real estate partnership to fund acquisitions.

Net cash used in financing activities increased approximately \$157.2 million to \$23.6 million used during the year ended December 31, 2007 from \$133.6 million provided during the year ended December 31, 2006. The increase was due primarily to:

- \$509.9 million in net proceeds from the issuance of senior notes in 2006 and no issuances of senior notes in 2007,
- \$139.2 million increase in net repayments on our revolving credit facility,
- \$109.5 million increase in repayment of senior notes, and

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- \$2.2 million increase in distributions to minority interests,

partially offset by

- \$397.9 million decrease in repayment of mortgages, capital leases and notes payable,
- \$135.0 million redemption of Series B preferred shares in 2006,
- \$49.5 million increase in net proceeds from the issuance of notes payable,
- \$12.7 million increase in net proceeds from the issuance of common shares, and
- \$8.4 million decrease in dividends paid to shareholders due primarily to \$10.6 million of special common dividends paid in 2006 and a \$13.0 million decrease in preferred share dividends paid offset by an increase in the common dividend rate in 2007.

Off-Balance Sheet Arrangements

Other than the restaurants and joint venture funding commitments described in the next paragraph and items disclosed in the Contractual Commitments Table below, we have no off-balance sheet arrangements as of December 31, 2007 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

We are joint venture partners in eight restaurants at Santana Row. Our investment balance in the restaurant joint ventures was approximately \$7.9 million and \$8.6 million at December 31, 2007 and 2006, respectively. Our equity in earnings from the restaurant joint ventures was \$2.2 million, \$1.5 million and \$1.3 million in 2007, 2006 and 2005, respectively.

We have a joint venture arrangement with affiliates of Clarion Lion Properties Fund (“Clarion”), a discretionary fund created and advised by ING Clarion Partners. We own 30% of the equity in the partnership, and Clarion owns 70%. We are the manager of the Partnership and its properties, earning fees for acquisitions, management, leasing, and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. We account for our interest in the partnership using the equity method. In total, at December 31, 2007, the Partnership had \$81.5 million of mortgage notes outstanding.

Contractual Commitments

The following table provides a summary of our fixed, noncancelable obligations as of December 31, 2007:

	Commitments Due by Period				
	Total	Less Than 1 Year	1-3 Years (In thousands)	3-5 Years	After 5 Years
Current and long-term debt	\$ 1,560,423	\$ 217,084	\$ 194,101	\$ 302,745	\$ 846,493
Capital lease obligations	268,524	6,939	13,810	13,819	233,956
Operating leases	289,541	4,796	9,509	9,521	265,715
Real estate commitments	145,438	11,320	44,023	—	90,095
Development and redevelopment obligations	55,057	54,481	472	104	—
Contractual operating obligations	14,472	7,427	6,663	382	—
Total contractual cash obligations	<u>\$ 2,333,455</u>	<u>\$ 302,047</u>	<u>\$ 268,578</u>	<u>\$ 326,571</u>	<u>\$ 1,436,259</u>

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

- (a) Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986, an unaffiliated third party has the right to require us and the two other minority partners to purchase between

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one-half to all of its 29.47% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2007, our estimated maximum liability upon exercise of the put option would range from approximately \$46 million to \$51 million.

(b) Under the terms of one other partnership which owns a project in southern California, if certain leasing and revenue levels are obtained for the property owned by the partnership, the other partner may require us to purchase their partnership interest at a formula price based upon property operating income. The purchase price for the partnership will be paid using our common shares or, subject to certain conditions, cash. If the other partner does not redeem their interest, we may choose to purchase the limited partnership interest upon the same terms.

(c) Street Retail San Antonio LP, a wholly owned subsidiary of the Trust, entered into a Development Agreement (the "Agreement") in 2000 with the City of San Antonio, Texas (the "City") related to the redevelopment of land and buildings that we own along Houston Street. Under the Agreement, we are required to issue an annual letter of credit, commencing on October 1, 2002 and ending on September 30, 2014, that covers our designated portion of the debt service should the incremental tax revenue generated in the Zone not cover the debt service. We posted a letter of credit with the City on September 25, 2002 for \$0.8 million, and the letter of credit remains outstanding. As of December 31, 2007, we have funded approximately \$1.3 million related to this obligation. In anticipation of further shortfalls of incremental tax revenues to the City, we have accrued approximately \$0.3 million as of December 31, 2007 to cover additional payments we may be obligated to make as part of the project costs.

(d) Under the terms of various other partnership agreements for entities, the partners have the right to exchange their operating units for cash or the same number of our common shares, at our option. As of December 31, 2007, a total of 380,938 operating units are outstanding.

(e) In addition to our contractual obligations, we have other short-term liquidity requirements consisting primarily of normal recurring operating expenses, regular debt service requirements (including debt service relating to additional and replacement debt), recurring corporate expenditures including compensation agreements, non-recurring corporate expenditures (such as tenant improvements and redevelopments) and dividends to common and preferred shareholders. Overall capital requirements will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of future phases of existing properties, including Santana Row and Assembly Square.

(f) At December 31, 2007, we had letters of credit outstanding of approximately \$10.6 million. The majority of these letters of credit are collateral for existing indebtedness and other obligations of the Trust.

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Debt Financing Arrangements

The following is a summary of our total debt outstanding as of December 31, 2007:

<u>Description of Debt</u>	<u>Original Debt Issued</u>	<u>Principal Balance as of December 31, 2007</u>	<u>Stated Interest Rate as of December 31, 2007</u>	<u>Maturity Date</u>
	(Dollars in thousands)			
Mortgage loans(1)				
<i>Secured fixed rate</i>				
Leesburg Plaza	\$ 9,900	\$ 9,631	6.510%	October 1, 2008
164 E. Houston Street	345	46	7.500%	October 6, 2008
White Marsh Other	Acquired	1,149	6.060%	December 31, 2008
Mercer Mall	Acquired	4,441	8.375%	April 1, 2009
Federal Plaza	36,500	33,675	6.750%	June 1, 2011
Tysons Station	7,000	6,217	7.400%	September 1, 2011
White Marsh Plaza(2)	Acquired	10,350	6.040%	April 1, 2013
Crow Canyon	Acquired	21,588	5.400%	August 11, 2013
Melville Mall(3)	Acquired	25,095	5.250%	September 1, 2014
THE AVENUE at White Marsh	Acquired	61,035	5.460%	January 1, 2015
Barracks Road	44,300	41,988	7.950%	November 1, 2015
Hauppauge	16,700	15,828	7.950%	November 1, 2015
Lawrence Park	31,400	29,761	7.950%	November 1, 2015
Wildwood	27,600	26,159	7.950%	November 1, 2015
Wynnwood	32,000	30,330	7.950%	November 1, 2015
Brick Plaza	33,000	31,128	7.415%	November 1, 2015
Shoppers' World	Acquired	5,980	5.910%	January 31, 2021
Mount Vernon(4)	13,250	11,962	5.660%	April 15, 2028
Chelsea	Acquired	8,240	5.360%	January 15, 2031
Subtotal		374,603		
Net unamortized discount		(628)		
Total mortgage loans		373,975		
Notes payable				
<i>Unsecured fixed rate</i>				
Perring Plaza renovation	3,087	1,420	10.000%	January 31, 2013
<i>Unsecured variable rate</i>				
Term note(5)	200,000	200,000	LIBOR + 0.575%	November 6, 2008
Revolving credit facility (6)	300,000	—	LIBOR + 0.425%	July 27, 2010
Escondido (Municipal bonds)(7)	9,400	9,400	3.474%	October 1, 2016
Total notes payable		210,820		
Senior notes and debentures				
<i>Unsecured fixed rate</i>				
8.75% notes	175,000	175,000	8.750%	December 1, 2009
4.50% notes	75,000	75,000	4.500%	February 15, 2011
6.00% notes	175,000	175,000	6.000%	July 15, 2012
5.40% notes	135,000	135,000	5.400%	December 1, 2013
5.65% notes	125,000	125,000	5.650%	June 1, 2016
6.20% notes	200,000	200,000	6.200%	January 15, 2017
7.48% debentures(8)	50,000	50,000	7.480%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.820%	August 1, 2027
Subtotal		975,000		
Net unamortized premium		2,556		
Total senior notes and debentures		977,556		
Capital lease obligations				
Various		76,109	Various	Various through 2106
Total debt and capital lease obligations		\$ 1,638,460		

(1) Mortgage loans do not include our 30% share (\$24.5 million) of the \$81.5 million debt of the partnership with Clarion Lion Properties Fund.

(2) The stated interest rate represents the weighted average interest rate for two mortgage loans secured by this property. The loan balance represents an interest-only note of \$4.35 million at a stated rate of 6.18% and the remaining balance at a stated rate of 5.96%.

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- (3) The Trust acquired control of Melville Mall through a 20-year master lease and secondary financing. Because the Trust controls this property and retains substantially all of the economic benefit and risk associated with it, this property is consolidated and the mortgage loan is reflected on the balance sheet, though it is not a legal obligation of the Trust.
- (4) The interest rate is fixed at 5.66% for the first ten years and then will be reset to a market rate in 2013. The lender has the option to call the loan on April 15, 2013 or any time thereafter.
- (5) The term note offers a one-year extension option. The weighted average effective interest rate, before amortization of debt fees, was 5.27% for the period from November 9, 2007 through December 31, 2007.
- (6) The revolving credit facility offers a one-year extension option. The maximum amount drawn under the facility during 2007 was \$244.0 million. The weighted average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 5.63% for the year ended December 31, 2007.
- (7) The bonds require monthly interest only payments through maturity. The bonds bear interest at a variable rate determined weekly, which would enable the bonds to be remarketed at 100% of their principal amount. The property is not encumbered by a lien.
- (8) Beginning on August 15, 2008, the debentures are redeemable by the holders thereof at the original purchase price of \$1,000 per debenture.

Our credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of December 31, 2007, we were in compliance with all of the financial and other covenants. If we were to breach any of our debt covenants and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our credit facility, are cross-defaulted, which means that the lenders under those debt arrangements can put us in default and require immediate repayment of their debt if we breach and fail to cure a covenant under certain of our other debt obligations. As a result, any default under our debt covenants could have an adverse effect on our financial condition, our results of operations, our ability to meet our obligations and the market value of our shares.

Below are the aggregate principal payments required as of December 31, 2007 under our debt financing arrangements by year. Scheduled principal installments and amounts due at maturity are included.

	<u>Secured</u>	<u>Capital Leases</u>	<u>Unsecured</u>	<u>Total</u>
	(In thousands)			
2008	\$ 16,858	\$ 1,076	\$ 200,226(1)	\$ 218,160
2009	11,232	1,216	175,250	187,698
2010	7,344	1,305	275(2)	8,924
2011	44,645	1,399	75,304	121,348
2012	7,460	1,500	175,336	184,296
Thereafter(3)	287,064	69,613	559,429	916,106
	<u>\$374,603</u>	<u>\$76,109</u>	<u>\$1,185,820</u>	<u>\$1,636,532(4)</u>

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

- (1) Includes \$200 million outstanding on our term note which is subject to a one-year extension at our option.
- (2) Our \$300 million four-year revolving credit facility is subject to a one-year extension at our option. As of December 31, 2007, there is \$0 drawn under this credit facility.
- (3) Includes the Mount Vernon projected mortgage loan balance of \$10.0 million as of April 15, 2013 that may be required to be paid on or after April 15, 2013. Amount also includes \$50 million of unsecured debt that may be called by the holders beginning August 15, 2008.
- (4) Total debt maturities differs from the total reported on the consolidated balance sheet due to unamortized discounts and premiums as of December 31, 2007.

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Interest Rate Hedging

As of December 31, 2007, we have no outstanding hedging instruments. We may enter into interest rate swaps and treasury rate locks that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We do not purchase derivatives for speculation. Our cash flow hedges are recorded at fair value. The effective portion of changes in fair value of our cash flow hedges is recorded in other comprehensive income and reclassified to earnings when the hedged item affects earnings. The ineffective portion of changes in fair value of our cash flow hedges is recognized in earnings in the period affected. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Hedge ineffectiveness did not have a significant impact on earnings in 2007, 2006 and 2005, and we do not anticipate it will have a significant effect in the future.

In August 2002, in anticipation of a \$150 million senior unsecured note offering, we entered into a treasury lock that fixed the five year treasury rate at 3.472% through August 19, 2002. On August 16, 2002, we priced the senior unsecured notes with a scheduled closing date of August 21, 2002 and closed on the associated rate lock. Five-year treasury rates declined between the pricing period and the settlement of the rate lock and therefore, we paid \$1.5 million to settle the rate lock. As a result of the August 19, 2002 fire at Santana Row, we did not proceed with the note offering at that time. However, we consummated a \$150 million, 6.125% Senior Unsecured Note offering on November 2002, and thus, the hedge loss was amortized into interest expense over the life of these notes which matured on November 15, 2007.

REIT Qualification

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

Funds From Operations

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

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

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

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

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

	For the Year Ended December 31,		
	2007	2006	2005
	(In thousands, except per share data)		
Net income	\$ 195,537	\$ 118,712	\$ 114,612
Gain on sale of real estate	(94,768)	(23,956)	(30,748)
Depreciation and amortization of real estate assets	95,565	88,649	82,752
Amortization of initial direct costs of leases	8,473	7,390	6,972
Depreciation of joint venture real estate assets	1,241	768	630
Funds from operations	206,048	191,563	174,218
Dividends on preferred stock	(442)	(10,423)	(11,475)
Income attributable to operating partnership units	1,156	748	801
Preferred stock redemption costs	—	(4,775)	—
Funds from operations available for common shareholders	\$ 206,762	\$ 177,113	\$ 163,544
Weighted average number of common shares, diluted	56,999	54,351	53,469
Funds from operations available for common shareholders, per diluted share	\$ 3.63	\$ 3.26	\$ 3.06

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our use of financial instruments, such as debt instruments, subjects us to market risk which may affect our future earnings and cash flows, as well as the fair value of our assets. Market risk generally refers to the risk of loss from changes in interest rates and market prices. We manage our market risk by attempting to match anticipated inflow of cash from our operating, investing and financing activities with anticipated outflow of cash to fund debt payments, dividends to common and preferred shareholders, investments, capital expenditures and other cash requirements.

As of December 31, 2007, we were not party to any open derivative financial instruments. We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate protection and swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes.

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest risk amounts were determined by considering the impact of hypothetical interest rates on our debt. Quoted market prices were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt

The majority of our outstanding debt obligations (maturing at various times through 2031 or through 2106 including capital lease obligations) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At December 31, 2007 we had \$1.4 billion of fixed-rate debt outstanding. If interest rates on our fixed-rate debt instruments at December 31, 2007 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$70.1 million. If interest rates on our fixed-rate debt instruments at December 31, 2007 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$71.0 million.

Variable Interest Rate Debt

We believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At December 31, 2007, we had \$209.4 million of variable rate debt outstanding. Based upon this amount of variable rate debt, if interest rates increased by 1.0% our annual interest expense would increase by approximately \$2.1 million, and our net income and cash flows for the year would decrease by approximately \$2.1 million. Conversely, if interest rates decreased by 1.0%, our annual interest expense would decrease by approximately \$2.1 million, and our net income and cash flows for the year would increase by approximately \$2.1 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

CONTROLS

Quarterly Assessment

We carried out an assessment as of December 31, 2007 of the effectiveness of the design and operation of our disclosure controls and procedures and our internal control over financial reporting. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer. Rules adopted by the SEC require that we present the conclusions of our principal executive officer and our principal financial officer about the effectiveness of our disclosure controls and procedures and the conclusions of our management about the effectiveness of our internal control over financial reporting as of the end of the period covered by this annual report.

Principal Executive Officer and Principal Financial Officer Certifications

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

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

Establishing and maintaining internal control over financial reporting is a process designed by, or under the supervision of, our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate, and effected by our employees, including management and our Board of Trustees, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. This process includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of our assets in reasonable detail;

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- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with the authorization procedures we have established; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

Limitations on the Effectiveness of Controls

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

Scope of the Evaluations

The evaluation by our Chief Executive Officer and our Chief Financial Officer of our disclosure controls and procedures and our internal control over financial reporting included a review of procedures and our internal audit, as well as discussions with our Disclosure Committee, independent public accountants and others in our organization, as appropriate. In conducting this evaluation, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. In the course of the evaluation, we sought to identify data errors, control problems or acts of fraud and to confirm that appropriate corrective action, including process improvements, were being undertaken. The evaluation of our disclosure controls and procedures and our internal control over financial reporting is done on a quarterly basis, so that the conclusions concerning the effectiveness of such controls can be reported in our Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K.

Our internal control over financial reporting is also assessed on an ongoing basis by personnel in our Accounting department and by our independent auditors in connection with their audit and review activities. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures and our internal control over financial reporting and to make modifications as necessary. Our intent in this regard is that the disclosure controls and procedures and internal control over financial reporting will be maintained and updated (including with improvements and corrections) as conditions warrant. Among other matters, we sought in our evaluation to determine whether there were any "significant deficiencies" or "material weaknesses" in our internal control over financial reporting, or whether we had identified any acts of fraud involving personnel who have a significant role in our internal control over financial reporting. This information is important both for the evaluation generally and because the Section 302 certifications require that our Chief Executive Officer and our Chief Financial Officer disclose that information to the Audit Committee of our Board of Trustees and our

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independent auditors and also require us to report on related matters in this section of the Annual Report on Form 10-K. In the Public Company Accounting Oversight Board's Auditing Standard No. 5, a "significant deficiency" is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting. A "deficiency" in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A "material weakness" is defined in Auditing Standard No. 5 as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We also sought to deal with other control matters in the evaluation, and in any case in which a problem was identified, we considered what revision, improvement and/or correction was necessary to be made in accordance with our on-going procedures.

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

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

Periodic Evaluation and Conclusion of Internal Control over Financial Reporting

Our Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the effectiveness of the design and operation of our internal control over financial reporting as of the end of our most recent fiscal year. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such internal control over financial reporting was effective as of the end of our most recent fiscal year.

Statement of Our Management

Our management has issued a report on its assessment of the Trust's internal control over financial reporting, which appears on page F-2 of this Annual Report on Form 10-K.

Statement of Our Independent Registered Public Accounting Firm

Grant Thornton LLP, our independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Trust's internal control over financial reporting, which appears on page F-3 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our fourth fiscal quarter of 2007 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

Certain information required in Part III is omitted from this Report but is incorporated herein by reference from our Proxy Statement for the 2008 Annual Meeting of Shareholders (the "Proxy Statement").

ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

a.) The tables and narrative in the Proxy Statement identifying our Trustees and Board committees under the caption "Election of Trustees" and "Corporate Governance" and the section of the Proxy Statement entitled "Executive Officers" are incorporated herein by reference.

b.) The information included under the section of the Proxy Statement entitled "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

c.) We have adopted a Code of Ethics, which is applicable to our Chief Executive Officer and senior financial officers. The Code of Ethics is available in the Corporate Governance section of the Investor Information section of our website at www.federalrealty.com.

ITEM 11. EXECUTIVE COMPENSATION

The sections of the Proxy Statement entitled "Summary Compensation Table," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," "Trustee Compensation" and "Compensation Discussion and Analysis" are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The sections of the Proxy Statement entitled "Share Ownership" and "Equity Compensation Plan Information" are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND TRUSTEE INDEPENDENCE

The sections of the Proxy Statement entitled "Certain Relationship and Related Transactions" and "Independence of Trustees" are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The sections of the Proxy Statement entitled "Ratification of Independent Registered Public Accounting Firm" and "Relationship with Independent Registered Public Accounting Firm" are incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Our consolidated financial statements and notes thereto, together with Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm are included as a separate section of this Annual Report on Form 10-K commencing on page F-1.

(2) Financial Statement Schedules

Our financial statement schedules are included in a separate section of this Annual Report on Form 10-K commencing on page F-35.

(3) Exhibits

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

(b) See Exhibit Index

(c) Not Applicable

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Item 8 and Item 15(a)(1) and (2)
Index to Consolidated Financial Statements and Schedules

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Management Assessment Report on Internal Control over Financial Reporting	F-2
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<i>Financial Statement Schedules</i>	
Schedule III—Summary of Real Estate and Accumulated Depreciation	F-35-F-41
Schedule IV—Mortgage Loans on Real Estate	F-42-F-43

All other schedules have been omitted either because the information is not applicable, not material, or is disclosed in our consolidated financial statements and related notes.

Management Assessment Report on Internal Control over Financial Reporting

The management of Federal Realty is responsible for establishing and maintaining adequate internal control over financial reporting. Establishing and maintaining internal control over financial reporting is a process designed by, or under the supervision of, our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate, and effected by our employees, including management and our Board of Trustees, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. This process includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect the transactions and dispositions of our assets in reasonable detail;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with the authorization procedures we have established; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of any of our assets in circumstances that could have a material adverse effect on our financial statements.

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

Management conducted an assessment of the effectiveness of the Trust's internal control over financial reporting as of December 31, 2007. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on this assessment, management concluded that our internal control over financial reporting is effective, based on those criteria, as of December 31, 2007.

Report of Independent Registered Public Accounting Firm

Trustees and Shareholders of Federal Realty Investment Trust

We have audited Federal Realty Investment Trust (a Maryland real estate investment trust) and subsidiaries' (the Trust) internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Federal Realty Investment Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Assessment Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Federal Realty Investment Trust's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Federal Realty Investment Trust and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Federal Realty Investment Trust and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 and our report dated February 25, 2008 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

McLean, Virginia
February 25, 2008

Report of Independent Registered Public Accounting Firm

Trustees and Shareholders of Federal Realty Investment Trust

We have audited the accompanying consolidated balance sheets of Federal Realty Investment Trust (a Maryland real estate investment trust) and subsidiaries (the Trust) as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits of the basic financial statements included the financial statement schedules listed in the index appearing under Item 15(a) (1) and (2). These financial statements and financial statement schedules are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the Notes to Consolidated Financial Statements, the Trust adopted SFAS No. 123R "*Share-Based Payment*", effective January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Trust's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 25, 2008 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

McLean, Virginia
February 25, 2008

Federal Realty Investment Trust
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2007	2006
	(In thousands)	
ASSETS		
Real estate, at cost		
Operating	\$ 3,304,922	\$ 2,931,391
Construction-in-progress	147,925	99,774
Assets held for sale (discontinued operations)	—	173,093
	<u>3,452,847</u>	<u>3,204,258</u>
Less accumulated depreciation and amortization	(756,703)	(740,507)
Net real estate	2,696,144	2,463,751
Cash and cash equivalents	50,691	11,495
Accounts and notes receivable	61,108	47,493
Mortgage notes receivable	40,638	40,756
Investment in real estate partnership	29,646	10,322
Prepaid expenses and other assets	103,620	106,172
Debt issuance costs, net of accumulated amortization of \$4,815 and \$4,986, respectively	7,450	8,617
TOTAL ASSETS	<u><u>\$ 2,989,297</u></u>	<u><u>\$ 2,688,606</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable	\$ 373,975	\$ 311,037
Capital lease obligations	76,109	95,116
Notes payable	210,820	109,024
Senior notes and debentures	977,556	1,127,508
Capital lease obligations of assets held for sale	—	54,245
Accounts payable and accrued expenses	99,360	97,727
Dividends payable	36,142	31,809
Security deposits payable	10,703	10,126
Other liabilities and deferred credits	58,182	45,745
Total liabilities	1,842,847	1,882,337
Minority interests	31,818	22,191
Commitments and contingencies (Note 9)		
Shareholders' equity		
Preferred stock, authorized 15,000,000 shares, \$.01 par:		
5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896 and 0 shares issued and outstanding, respectively	9,997	—
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 60,133,270 and 56,805,816 issued, respectively	601	568
Additional paid-in capital	1,541,020	1,281,217
Accumulated dividends in excess of net income	(407,376)	(467,369)
Treasury shares at cost, 1,487,605 and 1,485,279 shares, respectively	(28,807)	(28,807)
Notes receivable from issuance of common shares	(803)	(1,531)
Total shareholders' equity	1,114,632	784,078
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 2,989,297</u></u>	<u><u>\$ 2,688,606</u></u>

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2007	2006	2005
(In thousands, except per share data)			
REVENUE			
Rental income	\$ 468,498	\$ 414,979	\$ 375,927
Other property income	12,834	7,461	9,511
Mortgage interest income	4,560	5,095	5,370
Total revenue	<u>485,892</u>	<u>427,535</u>	<u>390,808</u>
EXPENSES			
Rental	100,389	84,763	82,055
Real estate taxes	47,234	41,198	36,449
General and administrative	25,575	21,340	19,909
Depreciation and amortization	101,675	92,793	84,521
Total operating expenses	<u>274,873</u>	<u>240,094</u>	<u>222,934</u>
OPERATING INCOME			
Other interest income	921	2,042	1,731
Interest expense	(111,365)	(95,234)	(81,617)
Income from real estate partnership	1,395	656	493
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS			
Minority interests	101,970	94,905	88,481
	<u>(5,590)</u>	<u>(4,353)</u>	<u>(5,234)</u>
INCOME FROM CONTINUING OPERATIONS			
	96,380	90,552	83,247
DISCONTINUED OPERATIONS			
Discontinued operations—income	4,389	4,204	617
Discontinued operations—gain on sale of real estate	94,768	16,515	30,748
Results from discontinued operations	<u>99,157</u>	<u>20,719</u>	<u>31,365</u>
INCOME BEFORE GAIN ON SALE OF REAL ESTATE			
Gain on sale of real estate	195,537	111,271	114,612
	<u>—</u>	<u>7,441</u>	<u>—</u>
NET INCOME			
Dividends on preferred stock	195,537	118,712	114,612
Preferred stock redemption costs	(442)	(10,423)	(11,475)
	<u>—</u>	<u>(4,775)</u>	<u>—</u>
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS			
	<u>\$ 195,095</u>	<u>\$ 103,514</u>	<u>\$ 103,137</u>
EARNINGS PER COMMON SHARE, BASIC			
Continuing operations	\$ 1.71	\$ 1.41	\$ 1.36
Discontinued operations	1.77	0.39	0.60
Gain on sale of real estate	—	0.14	—
	<u>\$ 3.48</u>	<u>\$ 1.94</u>	<u>\$ 1.96</u>
Weighted average number of common shares, basic	<u>56,108</u>	<u>53,469</u>	<u>52,533</u>
EARNINGS PER COMMON SHARE, DILUTED			
Continuing operations	\$ 1.70	\$ 1.40	\$ 1.35
Discontinued operations	1.75	0.38	0.59
Gain on sale of real estate	—	0.14	—
	<u>\$ 3.45</u>	<u>\$ 1.92</u>	<u>\$ 1.94</u>
Weighted average number of common shares, diluted	<u>56,543</u>	<u>53,962</u>	<u>53,050</u>

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Preferred Stock		Common Shares			Accumulated Dividends In Excess of Net Income	Treasury Shares		Deferred Compensation On Restricted Shares	Notes Receivable From the Issuance of Common Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Additional Paid-in Capital		Shares	Amount				
BALANCE AT DECEMBER 31, 2004	5,400	\$ 135,000	53,616,827	\$ 536	\$ 1,108,213	\$ (416,026)	(1,480,202)	\$(28,786)	\$ (8,641)	\$ (2,083)	\$ 2,321	\$ 790,534
Comprehensive income:												
Net income	—	—	—	—	—	114,612	—	—	—	—	—	114,612
Change due to recognizing gain on securities	—	—	—	—	—	—	—	—	—	—	60	60
Change in valuation on interest rate swaps	—	—	—	—	—	—	—	—	—	—	297	297
Total comprehensive income	—	—	—	—	—	114,612	—	—	—	—	297	114,969
Dividends declared to common shareholders	—	—	—	—	—	(124,928)	—	—	—	—	—	(124,928)
Dividends declared to preferred shareholders	—	—	—	—	—	(11,475)	—	—	—	—	—	(11,475)
Exercise of stock options	—	—	409,920	4	10,947	—	—	—	—	—	—	10,951
Shares issued under dividend reinvestment plan	—	—	62,579	1	3,424	—	—	—	—	—	—	3,425
Grants of restricted common shares	—	—	78,591	1	4,061	—	—	(3,494)	—	—	—	568
Vesting of restricted common shares	—	—	—	—	—	—	—	2,431	—	—	—	2,431
Deferred sock compensation associated with variable accounting (APB No. 25)	—	—	—	—	893	—	—	—	—	—	—	893
Conversion and redemption of OP units	—	—	203,140	2	(12,806)	—	—	—	—	—	—	(12,804)
Unvested shares forfeited	—	—	—	—	—	—	(158)	(8)	—	—	—	(8)
Loans paid	—	—	—	—	—	—	—	—	—	291	—	291
BALANCE AT DECEMBER 31, 2005	5,400	\$ 135,000	54,371,057	\$ 544	\$ 1,114,732	\$ (437,817)	(1,480,360)	\$(28,794)	\$ (9,704)	\$ (1,792)	\$ 2,678	\$ 774,847
Comprehensive income:												
Net income	—	—	—	—	—	118,712	—	—	—	—	—	118,712
Change in valuation on interest rate swaps	—	—	—	—	—	—	—	—	—	—	(1,493)	(1,493)
Total comprehensive income	—	—	—	—	—	118,712	—	—	—	—	(1,493)	117,219
Change due to termination of hedge relationship												
Dividends declared to common shareholders	—	—	—	—	—	(133,066)	—	—	—	—	(1,185)	(1,185)
Dividends declared to preferred shareholders	—	—	—	—	—	(10,423)	—	—	—	—	—	(10,423)
Common shares issued	—	—	2,002,670	20	149,077	—	—	—	—	—	—	149,097
Exercise of stock options	—	—	266,579	2	8,843	—	—	—	—	—	—	8,845
Shares issued under dividend reinvestment plan	—	—	44,077	—	3,101	—	—	—	—	—	—	3,101
Share-based compensation expense (SFAS No.123 (R))	—	—	84,217	1	6,490	—	—	—	—	—	—	6,491
Cumulative effect of change in accounting principle	—	—	—	—	(6,416)	—	—	—	9,704	—	—	3,288
Conversion and redemption of OP units	—	—	37,216	1	615	—	—	—	—	—	—	616
Preferred shares redeemed	(5,400)	(135,000)	—	—	4,775	(4,775)	—	—	—	—	—	(135,000)
Unvested shares forfeited	—	—	—	—	—	—	(4,919)	(13)	—	—	—	(13)
Loans paid	—	—	—	—	—	—	—	—	—	261	—	261
BALANCE AT DECEMBER 31, 2006	—	\$ —	56,805,816	\$ 568	\$ 1,281,217	\$ (467,369)	(1,485,279)	\$(28,807)	\$ —	\$ (1,531)	\$ —	\$ 784,078
Comprehensive income:												
Net income	—	—	—	—	—	195,537	—	—	—	—	—	195,537
Dividends declared to common shareholders	—	—	—	—	—	(135,102)	—	—	—	—	—	(135,102)
Dividends declared to preferred shareholders	—	—	—	—	—	(442)	—	—	—	—	—	(442)
Common shares issued	—	—	2,884,099	29	240,162	—	—	—	—	—	—	240,191
Exercise of stock options	—	—	106,117	1	5,066	—	—	—	—	—	—	5,067
Shares issued under dividend reinvestment plan	—	—	32,615	—	2,821	—	—	—	—	—	—	2,821
Share-based compensation expense (SFAS No.123 (R))	—	—	127,867	1	8,039	—	—	—	—	—	—	8,040
Conversion and redemption of OP units	—	—	176,756	2	3,715	—	—	—	—	—	—	3,717
Preferred shares issued	399,896	9,997	—	—	—	—	—	—	—	—	—	9,997
Unvested shares forfeited	—	—	—	—	—	—	(2,326)	—	—	—	—	—
Loans paid	—	—	—	—	—	—	—	—	—	728	—	728
BALANCE AT DECEMBER 31, 2007	399,896	\$ 9,997	60,133,270	\$ 601	\$ 1,541,020	\$ (407,376)	(1,487,605)	\$(28,807)	\$ —	\$ (803)	\$ —	\$ 1,114,632

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

Federal Realty Investment Trust
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006 (In thousands)	2005
OPERATING ACTIVITIES			
Net income	\$ 195,537	\$ 118,712	\$ 114,612
Adjustment to reconcile net income to net cash provided by operating activities			
Depreciation and amortization, including discontinued operations	105,966	97,879	91,503
Gain on sale of real estate	(94,768)	(23,956)	(30,748)
Equity in income from real estate partnership	(1,395)	(656)	(493)
Minority interests	5,590	4,353	5,234
Other, net	(2,267)	2,328	4,302
Changes in assets and liabilities net of effects of acquisitions and dispositions:			
Decrease in accounts receivable	(6,743)	(3,786)	(3,274)
Decrease (increase) in prepaid expenses and other assets	3,002	(11,792)	(3,667)
Increase in accounts payable, and accrued expenses	266	2,846	752
Increase (decrease) in security deposits and other liabilities	9,021	726	(3,280)
Net cash provided by operating activities	<u>214,209</u>	<u>186,654</u>	<u>174,941</u>
INVESTING ACTIVITIES			
Acquisition of real estate	(69,487)	(266,984)	(96,920)
Capital expenditures—development and redevelopment	(111,600)	(95,718)	(149,494)
Capital expenditures—other	(25,755)	(23,961)	(20,163)
Proceeds from sale of real estate	83,979	82,345	113,141
Investment in real estate partnership	(20,427)	(4,960)	(13)
Distribution from real estate partnership in excess of earnings	967	631	—
Leasing costs	(9,756)	(8,628)	(8,628)
Repayment (issuance) of mortgage and other notes receivable, net	640	(154)	9,347
Net cash used in investing activities	<u>(151,439)</u>	<u>(317,429)</u>	<u>(152,730)</u>
FINANCING ACTIVITIES			
Net (repayment) borrowings under revolving credit facility, net of costs	(98,000)	41,209	500
Issuance of note payable, net of costs	199,525	149,979	—
Issuance of senior notes	—	509,887	124,013
Repayment of senior notes	(150,000)	(40,500)	(40,000)
Repayment of mortgages, capital leases and notes payable	(7,603)	(405,552)	(4,555)
Redemption of Series B preferred shares	—	(135,000)	—
Issuance of common shares	170,855	161,292	14,111
Dividends paid to common and preferred shareholders	(131,443)	(142,947)	(133,377)
Distributions to minority interests	(6,908)	(4,737)	(4,739)
Net cash (used in) provided by financing activities	<u>(23,574)</u>	<u>133,631</u>	<u>(44,047)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,196	2,856	(21,836)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,495	8,639	30,475
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 50,691</u>	<u>\$ 11,495</u>	<u>\$ 8,639</u>

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

Federal Realty Investment Trust
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007, 2006 and 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

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

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

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

Principles of Consolidation and Estimates

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

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

Reclassifications

Certain prior year amounts in the 2007 consolidated financial statements have been reclassified to conform to current period presentation.

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

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operations through the date of sale to continuing operations and reclassified the gain on sale from “discontinued operations—gain on sale of real estate” to “gain on sale of real estate.” This reclassification did not impact net income.

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management’s assessment of credit, collection and other business risk. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. We make estimates of the collectibility of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue or income. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a certain portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2007 and 2006, accounts receivable include approximately \$32.0 million and \$24.8 million, respectively, related to straight-line rents. At December 31, 2007 and 2006, our allowance for doubtful accounts was \$7.0 million and \$6.2 million, respectively.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 35 years to a maximum of 50 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced. In 2007, 2006 and 2005, depreciation expense was \$93.4 million, \$85.7 million and \$77.9 million, respectively, which includes depreciation expense for assets under capital lease obligations.

In accordance with Statement of Financial Accounting Standard (“SFAS”) No. 66, “Accounting for Sales of Real Estate,” sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and we have no significant continuing involvement. The application of SFAS No. 66 can be complex and requires us to make assumptions. We believe the criteria of SFAS No. 66 was met for all real estate sold during 2007, 2006 and 2005.

In accordance with SFAS No. 141, “Business Combinations,” our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles such as in-place leases and to current assets and liabilities acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the statement of operations. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

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We are the lessee of certain land and buildings. We classify our leases of land and building as operating or capital leases in accordance with the provisions of SFAS No. 13, "Accounting for Leases."

In accordance with SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects," we capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved. Additionally, in accordance with SFAS No. 34, "Capitalization of Interest Costs," we capitalize interest costs related to development and redevelopment activities. Capitalization of these costs begin when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use at which time the project is placed-in service and depreciation commences.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," we review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. SFAS No. 144 also requires the sale or disposal of a "component of an entity" to be treated as discontinued operations. The properties sold by us typically meet the definition of a component of an entity and as such the revenues and expenses associated with sold properties are reclassified to discontinued operations for all periods presented.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity under three months. Cash balances in individual banks may exceed insurable amounts.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, prepaid property taxes and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and salaries and related costs of personnel directly related to time spent obtaining a lease. Capitalized lease costs are amortized over the life of the related lease. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off. Other assets also include the premiums paid for split dollar life insurance covering several officers and former officers which were approximately \$4.6 million at December 31, 2007 and 2006.

Debt Issuance Costs

Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method.

Derivative Instruments

We enter into interest rate swaps and treasury rate locks that qualify as cash flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." We generally enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. We do not purchase derivatives for speculation. Our cash flow hedges are recorded at fair value. The effective portion of changes in fair value of our cash flow hedges is recorded in other comprehensive income and reclassified to earnings when the hedged item affects earnings. The ineffective portion of changes in fair value of our cash flow hedges is recognized in earnings in the period affected. We

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assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. Hedge ineffectiveness did not have a significant impact on earnings in 2007, 2006 and 2005, and we do not anticipate it will have a significant effect in the future.

In January 2004, we entered into an interest rate swap to fix the LIBOR portion of our \$150 million term loan issued in October 2003. This swap fixed the LIBOR portion at 2.401% through October 2006. The full notional amount of this swap qualified as a cash flow hedge until we repaid the \$150 million term loan on July 17, 2006. We did not redesignate this swap and the related \$1.2 million included in accumulated other comprehensive income was recognized into earnings.

In August 2002, in anticipation of a \$150 million senior unsecured note offering, we entered into a treasury lock that fixed the five year treasury rate at 3.472% through August 19, 2002. On August 16, 2002, we priced the senior unsecured notes with a scheduled closing date of August 21, 2002 and closed on the associated rate lock. Five-year treasury rates declined between the pricing period and the settlement of the rate lock and therefore, we paid \$1.5 million to settle the rate lock. As a result of the August 19, 2002 fire at Santana Row, we did not proceed with the note offering at that time. However, we consummated a \$150 million, 6.125% Senior Unsecured Note offering in November 2002, and thus, the hedge loss was amortized into interest expense over the life of these notes through maturity on November 15, 2007.

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

Acquisition, Development and Construction Loan Arrangements

We have made certain mortgage loans that, because of their nature, qualify as loan receivables. At the time the loans were made, we did not intend for the arrangement to be anything other than a financing and did not contemplate a real estate investment. Using guidance set forth in the Third Notice to Practitioners issued by the AICPA in February 1986 entitled "ADC Arrangements" ("the Third Notice"), we evaluate each investment to determine whether the loan arrangement qualifies under the Third Notice as a loan, joint venture or real estate investment and the appropriate accounting thereon. Such determination affects our balance sheet classification of these investments and the recognition of interest income derived therefrom. Generally, we receive additional interest on these loans, however we never receive in excess of 50% of the residual profit in the project (as defined in the Third Notice) and because the borrower has either a substantial investment in the project or has guaranteed all or a portion of our loan (or a combination thereof) the loans qualify for loan accounting. The amounts under ADC arrangements are presented as mortgage notes receivable at December 31, 2007 and 2006.

Share Based Compensation

Prior to January 1, 2006, we accounted for stock based compensation under the recognition and measurement provisions of Accounting Principle Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." Under APB No. 25, no stock based compensation costs were recognized in the Statement of Operations for stock options as our options granted had an exercise price equal to the market value of our common shares on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), "Share-Based Payment," using the modified-prospective-transition method. Under this transition method, compensation cost recognized beginning January 1, 2006 includes: (a) compensation costs for all share-based payments granted prior to, but not vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). Prior to January 1, 2006, we used the Black-Scholes model to value stock options and we continue to use this model to value stock options issued subsequent to January 1, 2006.

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On January 1, 2006, we recorded the cumulative effect of adopting SFAS No. 123(R). This cumulative effect resulted in decreasing accrued liabilities by \$3.3 million and increasing shareholders' equity by \$3.3 million. These balance sheet changes related to deferred compensation on unvested shares. Under SFAS No. 123(R), deferred compensation is no longer recorded at the time unvested shares are issued. Share-based compensation expense is now recorded over the requisite service period with an offsetting credit to equity (generally additional paid-in capital).

If we had not adopted SFAS No. 123(R), our net income for 2006 would have excluded share-based compensation related to options of \$1.3 million and included variable stock compensation related to our performance shares of \$1.5 million. Under SFAS No. 123(R), the compensation associated with our unvested performance shares is now fixed at their grant-date fair value. Accordingly, if we had not adopted SFAS No. 123(R), our income from continuing operations, net income, basic earnings per share and dilutive earnings per share for 2006 would not have been materially different. While there are certain differences between SFAS No. 123 and 123(R), we believe the pro forma disclosures under SFAS No. 123 presented below approximate the effect of SFAS No. 123(R) for the year ended December 31, 2005.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123 to our stock based compensation, prior to January 1, 2006.

	<u>2005</u>
	<u>(In thousands, except per share data)</u>
Net income available for common shareholders, as reported	\$ 103,137
Stock-based employee compensation cost included in net income	3,992
Stock-based employee compensation cost under the fair value method for all awards	(3,802)
Net income available for common shareholders, pro forma	<u>\$ 103,327</u>
Earnings Per Share:	
Basic, as reported	\$ 1.96
Basic, pro forma	\$ 1.97
Diluted, as reported	\$ 1.94
Diluted, pro forma	\$ 1.95

Redemption of Preferred Stock

On November 27, 2006, we redeemed our \$135 million 8.5% Series B Cumulative Redeemable Preferred Shares at their face value. The original issuance costs of \$4.8 million were charged to shareholders' equity when the shares were issued. On July 31, 2003, the Emerging Issues Task Force provided clarification on the treatment of the difference between the redemption value and the carrying value, adjusting for issuance costs, for GAAP financial reporting. As a result, our Consolidated Statement of Operations for the year ended December 31, 2006 reflects a charge of \$4.8 million in "Preferred stock redemption costs" as a reduction of net income in computing net income available for common shareholders.

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46-R"), "Consolidation of Variable Interest Entities." FIN 46-R clarifies the application of Accounting Research Bulletin 51, Consolidated Financial Statements, for certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest ("variable interest entities"). Variable interest entities within the scope of FIN 46-R are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is determined to

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be the party that absorbs a majority of the entity's expected losses, receives a majority of its expected returns, or both. We have evaluated the applicability of FIN 46-R to our investments in certain restaurant joint ventures and our real estate partnership with affiliates of Clarion Lion Properties Fund and determined that these joint ventures do not meet the requirements of a variable interest entity and, therefore, consolidation of these ventures is not required. These investments are accounted for using the equity method. We have also evaluated the applicability of FIN 46-R to our mortgage loans receivable and determined that they are not variable interest entities.

Our investment balance in these restaurant joint ventures was approximately \$7.9 million and \$8.6 million at December 31, 2007 and 2006, respectively. Our equity in earnings from these restaurant joint ventures was \$2.2 million, \$1.5 million and \$1.3 million in 2007, 2006 and 2005, respectively. Our investment balances and earnings from mortgage notes receivable and our real estate partnership are presented in our consolidated balance sheets and consolidated statements of operations.

From December 29, 2005 to June 5, 2006, a third party intermediary was the legal owner of Crow Canyon Commons, but we controlled the property and retained all of the economic benefit and risk associated with the property. Accordingly, we consolidated the property and its operations beginning December 29, 2005.

On October 16, 2006, we acquired the leasehold interest in Melville Mall under a 20 year master lease. Additionally, we loaned the owner of Melville Mall \$34.2 million secured by a second mortgage on the property. We have an option to purchase the shopping center on or after October 16, 2021 for a price of \$5.0 million plus the assumption of the first mortgage and repayment of the second mortgage. We have determined that this property is held in a variable interest entity for which we are the primary beneficiary. Accordingly, beginning October 16, 2006, we consolidated this property and its operations.

From May 30, 2007 to October 11, 2007, a third party intermediary was the legal owner of Shoppers' World, but we controlled the property and retained all of the economic benefit and risk associated with the property. Accordingly, we consolidated the property and its operations beginning May 30, 2007.

Consolidated Statements of Cash Flows – Supplemental Disclosures

The following table provides additional information related to the Consolidated Statements of Cash Flows:

	<u>2007</u>	<u>2006</u> (In thousands)	<u>2005</u>
SUPPLEMENTAL DISCLOSURES:			
Total interest costs incurred	\$ 125,259	\$ 106,877	\$ 94,257
Interest capitalized	(7,865)	(4,069)	(5,691)
Interest expense related to discontinued operations	(6,029)	(7,574)	(6,949)
Interest expense	<u>\$ 111,365</u>	<u>\$ 95,234</u>	<u>\$ 81,617</u>
Cash paid for interest, net of amounts capitalized	<u>\$ 117,554</u>	<u>\$ 91,612</u>	<u>\$ 84,242</u>
Cash paid for income taxes	<u>\$ 1,126</u>	<u>\$ 5,098(1)</u>	<u>\$ 82</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS:			
Mortgage loans assumed with acquisitions	\$ 79,987	\$ 44,297	\$ 22,258
Common shares issued with acquisitions	\$ 77,957	\$ —	\$ —
Extinguishment of capital lease obligations	\$ 76,449	\$ —	\$ —
DownREIT operating partnership units issued with acquisitions	\$ 16,358	\$ —	\$ —
Preferred shares issued with acquisitions	\$ 9,997	\$ —	\$ —

(1) Cash paid for income taxes for 2006 includes \$4.1 million related to the sales of condominiums at Santana Row which were conducted through a TRS.

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Accounting for Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes” which is an interpretation of FASB Statement No. 109, “Accounting for Income Taxes.” FIN 48 was issued to reduce the diversity in practice associated with certain aspects of recognition, disclosure and measurement related to accounting for uncertain income tax positions. We adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial position, results of operations, or cash flows. We recognize penalties and interest accrued related to unrecognized tax benefits as income tax expense. With few exceptions, we are no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2003. As of December 31, 2007, we had no material unrecognized tax benefits.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments under SFAS No. 123(R). We are required to adopt the recognition and disclosure provisions of SFAS No. 157 for financial assets and financial liabilities and for nonfinancial assets and nonfinancial liabilities that are re-measured at least annually effective January 1, 2008; we are required to adopt the provisions of SFAS No. 157 for all other nonfinancial assets and nonfinancial liabilities effective January 1, 2009. We do not believe the adoption of SFAS No. 157 will have a material impact on our financial position, results of operations or cash flows.

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

On December 4, 2007, the FASB issued Statement No. 141 (R), *Business Combinations* (“SFAS No. 141 (R)”) and Statement No. 160 “*Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*” (“SFAS No. 160”). The new standards significantly change the accounting and reporting of business combination transactions and minority interests in the consolidated financial statements; these changes include expensing all acquisition related transaction costs, recognizing contingent consideration arrangements at their acquisition date fair values with subsequent changes generally reflected in earnings, recognizing 100% of the fair values of assets acquired and liabilities assumed in acquisitions of less than 100% controlling interest and recognizing a non-controlling interest as equity in the consolidated financial statements. We are required to adopt SFAS No. 141 (R) for business combination transactions for which the acquisition date is on or after January 1, 2009 and SFAS No. 160 on January 1, 2009. We are currently evaluating the impact SFAS No. 141 (R) and SFAS No. 160 will have on our financial position, results of operations, and cash flows.

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NOTE 2. REAL ESTATE

A summary of our real estate investments and related encumbrances is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation and Amortization (In thousands)</u>	<u>Encumbrances</u>
December 31, 2007			
Retail and mixed-use properties	\$3,224,196	\$ (717,257)	\$ 373,975
Retail properties under capital leases	201,544	(30,957)	76,109
Residential	27,107	(8,489)	—
	<u>\$3,452,847</u>	<u>\$ (756,703)</u>	<u>\$ 450,084</u>
December 31, 2006			
Retail and mixed-use properties	\$2,885,451	\$ (630,600)	\$ 311,037
Retail properties under capital leases	291,944	(101,951)	149,361
Residential	26,863	(7,956)	—
	<u>\$3,204,258</u>	<u>\$ (740,507)</u>	<u>\$ 460,398</u>

Retail and mixed-use properties includes the residential portion of Santana Row. The residential property investments are comprised of our investments in Rollingwood Apartments and Crest Apartments at Congressional Plaza.

A summary of our significant acquisitions in 2007 and 2006 is as follows:

<u>Date</u>	<u>Property</u>	<u>City, State</u>	<u>Gross Leasable Area (In square feet)</u>	<u>Purchase Price (1) (In millions)</u>
Year ended December 31, 2007				
February 28	Crow Canyon Crest	San Ramon, CA	17,000	\$ 10.9(1)
March 8	The White Marsh Portfolio: (2)	White Marsh, MD		189.4(3)
	THE AVENUE at White Marsh		296,000	
	The Shoppes at Nottingham Square		186,000	
	White Marsh Plaza		79,000	
	White Marsh Other		53,000	
May 30	Shoppers' World	Charlottesville, VA	169,000	27.2(4)
October 26	Mid-Pike Plaza	Rockville, MD	—	45.2(5)
October 26	Huntington Shopping Center	Huntington, NY	—	37.7(5)
		Total	<u>800,000</u>	<u>\$ 310.4</u>
Year ended December 31, 2006				
January 20	4900 Hampden Lane	Bethesda, MD	35,000	\$ 12.0
January 27	7770 Richmond Hwy	Alexandria, VA	60,000	9.9
June 29	Town Center of New Britain	New Britain, PA	126,000	12.8
August 24	Key Road Plaza	Keene, NH	76,000	14.5
August 24	Riverside Plaza	Keene, NH	218,000	24.0
August 24	Bath Shopping Center	Bath, ME	101,000	22.8
August 24	Linden Square	Wellesley, MA	261,000	99.6
August 24	North Dartmouth	North Dartmouth, MA	183,000	27.5
August 25	Chelsea Commons	Chelsea, MA	180,000	20.1
Various after September 13	Rockville Town Square	Rockville, MD	152,000	5.9(6)
October 16	Melville Mall	Huntington, NY	248,000	60.0(7)
		Total	<u>1,640,000</u>	<u>\$ 309.1</u>

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- (1) Approximately \$0.4 million and \$1.8 million of the net assets acquired were allocated to other assets for “above market leases” and liabilities for “below market leases,” respectively.
- (2) The White Marsh Portfolio was purchased using \$11.5 million of cash plus a combination of common stock and convertible preferred stock, downREIT operating partnership units, and the assumption of mortgage loans through a merger with Nottingham Properties, Inc. The acquisition also included ground leases covering 50,000 square feet of office space and a hotel which are not included in gross leasable area.
- (3) Approximately \$3.6 million and \$9.3 million of the net assets acquired were allocated to other assets for “above market leases” and liabilities for “below market leases,” respectively.
- (4) Approximately \$0.8 million and \$2.1 million of the net assets acquired were allocated to other assets for “above market leases” and liabilities for “below market leases,” respectively.
- (5) On October 26, 2007, we completed an exchange transaction whereby we sold our leasehold interests in six New Jersey properties and acquired the fee interests in Mid-Pike Plaza and Huntington Shopping Center. Prior to the transaction, we held leasehold interests in all eight properties. The transaction was completed as a 1031 tax-deferred exchange and involved a cash payment of \$17.2 million. All eight properties were previously encumbered by capital lease obligations which were extinguished as part of the transaction.
- (6) We acquired an additional 30,000 square feet of gross leasable area in 2007.
- (7) The Trust controls and consolidates Melville Mall at its approximate fair value of \$60.0 million. We gained control of Melville Mall through a 20-year master lease and \$34.1 million secondary financing to the owner. The master lease includes a purchase option in 2021 for \$5.0 million plus the assumption of the owner’s first mortgage that has a balance of \$25.1 million at December 31, 2007.

On November 16, 2007, we purchased the 10% minority interest in three properties located at our Fifth Avenue, Hermosa Avenue and Third Street Promenade projects for \$5.7 million. We now own 100% of these properties.

A summary of our significant dispositions in 2007 and 2006 is as follows:

Sale Date	Property	Location	Year Acquired or Built	Gross Leasable Area (In square feet)	Sales Price (In millions)	Gain
Year ended December 31, 2007						
April 5	Bath Shopping Center	Bath, ME	2006	101,000	\$ 21.8	\$ 0.6(1)
June 20	Key Road Plaza	Keene, NH	2006	76,000	15.3	0.4(2)
June 20	Riverside Plaza	Keene, NH	2006	218,000	25.9	0.5(3)
October 11	Forest Hills Shopping Center	Forest Hills, NY	1997	39,500	33.2	19.1(4)
October 26	New Jersey Leasehold Interests:				65.7	79.6(5)
	Allwood Shopping Center	Clifton, NJ	1988	50,000		
	Blue Star Shopping Center	Watchung, NJ	1988	410,000		
	Brunswick Shopping Center	North Brunswick, NJ	1988	303,000		
	Clifton Shopping Center	Clifton, NJ	1988	80,000		
	Hamilton Shopping Center	Hamilton, NJ	1988	190,000		
	Rutgers Shopping Center	Franklin, NJ	1988	267,000		
		Total		1,734,500	\$ 161.9	\$ 100.2
Year ended December 31, 2006						
January-August	Santana Row Condominiums (89 units)(6)	San Jose, CA	2002	N/A	\$ 64.1	\$ 16.5(7)
June 5	Greenlawn Plaza	Huntington, NY	2000	102,000	20.4	7.4(8)
		Total		102,000	\$ 84.5	\$ 23.9

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- (1) Gain of \$0.6 million is net of \$0.3 million in taxes.
- (2) Gain of \$0.4 million is net of \$0.1 million in taxes.
- (3) Gain of \$0.5 million is net of \$0.1 million in taxes.
- (4) We sold two of three retail buildings located in Forest Hills, NY.
- (5) On October 26, 2007, we completed an exchange transaction whereby we sold our leasehold interests in six New Jersey properties and acquired the fee interests in Mid-Pike Plaza and Huntington Shopping Center. The transaction was completed as a 1031 tax-deferred exchange and involved a cash payment of \$17.2 million. All eight properties were previously encumbered by capital lease obligations which were extinguished as part of the transaction.
- (6) As of August 25, 2006, we had sold all of the 219 condominium units we planned to sell at Santana Row.
- (7) Gain of \$16.5 million is net of \$2.4 million in taxes.
- (8) This property was contributed to our real estate partnership in which we own a 30% interest. Accordingly, we recognized a partial gain of \$7.4 million on this sale related to the 70% equity interest contributed.

NOTE 3. MORTGAGE NOTES RECEIVABLE

At December 31, 2007 and 2006, we had mortgage notes receivable with an aggregate carrying amount of \$40.6 million and \$40.8 million, respectively, which are net of a valuation allowance of \$4.6 million and \$5.0 million, respectively. These mortgage notes are due over various terms from August 2016 to May 2021. At December 31, 2007 and 2006, our mortgages had a weighted average interest rate of 10.0%. Interest income is accrued as earned. Under the terms of certain of these mortgages, we receive additional interest based upon the gross income of the secured properties and, upon sale of the properties, we will share in the appreciation of the properties.

On August 4, 2006, we amended the \$17.7 million second mortgage note receivable which is secured by a hotel in San Jose, California. The amended note decreased the interest rate from 14% to 9% per annum, requires monthly payments of principal and interest based on a 15-year amortization schedule and matures on August 20, 2016.

NOTE 4. REAL ESTATE PARTNERSHIP

We have a joint venture arrangement (“the Partnership”) with affiliates of a discretionary fund created and advised by ING Clarion Partners. We own 30% of the equity in the Partnership, and Clarion owns 70%. We are the manager of the Partnership and its properties, earning fees for acquisitions, management, leasing, and financing. We also have the opportunity to receive performance-based earnings through our Partnership interest. As of December 31, 2007, we have made total contributions of \$34.8 million and received total distributions of \$4.4 million. We account for our interest in the Partnership using the equity method.

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

	Year Ended December 31,		
	2007	2006	2005
	(In thousands)		
OPERATING RESULTS			
Revenue	\$17,566	\$10,523	\$8,384
Expenses			
Other operating expenses	4,478	2,828	2,178
Depreciation and amortization	4,471	2,767	2,099
Interest expense	4,478	3,506	2,464
Total expenses	13,427	9,101	6,741
Net income	\$ 4,139	\$ 1,422	\$1,643
Our share of net income from real estate partnership	\$ 1,395	\$ 656	\$ 493

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	December 31,	
	2007	2006
(In thousands)		
BALANCE SHEETS		
Real estate, net	\$ 191,747	\$ 123,478
Cash	1,453	2,116
Other assets	7,173	4,064
Total assets	<u>\$ 200,373</u>	<u>\$ 129,658</u>
Mortgages payable	\$ 81,540	\$ 77,425
Other liabilities	8,691	6,716
Partners' capital	110,142	45,517
Total liabilities and partners' capital	<u>\$ 200,373</u>	<u>\$ 129,658</u>
Our share of unconsolidated debt	<u>\$ 24,462</u>	<u>\$ 23,228</u>
Our investment in real estate partnership	<u>\$ 29,646</u>	<u>\$ 10,322</u>

For mortgages payable totaling \$36.7 million that are secured by three properties owned by subsidiaries of the Partnership, we were the guarantor for the obligations of the joint venture which are commonly referred to as "non-recourse carve-outs." The guarantees do not have a finite term; however, once the lenders have been repaid in accordance with the loan documents, the only likely basis for a claim on the guarantee is for loss to the lender as a result of potential future environmental liability at the properties to which the loans relate. We were not guaranteeing repayment of the debt itself. The Partnership would indemnify us for any loss we were to incur under these guarantees. As of November 2007, we are no longer the guarantor on the loans.

The following table provides a summary of acquisitions made by our unconsolidated real estate partnership in 2007 and 2006:

Date	Property	City, State	Gross Leasable Area (In square feet)	Purchase Price (In millions)
<u>Year ended December 31, 2007</u>				
February 15	Free State Shopping Center	Bowie, MD	278,000	\$ 64.1
February 20	Lake Barcroft Shopping Center(1)	Falls Church, VA	9,000	6.0
		Total	<u>287,000</u>	<u>\$ 70.1</u>
<u>Year ended December 31, 2006</u>				
June 5	Greenlawn Plaza(2)	Huntington, NY	102,000	\$ 20.4
June 8	Barcroft Plaza	Falls Church, VA	90,000	25.1
		Total	<u>192,000</u>	<u>\$ 45.5</u>

(1) The property acquired is adjacent to and operated as part of Barcroft Plaza which is also owned by the Partnership.

(2) This property was acquired from the Trust.

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

NOTE 5. ACQUIRED IN-PLACE LEASES

Acquired above market leases are included in prepaid expenses and other assets and had a balance of \$17.6 million and \$16.0 million at December 31, 2007 and 2006, respectively, and accumulated amortization of \$4.7 million and \$2.6 million at December 31, 2007 and 2006, respectively. Acquired below market leases are included in other liabilities and deferred credits and had a balance of \$46.0 million and \$41.4 million at December 31, 2007 and 2006, respectively, and accumulated amortization of \$13.3 million and \$8.2 million at December 31, 2007 and 2006, respectively. The value allocated to in-place leases is amortized over the related lease term and reflected as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of operations. Rental income included net amortization from acquired in-place leases of \$2.9 million, \$2.5 million and \$1.6 million in 2007, 2006 and 2005, respectively. The remaining weighted-average amortization period as of December 31, 2007, is 9.8 years and 13.4 years for above market leases and below market leases, respectively.

The amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows:

Year ending December 31,	Above Market	Below Market
	Leases	Leases
	(In thousands)	
2008	\$ 2,061	\$ 4,526
2009	1,725	3,329
2010	1,446	2,799
2011	1,211	2,512
2012	920	2,268
Thereafter	5,552	17,325
	<u>\$ 12,915</u>	<u>\$ 32,759</u>

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NOTE 6. DEBT

The following is a summary of our total debt outstanding as of December 31, 2007 and 2006:

Description of Debt	Principal Balance as of December 31,		Stated Interest Rate as of December 31, 2007	Maturity Date
	2007	2006		
	(Dollars in thousands)			
Mortgage loans				
Leesburg Plaza	\$ 9,631	\$ 9,760	6.510%	October 1, 2008
164 E. Houston Street	46	98	7.500%	October 6, 2008
White Marsh Other	1,149	—	6.060%	December 31, 2008
Mercer Mall	4,441	4,512	8.375%	April 1, 2009
Federal Plaza	33,675	34,192	6.750%	June 1, 2011
Tysons Station	6,217	6,366	7.400%	September 1, 2011
White Marsh Plaza	10,350	—	6.040%	April 1, 2013
Crow Canyon	21,588	21,945	5.400%	August 11, 2013
Melville Mall	25,095	25,702	5.250%	September 1, 2014
THE AVENUE at White Marsh	61,035	—	5.460%	January 1, 2015
Barracks Road	41,988	42,614	7.950%	November 1, 2015
Hauppauge	15,828	16,065	7.950%	November 1, 2015
Lawrence Park	29,761	30,205	7.950%	November 1, 2015
Wildwood	26,159	26,550	7.950%	November 1, 2015
Wynnewood	30,330	30,782	7.950%	November 1, 2015
Brick Plaza	31,128	31,631	7.415%	November 1, 2015
Shoppers' World	5,980	—	5.910%	January 31, 2021
Mount Vernon	11,962	12,268	5.660%	April 15, 2028
Bath	—	9,999	—	July 1, 2028
Chelsea	8,240	8,384	5.360%	January 15, 2031
Subtotal	374,603	311,073		
Net unamortized discount	(628)	(36)		
Total mortgage loans	373,975	311,037		
Notes payable				
Term note	200,000	—	LIBOR+0.575%	November 6, 2008
Revolving credit facility	—	98,000	LIBOR+0.425%	July 27, 2010
Perring Plaza renovation	1,420	1,624	10.000%	January 31, 2013
Escondido (Municipal bonds)	9,400	9,400	3.474%	October 1, 2016
Total notes payable	210,820	109,024		
Senior notes and debentures				
6.125% notes	—	150,000	—	November 15, 2007
8.75% notes	175,000	175,000	8.750%	December 1, 2009
4.50% notes	75,000	75,000	4.500%	February 15, 2011
6.00% notes	175,000	175,000	6.000%	July 15, 2012
5.40% notes	135,000	135,000	5.400%	December 1, 2013
5.65% notes	125,000	125,000	5.650%	June 1, 2016
6.20% notes	200,000	200,000	6.200%	January 15, 2017
7.48% debentures	50,000	50,000	7.480%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.820%	August 1, 2027
Subtotal	975,000	1,125,000		
Net unamortized premium	2,556	2,508		
Total senior notes and debentures	977,556	1,127,508		
Capital lease obligations	76,109	95,116	Various	Various through 2106
Capital lease obligations of assets held for sale	—	54,245	Various	January 1, 2016
Total debt and capital lease obligations	\$ 1,638,460	\$ 1,696,930		

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

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

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

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

On October 26, 2007, we acquired the fee interest in Mid-Pike Plaza and Huntington Shopping Center and sold our leasehold interest in six properties, Allwood, Blue Star, Brunswick, Clifton, Hamilton and Rutgers Shopping Centers. Prior to the transaction, we had capital lease obligations totaling \$76.4 million on all eight properties. The capital lease obligations were extinguished as part of the transaction. The capital lease obligations for the six properties sold are included in "capital lease obligations of assets held for sale" on the balance sheet.

On November 9, 2007, we entered into a \$200 million unsecured term loan bearing interest at LIBOR plus 57.5 basis points. The loan matures on November 6, 2008, subject to a one-year extension at our option and is prepayable without penalty. The spread over LIBOR is subject to adjustment based on our credit rating. The loan had a weighted average interest rate of 5.3% for 2007.

On November 15, 2007, we repaid our 6.125% senior notes with a principal amount of \$150.0 million. These notes were repaid with funds borrowed on our \$200 million unsecured term loan.

The maximum amount of borrowings outstanding under our \$300 million revolving credit facility during 2007, 2006 and 2005 was \$244.0 million, \$297.0 million and \$159.7 million, respectively. The weighted average amount of borrowings outstanding was \$154.3 million, \$106.0 million and \$105.1 million for 2007, 2006 and 2005, respectively. Our revolving credit facility had a weighted average interest rate, before amortization of debt fees, of 5.6%, 5.6% and 3.7% for 2007, 2006 and 2005, respectively. In addition, we are required to pay an annual facility fee of \$0.5 million. The loan matures on July 27, 2010, subject to a one-year extension at our option.

Our credit facility and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholder's equity and debt coverage ratios and a maximum ratio of debt to net worth. As of December 31, 2007, we were in compliance with all loan covenants.

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Scheduled principal payments on mortgage loans, notes payable, senior notes and debentures as of December 31, 2007 are as follows:

	<u>Mortgage Loans</u>	<u>Notes Payable</u>	<u>Senior Notes and Debentures</u>	<u>Total Principal</u>
	(In thousands)			
Year ending December 31,				
2008	\$ 16,858	\$200,226(1)	\$ —	\$ 217,084
2009	11,232	250	175,000	186,482
2010	7,344	275(2)	—	7,619
2011	44,645	304	75,000	119,949
2012	7,460	336	175,000	182,796
Thereafter(3)	287,064	9,429	550,000	846,493
	<u>\$374,603</u>	<u>\$210,820</u>	<u>\$ 975,000</u>	<u>\$1,560,423(4)</u>

- (1) Includes \$200 million outstanding on our term note which is subject to a one-year extension at our option.
- (2) Our \$300 million four-year revolving credit facility is subject to a one-year extension at our option. As of December 31, 2007, there is \$0 drawn under this credit facility.
- (3) Includes the Mount Vernon projected mortgage loan balance of \$10.0 million as of April 15, 2013 that may be required to be paid on or after April 15, 2013. Amount also includes \$50 million of unsecured debt that may be called by the holders beginning August 15, 2008.
- (4) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized discount or premium on certain senior notes, debentures and mortgage payables.

Future minimum lease payments and their present value for property under capital leases as of December 31, 2007, are as follows:

	(In thousands)
Year Ending December 31,	
2008	\$ 6,939
2009	6,905
2010	6,905
2011	6,905
2012	6,914
Thereafter	233,956
	<u>268,524</u>
Less amount representing interest	(192,415)
Present value	<u>\$ 76,109</u>

Certain of our capital lease obligations required payments based on the performance of the related properties in addition to the minimum payment amounts set forth above. The additional performance based payments were \$4.1 million, \$5.6 million and \$4.6 million in 2007, 2006 and 2005, respectively and is included in "discontinued operations-income." All capital leases with performance based payments were extinguished in October 2007.

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our mortgages payable, notes payable, and senior notes and debentures is sensitive to fluctuations in interest rates. Quoted market prices were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis is generally used to estimate the fair value of our mortgages and

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notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our mortgages payable, notes payable and senior notes and debentures is as follows:

	December 31, 2007		December 31, 2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages and notes payable	\$ 584,795	\$ 603,200	\$ 420,061	\$ 449,130
Senior notes	\$ 977,556	\$ 979,562	\$ 1,127,508	\$ 1,146,767

NOTE 8. COMMITMENTS AND CONTINGENCIES

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

We are involved in a litigation matter relating to a shopping center in New Jersey where a former tenant has alleged that we and our management agent acted improperly by failing to disclose a condemnation action at the property that was pending when the lease was signed. A trial as to liability only has been concluded and post-trial briefs have been filed, but no decision has been rendered. One of the plaintiffs in the matter has filed for bankruptcy protection and as a result, the judge in our case has stayed further proceedings in the case. If we are found liable once the stay has been lifted, a trial will be held to determine the amount of damages. Based on the information available to us, we believe there is a reasonable possibility that we will be found liable. If a verdict is rendered against us, we may seek indemnification from the third party management company that negotiated the lease on our behalf. We cannot assess with any certainty at this time the potential damages for which we would be liable if a verdict is rendered against us or the potential amounts we might recover against the third party management company; however, if a verdict is rendered against us, there may be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated. In any event, management does not believe it will have a material impact on our financial position.

We also have one litigation matter filed against us in May 2003 which alleges that a one page document entitled "Final Proposal," which included language that it was subject to approval of formal documentation, constituted a ground lease of a parcel of property located adjacent to our Santana Row property and gave the plaintiff the option to require that we acquire the property at a price determined in accordance with a formula included in the "Final Proposal." A trial as to liability only was held in June 2006 and a jury rendered a verdict against us. A trial on the issue of damages has been set for April 2008. The complaint did not specify the amount of damages claimed. We have now received reports from our experts and the plaintiff's experts which show potential damages ranging from \$600,000 to \$24 million. We cannot make a reasonable estimate of potential damages until discovery is completed on the damages issue and the court rules on various legal issues impacting the calculation of damages. We intend to appeal the jury verdict; however, no appeal of the judgment can be taken until the trial on damages has been completed. If we are not successful in overturning the jury verdict, we will be liable for damages. Depending on the amount of damages awarded, it is possible there could be a material adverse impact on our net income in the period in which it becomes both probable that we will have to pay the damages and such damages can be reasonably estimated. In any event, management does not believe it will have a material impact on our financial position.

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We reserve for estimated losses, if any, associated with warranties given to a buyer at the time real estate is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and require significant judgment. Any increases to our estimated warranty losses would usually result in a decrease in net income.

Warranty reserves for condominium units sold at Santana Row were established to cover potential costs for materials, labor and other items associated with warranty-type claims that may arise within the ten-year statutorily mandated latent construction defect warranty period. Our warranty and latent construction defect reserves are calculated based upon historical industry experience and current known factors. Variables used in the calculation of the warranty reserves, as well as the adequacy of the reserves based on the number of condominium units still under warranty, are reviewed on a periodic basis.

During the third and fourth quarters of 2007, we became aware of certain facts and circumstances that caused us to reassess our initial reserve for damages related to defective work done by third party contractors while upgrades were made to the units being prepared for sale. Based on current estimates, we believe the range of possible incremental cost is between \$5.1 million and \$9.3 million, net of taxes of \$1.9 million and \$2.6 million, respectively, before insurance recoveries. The full extent of damages and required repairs on any particular unit cannot be determined until we have evaluated whether there was defective work in the unit and determined the extent of damages (if any) caused by the defective work. We are still in the process of evaluating units for potential damage arising from the defective work and, to date, have completed the repairs caused by the defective work in only a limited number of units. The extent of the damages encountered in those units, and the resulting costs to repair, varied considerably. Accordingly, our current estimates are based on limited and varying actual costs. We are continuing our evaluation of this matter, and in 2007, we increased our reserves by \$5.1 million, net of taxes of \$1.9 million, to the low end of our estimated range of potential obligation related to these particular damages. This range excludes any amounts we may recover from insurance or the contractors responsible for the defective work. In the event that our evaluation allows us to develop a better estimate of these damages, we will adjust our estimate accordingly. This increase reduces our gain on sale of condominium units that were sold during 2005 and 2006. The increase in the reserve is included in "Discontinued operations—gain on sale of real estate". The reserve is included in accounts payable and accrued expenses. Although we consider the reserve to be adequate, there can be no assurance that the reserve will prove to be adequate over time to cover losses due to the difference between the assumptions used to estimate the reserve and actual losses.

We are self-insured for general liability costs up to predetermined retained amounts per claim, and we believe that we maintain adequate accruals to cover our retained liability. We currently do not maintain third party stop-loss insurance policies to cover liability costs in excess of predetermined retained amounts. Our accrual for self-insurance liability is determined by management and is based on claims filed and an estimate of claims incurred but not yet reported. Management considers a number of factors, including third-party actuary valuations and future increases in costs of claims, when making these determinations. If our liability costs exceed these accruals, it will reduce our net income.

At December 31, 2007 and 2006, our reserves for warranties and general liability costs were \$16.0 million and \$10.4 million, respectively. Any potential losses which exceed our estimates would result in a decrease in our net income. During 2007 and 2006, we made payments from these reserves of \$2.4 million and \$1.0 million, respectively.

At December 31, 2007, we had letters of credit outstanding of approximately \$10.6 million. The majority of these letters of credit are collateral for existing indebtedness and other obligations of the Trust.

Under the terms of the Congressional Plaza partnership agreement, from and after January 1, 1986, an unaffiliated third party has the right to require us and the two other minority partners to purchase between one-half to all of its 29.47% interest in Congressional Plaza at the interest's then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2007, our estimated maximum liability upon exercise of the put option would range from approximately \$46 million to \$51 million.

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Street Retail San Antonio LP, a wholly owned subsidiary of the Trust, entered into a Development Agreement (the "Agreement") in 2000 with the City of San Antonio, Texas (the "City") related to the redevelopment of land and buildings that we own along Houston Street. Under the Agreement, we are required to issue an annual letter of credit, commencing on October 1, 2002 and ending on September 30, 2014, that covers our designated portion of the debt service should the incremental tax revenue generated in the Zone not cover the debt service. We posted a letter of credit with the City on September 25, 2002 for \$0.8 million, and the letter of credit remains outstanding. As of December 31, 2007, we have funded approximately \$1.3 million related to this obligation. In anticipation of further shortfalls of incremental tax revenues to the City, we have accrued approximately \$0.3 million as of December 31, 2007 to cover additional payments we may be obligated to make as part of the project costs.

Under the terms of various other partnership agreements for entities, the partners have the right to exchange their operating units for cash or the same number of our common shares, at our option. As of December 31, 2007, a total of 380,938 operating units are outstanding.

We have three leases in which the lessor has a put option, which would require us to purchase the properties during the remaining lease term. If the lessor were to exercise this option in 2008, the purchase price would be approximately \$44.0 million.

A master lease for Mercer Mall includes a fixed purchase price option for \$55 million in 2023. If we fail to exercise our purchase option, the owner of Mercer Mall has a put option which would require us to purchase Mercer Mall for \$60 million in 2025.

A master lease for Melville Mall includes a fixed purchase price option in 2021 for \$5 million and the assumption of the owner's debt which is \$25.1 million at December 31, 2007. If we fail to exercise our purchase option, the owner of Melville Mall has a put option which would require us to purchase Melville Mall in 2023 for \$5 million and the assumption of the owner's debt.

As of December 31, 2007 in connection with renovation and development projects, the Trust has contractual obligations of approximately \$55.1 million.

We are obligated under ground lease agreements on several shopping centers requiring minimum annual payments as follows, as of December 31, 2007:

	(In thousands)
Year Ending December 31,	
2008	\$ 4,796
2009	4,750
2010	4,759
2011	4,798
2012	4,723
Thereafter	265,715
	<u>\$ 289,541</u>

NOTE 9. SHAREHOLDERS' EQUITY

On March 8, 2007, as part of the consideration to acquire the White Marsh portfolio, we issued (i) 884,066 common shares at \$88.18 per share, par value \$0.01 per share, (ii) 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares ("Series 1 Preferred Shares") at the liquidation preference of \$25 per share, par value \$0.01 per share, and (iii) 185,504 downREIT operating partnership units at \$88.18 per share. The Series 1 Preferred Shares will accrue dividends at a rate of 5.417% per year and are convertible at any time by the holders to our common

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shares at a conversion rate of \$104.69 per share. The Series 1 Preferred Shares are also convertible under certain circumstances at our election. The holders of the Series 1 Preferred Shares have no voting rights.

On December 27, 2007, we issued 2.0 million common shares at \$81.21 per share, for cash proceeds of approximately \$162.4 million before other expenses of the offering. The proceeds were used on an interim basis to repay our revolving credit facility.

We have a Dividend Reinvestment Plan, whereby shareholders may use their dividends and optional cash payments to purchase shares. In 2007, 2006 and 2005, 32,615 shares, 44,077 shares and 62,579 shares, respectively, were issued under the Plan.

NOTE 10. DIVIDENDS

A summary of dividends declared and paid per share is as follows:

	Year Ended December 31,					
	2007		2006		2005	
	Declared	Paid	Declared	Paid	Declared	Paid
Common shares	\$ 2.370	\$ 2.335	\$ 2.460(1)	\$ 2.440(1)	\$ 2.370(1)	\$ 2.320(1)
5.417% Series 1 Cumulative Convertible Preferred (2)	\$ 1.106	\$ 0.767	\$ —	\$ —	\$ —	\$ —
8.5% Series B Cumulative Redeemable Preferred (3)	\$ —	\$ —	\$ 1.753	\$ 2.284	\$ 2.125	\$ 2.125

- (1) Includes a special dividend declared and paid of \$0.20 resulting from the sales of condominiums at Santana Row.
- (2) On March 8, 2007, as part of the consideration to acquire the White Marsh portfolio, we issued 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred shares. The Series 1 Preferred are paid dividends on a quarterly basis at a rate of 5.417% per year.
- (3) On November 27, 2006, the Trust redeemed all 5,400,000 outstanding shares of its Series B Cumulative Redeemable Preferred Shares. Dividends on the Series B Preferred Shares ceased to accrue on November 27, 2006.

A summary of the income tax status of dividends per share paid is as follows:

	Year Ended December 31,		
	2007	2006	2005
Common shares			
Ordinary dividend	\$ 2.174	\$ 1.813	\$ 1.601
Ordinary dividend eligible for 15% rate	0.044	0.066	0.093
Return of capital	—	0.561	—
Capital gain	0.117	—	0.626
	<u>\$ 2.335</u>	<u>\$ 2.440</u>	<u>\$ 2.320</u>
5.417% Series 1 Cumulative Convertible Preferred			
Ordinary dividend	\$ 0.714	\$ —	\$ —
Ordinary dividend eligible for 15% rate	0.015	—	—
Capital gain	0.038	—	—
	<u>\$ 0.767</u>	<u>\$ —</u>	<u>\$ —</u>
8.5% Series B Cumulative Redeemable Preferred			
Ordinary dividend	\$ —	\$ 2.284	\$ 1.551
Capital gain	—	—	0.574
	<u>\$ —</u>	<u>\$ 2.284</u>	<u>\$ 2.125</u>

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On October 31, 2007, the Trustees declared a quarterly cash dividend of \$0.61 per common share, payable January 15, 2008 to common shareholders of record on January 2, 2008.

NOTE 11. OPERATING LEASES

Our 82 predominantly retail shopping center and mixed use properties at December 31, 2007 are located in 12 states and the District of Columbia. There are approximately 2,400 leases with 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 accounts for more than 2.5% of annualized base rent.

Our leases with commercial property and residential tenants are classified as operating leases. Commercial property leases generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, usually provide for percentage rents based on the tenant's level of sales achieved and cost recoveries for the tenant's share of certain operating costs. Leases on apartments are generally for a period of one year or less.

Minimum future commercial property rentals from noncancelable operating leases, before any reserve for uncollectible amounts and assuming no early lease terminations, at our operating properties as of December 31, 2007 are as follows:

	(In thousands)
Year Ending December 31,	
2008	\$ 352,272
2009	329,477
2010	298,288
2011	260,944
2012	222,404
Thereafter	1,353,704
	<u>\$ 2,817,089</u>

NOTE 12. COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows:

	Year Ended December 31,		
	2007	2006	2005
	(In thousands)		
Minimum rents			
Retail and commercial	\$ 347,938	\$ 311,631	\$ 285,764
Residential	15,312	12,805	7,407
Cost reimbursement	91,482	77,659	71,599
Percentage rent	7,884	6,921	5,879
Other	5,882	5,963	5,278
	<u>\$ 468,498</u>	<u>\$ 414,979</u>	<u>\$ 375,927</u>

Minimum rents include \$8.2 million, \$5.7 million and \$7.9 million for 2007, 2006 and 2005, respectively, to recognize minimum rents on a straight-line basis. Straight-line rental income in 2005 includes the impact of changes in estimates of the collectibility of certain long-term receivables which increased straight-line rental income by \$1.2 million. In addition, minimum rents include \$2.9 million, \$2.5 million and \$1.6 million for 2007, 2006 and 2005, respectively, to recognize income from the amortization of in-place leases in accordance with SFAS No. 141.

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The principal components of rental expense are as follows:

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Repairs and maintenance	\$ 35,416	\$ 28,378	\$ 25,811
Utilities	16,837	14,814	13,821
Management fees and costs	13,127	12,479	11,384
Payroll properties	7,448	6,904	7,242
Insurance	6,891	5,493	5,763
Ground rent	6,002	6,041	5,278
Marketing	4,539	3,953	4,118
Other operating	10,129	6,701	8,638
	<u>\$ 100,389</u>	<u>\$ 84,763</u>	<u>\$ 82,055</u>

NOTE 13. DISCONTINUED OPERATIONS

Results of properties sold constitute discontinued operations and as such, the operations of these properties are classified as discontinued operations for all periods presented. A summary of the financial information for the discontinued operations is as follows:

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Revenue from discontinued operations	\$21,221	\$24,331	\$25,117
Income from discontinued operations	\$ 4,389	\$ 4,204	\$ 617

NOTE 14. SHARE-BASED COMPENSATION PLANS

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

	Year Ended December 31,		
	2007	2006	2005
		(In thousands)	
Share-based compensation incurred			
Grants of common shares	\$ 6,867	\$ 5,156	\$ 3,992
Grants of options	1,173	1,334	—
	8,040	6,490	3,992
Capitalized share-based compensation	(805)	(620)	—
Share-based compensation expensed	<u>\$ 7,235</u>	<u>\$ 5,870</u>	<u>\$ 3,992</u>

As of December 31, 2007, we have grants outstanding under two share-based compensation plans. In May 2007, our shareholders approved an amendment to the 2001 Long Term Incentive Plan (“the 2001 Plan”), originally established in May 2001, which increased the authorization to grant share options, common shares and other share-based awards from 1,750,000 shares of common stock to 3,250,000 shares of common stock. Our 1993 Long Term Incentive Plan (“the 1993 Plan”) authorized the grant of share options, common shares and other share-based awards for up to 5,500,000 shares of common stock. The 1993 Plan expired in May 2003.

Option awards under the 2001 Plan and the 1993 Plan are required to have an exercise price at least equal to the closing trading price of our common shares on the date of grant. Options and share awards under these plans

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generally vest over 3 to 5 years and option awards typically have a 10-year contractual term. We pay dividends on unvested shares. Certain options and share awards provide for accelerated vesting if there is a change in control. Additionally, the vesting on certain option and share awards can accelerate in part or in full upon retirement based on the age of the retiree or upon termination without cause.

As a result of the exercise of options, we had notes outstanding from our officers and employees for \$0.8 million and \$1.5 million at December 31, 2007 and 2006, respectively. These notes bear interest at LIBOR plus a market-rate spread with the rate adjusted annually on the anniversary date. These notes are collateralized by the shares with recourse to the borrower and have five-year terms. Option awards made in 2001 and later do not provide for employees to be able to exercise their options with a loan from the Trust.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model. Expected volatilities, term, dividend yields, employee exercises and employee terminations are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of each share award is determined based on the closing trading price of our common shares on the grant date.

The following table provides a summary of the weighted-average assumption used to value options:

	Year Ended December 31,		
	2007	2006	2005
Volatility	20.0%	18.7%	18.0%
Expected dividend yield	3.4%	4.9%	3.8%
Expected term (in years)	4.1	3.8	5.0
Risk free interest rate	4.7%	4.6%	4.1%

The following table provides a summary of option activity for 2007:

	Shares Under Option	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2006	909,081	\$ 46.36		
Granted	69,404	89.84		
Exercised	(106,117)	47.75		
Forfeited or expired	(21,740)	69.98		
Outstanding at December 31, 2007	<u>850,628</u>	<u>\$ 49.13</u>	<u>5.8</u>	<u>\$ 28,654</u>
Exercisable at December 31, 2007	<u>499,572</u>	<u>\$ 33.30</u>	<u>4.1</u>	<u>\$ 24,412</u>

The weighted-average grant-date fair value of options granted during 2007, 2006 and 2005 was \$14.48 per share, \$7.97 per share and \$7.01 per share, respectively. The total cash received from options exercised during 2007, 2006 and 2005 was \$5.1 million, \$8.8 million and \$10.9 million, respectively. The total intrinsic value of options exercised during the year ended December 31, 2007 and 2006 was \$4.1 million and \$10.9 million, respectively.

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The following table provides a summary of share activity for 2007:

	<u>Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Unvested at December 31, 2006	203,694	\$ 49.43
Granted	127,867	91.13
Vested	(130,829)	47.46
Forfeited	(2,326)	83.91
Unvested at December 31, 2007	<u>198,406</u>	<u>\$ 77.21</u>

The weighted-average grant-date fair value of stock awarded in 2007, 2006 and 2005 was \$91.13, \$68.18 and \$51.35, respectively. The total vesting-date fair value of shares vested during the year ended December 31, 2007 and 2006 was \$10.7 million and \$7.0 million, respectively.

As of December 31, 2007, there was \$12.4 million of total unrecognized compensation cost related to unvested share-based compensation arrangements (i.e. options and unvested shares) granted under our plans. This cost is expected to be recognized over the next 4.9 years with a weighted-average period of 1.4 years.

Effective December 31, 2007, Larry Finger, our former Chief Financial Officer, was no longer employed by the Trust. Under his existing severance agreement, his departure was treated as a termination without cause. As a result, we recognized approximately \$0.6 million related to the accelerated vesting of unvested shares and options and \$0.4 million related to a cash payment to Mr. Finger. These amounts are included in general and administrative expenses in the consolidated statement of income.

On February 10, 2008, common shares and options were awarded under various incentive compensation plans as follows:

<u>Award</u>	<u>Vesting Term</u>	<u>Beneficiary</u>
91,896 Restricted shares	3 to 6 years	Officers and key employees
202,117 Options	3 to 6 years	Officers and key employees
4,115 Shares	Immediate	Trustees

NOTE 15. SAVINGS AND RETIREMENT PLANS

We have a savings and retirement plan in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Generally, employees can elect, at their discretion, to contribute a portion of their compensation up to a maximum of \$15,500, \$15,000 and \$14,000 for 2007, 2006 and 2005, respectively. Under the plan, we contribute 50% of each employee's first 5% of contributions. In addition, we may make discretionary contributions within the limits of deductibility set forth by the Code. Our employees are immediately eligible to become plan participants. Effective as of January 1, 2005 employees are eligible to receive matching contributions immediately on their participation, however, these matching payments will not vest until their first anniversary of employment. Our expense for the years ended December 31, 2007, 2006 and 2005 was approximately \$365,000, \$342,000 and \$333,000, respectively.

A non-qualified deferred compensation plan for our officers and certain other employees was established in 1994. The plan allows the participants to defer income until the earlier of age 65 or termination of employment. As of December 31, 2007, we are liable to participants for approximately \$6.2 million under this plan. Although this is an unfunded plan, we have purchased certain investments to match this obligation. Our obligation under this plan and the related investments are both included in the accompanying financial statements.

NOTE 16. EARNINGS PER SHARE

We calculate basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings per share ("EPS") excludes dilution and is computed by dividing net income available for common shareholders by the weighted average 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 our earnings. In 2007, 2006 and 2005, operating partnership units and Series 1 Preferred Shares were excluded from diluted EPS as the conversion of these units would have resulted in an anti-dilutive effect.

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

	Year Ended December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(In thousands, except per share data)		
NUMERATOR			
Income from continuing operations	\$ 96,380	\$ 90,552	\$ 83,247
Preferred stock dividends	(442)	(10,423)	(11,475)
Preferred stock redemption costs	—	(4,775)	—
Income from continuing operations available for common shareholders	95,938	75,354	71,772
Discontinued operations – income	4,389	4,204	617
Discontinued operations – gain on sale of real estate	94,768	16,515	30,748
Gain on sale of real estate	—	7,441	—
Net income available for common shareholders, basic and dilutive	<u>\$ 195,095</u>	<u>\$ 103,514</u>	<u>\$ 103,137</u>
DENOMINATOR			
Weighted average common shares outstanding—basic	56,108	53,469	52,533
Effect of dilutive securities:			
Stock options	365	389	517
Unvested stock	70	104	—
Weighted average common shares outstanding—dilutive	<u>56,543</u>	<u>53,962</u>	<u>53,050</u>
EARNINGS PER COMMON SHARE, BASIC			
Continuing operations	\$ 1.71	\$ 1.41	\$ 1.36
Discontinued operations	1.77	0.39	0.60
Gain on sale of real estate	—	0.14	—
	<u>\$ 3.48</u>	<u>\$ 1.94</u>	<u>\$ 1.96</u>
EARNINGS PER COMMON SHARE, DILUTED			
Continuing operations	\$ 1.70	\$ 1.40	\$ 1.35
Discontinued operations	1.75	0.38	0.59
Gain on sale of real estate	—	0.14	—
	<u>\$ 3.45</u>	<u>\$ 1.92</u>	<u>\$ 1.94</u>

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NOTE 17. SEGMENT INFORMATION

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

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

	Year Ended December 31, 2007			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 363,698	\$ 104,800	\$ —	\$ 468,498
Other property income	9,156	3,678	—	12,834
Mortgage interest income	3,003	1,557	—	4,560
Rental expenses	(70,510)	(29,879)	—	(100,389)
Real estate taxes	(37,643)	(9,591)	—	(47,234)
Property operating income	267,704	70,565	—	338,269
General and administrative expense	—	—	(25,575)	(25,575)
Depreciation and amortization	(70,348)	(30,285)	(1,042)	(101,675)
Other interest income	754	167	—	921
Interest expense	—	—	(111,365)	(111,365)
Income from real estate partnership	—	—	1,395	1,395
Income from continuing operations before minority interests	\$ 198,110	\$ 40,447	\$ (136,587)	\$ 101,970
Minority interests	—	—	(5,590)	(5,590)
Discontinued operations—income	—	—	4,389	4,389
Discontinued operations—gain on sale of real estate	—	—	94,768	94,768
Net income	\$ 198,110	\$ 40,447	\$ (43,020)	\$ 195,537
Total assets	\$ 1,988,181	\$ 887,112	\$ 114,004	\$ 2,989,297

	Year Ended December 31, 2006			
	East	West	Other	Total
	(In thousands)			
Rental income	\$ 318,176	\$ 96,803	\$ —	\$ 414,979
Other property income	4,589	2,872	—	7,461
Mortgage interest income	3,163	1,932	—	5,095
Rental expenses	(56,797)	(27,966)	—	(84,763)
Real estate taxes	(32,163)	(9,035)	—	(41,198)
Property operating income	236,968	64,606	—	301,574
General and administrative expense	—	—	(21,340)	(21,340)
Depreciation and amortization	(61,602)	(29,433)	(1,758)	(92,793)
Other interest income	1,649	393	—	2,042
Interest expense	—	—	(95,234)	(95,234)
Income from real estate partnership	—	—	656	656
Income from continuing operations before minority interests	\$ 177,015	\$ 35,566	\$ (117,676)	\$ 94,905
Minority interests	—	—	(4,353)	(4,353)
Discontinued operations—income	—	—	4,204	4,204
Discontinued operations—gain on sale of real estate	—	—	16,515	16,515
Gain on sale of real estate	—	—	7,441	7,441
Net income	\$ 177,015	\$ 35,566	\$ (93,869)	\$ 118,712
Total assets	\$ 1,745,273	\$ 881,676	\$ 61,657	\$ 2,688,606

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	Year Ended December 31, 2005			Total
	East	West	Other	
	(In thousands)			
Rental income	\$292,688	\$ 83,239	\$ —	\$375,927
Other property income	4,153	5,358	—	9,511
Mortgage interest income	2,817	2,553	—	5,370
Rental expenses	(55,619)	(26,436)	—	(82,055)
Real estate taxes	(29,687)	(6,762)	—	(36,449)
Property operating income	214,352	57,952	—	272,304
General and administrative expense	—	—	(19,909)	(19,909)
Depreciation and amortization	(58,000)	(25,067)	(1,454)	(84,521)
Other interest income	1,674	57	—	1,731
Interest expense	—	—	(81,617)	(81,617)
Income from real estate partnership	—	—	493	493
Income from continuing operations before minority interests	\$158,026	\$ 32,942	\$(102,487)	\$ 88,481
Minority interests	—	—	(5,234)	(5,234)
Discontinued operations—income	—	—	617	617
Gain on sale of real estate	—	—	30,748	30,748
Net income	<u>\$158,026</u>	<u>\$ 32,942</u>	<u>\$ (76,356)</u>	<u>\$ 114,612</u>

NOTE 18. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
2007				
Revenue (1)	\$ 115,263	\$ 118,954	\$ 124,281	\$ 127,394
Net income	\$ 23,136	\$ 26,718	\$ 23,515	\$ 122,168
Net income available for common shareholders	\$ 23,100	\$ 26,583	\$ 23,379	\$ 122,033
Earnings per common share—basic	\$ 0.42	\$ 0.47	\$ 0.42	\$ 2.16
Earnings per common share—diluted	\$ 0.41	\$ 0.47	\$ 0.41	\$ 2.14
2006				
Revenue (1)	\$ 103,373	\$ 103,778	\$ 107,426	\$ 112,958
Net income	\$ 31,031	\$ 38,256	\$ 24,984	\$ 24,441
Net income available for common shareholders	\$ 28,162	\$ 35,387	\$ 22,115	\$ 17,850
Earnings per common share—basic	\$ 0.53	\$ 0.67	\$ 0.42	\$ 0.32
Earnings per common share—diluted	\$ 0.53	\$ 0.66	\$ 0.41	\$ 0.32

(1) As required by SFAS No. 144, revenue has been reduced to reflect the results of discontinued operations. Revenue from discontinued operations, by quarter, is summarized as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands)			
2007 revenue from discontinued operations	\$ 7,737	\$ 6,092	\$ 5,708	\$ 1,684
2006 revenue from discontinued operations	\$ 5,579	\$ 5,288	\$ 5,915	\$ 7,549

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION
December 31, 2007
(Dollars in thousands)

COLUMN A Descriptions	COLUMN B Encumbrance	COLUMN C Initial cost to company		COLUMN D Cost Capitalized Subsequent to Acquisition	COLUMN E Gross amount at which carried at close of period			COLUMN F Accumulated Depreciation and Amortization	COLUMN G Date of Construction	COLUMN H Date Acquired	COLUMN I Life on which depreciation in latest income statements is computed	
		Land	Building and Improvements		Land	Building and Improvements	Total					
150 POST STREET (San Francisco)	CA \$	— \$	11,685 \$	9,181 \$	16,350 \$	11,685 \$	25,531 \$	37,216 \$	7,678	1908	10/23/97	35 years
7770 RICHMOND HIGHWAY (Virginia)	VA	—	1,025	9,018	2	1,004	9,041	10,045	517	1974	01/27/06	35 years
ANDORRA (Pennsylvania)	PA	—	2,432	12,346	8,219	2,432	20,565	22,997	11,551	1953	01/12/88	35 years
ASSEMBLY SQUARE (Massachusetts)	MA	—	38,319	34,196	50,379	39,069	83,825	122,894	5,274	2005	2005-2007	35 years
THE AVENUE AT WHITE MARSH (Maryland)	MD	61,094	20,682	72,432	206	20,682	72,638	93,320	2,165	1997	03/08/07	35 years
BALA CYNWYD (Pennsylvania)	PA	—	3,565	14,466	8,520	3,566	22,985	26,551	9,306	1955	09/22/93	35 years
BARRACKS ROAD (Virginia)	VA	41,988	4,363	16,459	23,010	4,363	39,469	43,832	26,960	1958	12/31/85 12/31/93	35 years
BETHESDA ROW (Maryland)	MD	12,576	17,448	24,944	109,500	15,749	136,143	151,892	23,588	1945-2007	& 01/20/06	35-50 years
BRICK PLAZA (New Jersey)	NJ	31,128	—	24,715	31,285	3,788	52,212	56,000	30,043	1958	12/28/89	35 years
BRISTOL (Connecticut)	CT	—	3,856	15,959	4,701	3,856	20,660	24,516	7,779	1959	09/22/95	35 years
CHELSEA COMMONS (Massachusetts)	MA	7,833	5,232	15,396	13	5,137	15,504	20,641	575	1962/1969	& 01/30/07	35 years
CONGRESSIONAL PLAZA (Maryland)	MD	—	2,793	7,424	57,986	1,020	67,183	68,203	32,670	1965/2003	04/01/65	35 years
COURTHOUSE CENTER (Maryland)	MD	—	1,750	1,869	730	1,750	2,599	4,349	938	1975	12/17/97	35 years
CROSSROADS (Illinois)	IL	—	4,635	11,611	6,673	4,635	18,284	22,919	8,805	1959	07/19/93	35 years
CROW CANYON COMMONS (California)	CA	21,588	8,638	54,575	1,259	8,638	55,834	64,472	3,106	Late 1970's/2006	12/29/05 & 02/28/07	35 years
DEDHAM PLAZA (Massachusetts)	MA	—	12,287	12,918	5,110	12,287	18,028	30,315	8,212	1959	12/31/93	35 years
EASTGATE (North Carolina)	NC	—	1,608	5,775	15,376	1,608	21,151	22,759	9,769	1963	12/18/86	35 years
ELLISBURG CIRCLE (New Jersey)	NJ	—	4,028	11,309	11,912	4,013	23,236	27,249	12,313	1959	10/16/92	35 years

**FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION—CONTINUED**

December 31, 2007
(Dollars in thousands)

COLUMN A Descriptions	COLUMN B Encumbrance	COLUMN C Initial cost to company		COLUMN D Cost Capitalized Subsequent to Acquisition	COLUMN E Gross amount at which carried at close of period			COLUMN F Accumulated Depreciation and Amortization	COLUMN G Date of Construction	COLUMN H Date Acquired	COLUMN I Life on which depreciation in latest income statements is computed	
		Land	Building and Improvements		Land	Building and Improvements	Total					
ESCONDIDO PROMENADE (California)	CA	—	11,505	12,147	4,354	11,505	16,501	28,006	4,744	1987	12/31/96	35 years
FALLS PLAZA (Virginia)	VA	—	1,798	1,270	8,522	1,819	9,771	11,590	5,765	1960/1962	09/30/67 & 10/05/72	25 years
FEASTERVILLE (Pennsylvania)	PA	—	1,431	1,600	8,733	1,452	10,312	11,764	6,865	1958	07/23/80	20 years
FEDERAL PLAZA (Maryland)	MD	33,675	10,216	17,895	34,002	10,216	51,897	62,113	26,233	1970	06/29/89	35 years
FIFTH AVENUE (California) (4)	CA	—	3,844	1,352	7,742	3,874	9,064	12,938	2,833	1888-1995	1996-1997	35 years
FINLEY SQUARE (Illinois)	IL	—	9,252	9,544	10,420	9,252	19,964	29,216	9,621	1974	04/27/95	35 years
FLOURTOWN (Pennsylvania)	PA	—	1,345	3,943	7,749	1,495	11,542	13,037	6,236	1957	04/25/80	35 years
FOREST HILLS (New York) (1)	NY	—	2,885	2,885	2,309	3,010	5,069	8,079	1,628	1937-1987	12/16/97	35 years
FRESH MEADOWS (New York)	NY	—	24,625	25,255	18,240	24,627	43,493	68,120	15,428	1946-1949	12/05/97	35 years
FRIENDSHIP CTR (District of Columbia)	DC	—	12,696	20,803	(170)	12,696	20,633	33,329	3,748	1998	09/21/01	35 years
GAITHERSBURG SQUARE (Maryland)	MD	—	7,701	5,271	10,877	5,973	17,876	23,849	10,726	1966	04/22/93	35 years
GARDEN MARKET (Illinois)	IL	—	2,677	4,829	4,009	2,677	8,838	11,515	3,661	1958	07/28/94	35 years
GOVERNOR PLAZA (Maryland)	MD	—	2,068	4,905	14,034	2,068	18,939	21,007	10,676	1963	10/01/85	35 years
GRATIOT PLAZA (Michigan)	MI	—	525	1,601	16,007	525	17,608	18,133	9,205	1964	03/29/73	25 3/4 years
GREENWICH AVENUE (Connecticut) (2)	CT	—	8,064	6,866	1,068	8,064	7,934	15,998	2,793	1900-1993	1995	35 years
HAUPPAUGE (New York)	NY	15,828	8,791	15,262	3,458	8,791	18,720	27,511	5,117	1963	08/06/98	35 years
HOUSTON STREET (Texas) (9)	TX	46	14,680	1,976	45,712	14,778	47,590	62,368	12,797	var	1998-1999	35 years
HUNTINGTON (New York)	NY	—	—	16,008	21,747	11,713	26,042	37,755	5,524	1962	12/12/88 & 10/26/07	35 years

**FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION—CONTINUED**

December 31, 2007
(Dollars in thousands)

COLUMN A Descriptions	COLUMN B Encumbrance	COLUMN C Initial cost to company		COLUMN D Cost Capitalized Subsequent to Acquisition	COLUMN E Gross amount at which carried at close of period			COLUMN F Accumulated Depreciation and Amortization	COLUMN G Date of Construction	COLUMN H Date Acquired	COLUMN I Life on which depreciation in latest income statements is computed	
		Land	Building and Improvements		Land	Building and Improvements	Total					
IDYLWOOD PLAZA (Virginia)	VA	—	4,308	10,026	1,205	4,308	11,231	15,539	4,426	1991	04/15/94	35 years
KINGS COURT (California)	CA	—	—	10,714	809	—	11,523	11,523	4,299	1960	08/24/98	26 years
LANCASTER (Pennsylvania)	PA	4,907	—	2,103	8,769	—	10,872	10,872	5,622	1958	04/24/80	22 years
LANGHORNE SQUARE (Pennsylvania)	PA	—	720	2,974	14,982	720	17,956	18,676	9,056	1966	01/31/85	35 years
LAUREL (Maryland)	MD	—	7,458	22,525	17,391	7,576	39,798	47,374	24,859	1956	08/15/86	35 years
LAWRENCE PARK (Pennsylvania)	PA	29,761	5,723	7,160	16,170	5,734	23,319	29,053	18,732	1972	07/23/80	22 years
LEESBURG PLAZA (Virginia)	VA	9,631	8,184	10,722	14,950	8,184	25,672	33,856	4,535	1967	09/15/98	35 years
LINDEN SQUARE (Massachusetts)	MA	—	79,382	19,247	33,169	79,370	52,428	131,798	496	1960-2007	08/24/06	35 years
LOEHMANN'S PLAZA (Virginia)	VA	—	1,237	15,096	14,397	1,248	29,482	30,730	17,019	1971	07/21/83	35 years
MELVILLE MALL (New York)	NY	24,573	35,622	32,882	6	35,622	32,888	68,510	1,174	1974	10/16/06	35 years
MERCER MALL (New Jersey)	NJ	56,827	4,488	70,076	29,481	5,032	99,013	104,045	14,122	1975	10/14/03 05/18/82	25-35 years
MID PIKE PLAZA (Maryland)	MD	—	—	10,335	33,468	7,517	36,286	43,803	3,854	1963	& 10/26/07	50 years
MOUNT VERNON PLAZA (Virginia)	VA	11,962	—	19,401	24,380	—	43,781	43,781	4,964	1972	03/31/03	35 years
TOWN CENTER OF NEW BRITAIN (Pennsylvania)	PA	—	1,282	12,285	384	1,262	12,689	13,951	559	1969	06/29/06	35 years
NORTH DARTMOUTH (Massachusetts)	MA	—	27,214	—	—	27,214	—	27,214	—	2004	08/24/06	—
NORTHEAST (Pennsylvania)	PA	—	1,152	10,596	9,943	1,153	20,538	21,691	13,417	1959	08/30/83	35 years
NORTH LAKE COMMONS (Illinois)	IL	—	2,782	8,604	2,021	2,628	10,779	13,407	4,278	1989	04/27/94	35 years
OLD KEENE MILL (Virginia)	VA	—	638	998	4,071	638	5,069	5,707	4,360	1968	06/15/76	33 1/3 years
OLD TOWN CENTER (California)	CA	—	3,420	2,765	27,472	3,420	30,237	33,657	11,074	1962, 1997-1998	10/22/97	35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION—CONTINUED
December 31, 2007
(Dollars in thousands)

COLUMN A Descriptions	COLUMN B Encumbrance	COLUMN C Initial cost to company		COLUMN D Cost Capitalized Subsequent to Acquisition	COLUMN E Gross amount at which carried at close of period			COLUMN F Accumulated Depreciation and Amortization	COLUMN G Date of Construction	COLUMN H Date Acquired	COLUMN I Life on which depreciation in latest income statements is computed	
		Land	Building and Improvements		Land	Building and Improvements	Total					
OTHER (California) (5)	CA	—	19,496	25,752	15,172	14,930	45,490	60,420	8,869	var	1996-1999	35 years
PAN AM SHOPPING CENTER (Virginia)	VA	—	8,694	12,929	6,222	8,695	19,150	27,845	8,813	1979	02/05/93	35 years
PENTAGON ROW (Virginia)	VA	—	—	2,955	84,942	—	87,897	87,897	19,404	1999-2002	1998	35 years
PERRING PLAZA (Maryland)	MD	—	2,800	6,461	17,157	2,800	23,618	26,418	14,850	1963	10/01/85	35 years
PIKE 7 (Virginia)	VA	—	9,709	22,799	2,139	9,709	24,938	34,647	8,260	1968	03/31/97	35 years
QUEEN ANNE PLAZA (Massachusetts)	MA	—	3,319	8,457	3,256	3,319	11,713	15,032	5,702	1967	12/23/94	35 years
QUINCE ORCHARD PLAZA (Maryland)	MD	—	3,197	7,949	9,112	2,928	17,330	20,258	9,737	1975	04/22/93	35 years
ROCKVILLE TOWN SQUARE (Maryland)	MD	—	—	8,092	19,341	—	27,433	27,433	491	2005-2007	2006-2007	50 years
ROLLINGWOOD APTS. (Maryland)	MD	—	552	2,246	4,268	572	6,494	7,066	6,183	1960	01/15/71	25 years
SAM'S PARK & SHOP (District of Columbia)	DC	—	4,840	6,319	1,067	4,840	7,386	12,226	2,897	1930	12/01/95	35 years
SANTANA ROW (California)	CA	—	41,969	1,161	428,085	49,725	421,490	471,215	46,863	1999-2006	03/05/97	40-50 years
SAUGUS (Massachusetts)	MA	—	4,383	8,291	936	4,383	9,227	13,610	3,243	1976	10/01/96	35 years
SHIRLINGTON (Virginia)	VA	6,240	9,761	14,808	21,307	5,798	40,078	45,876	9,138	1940	12/21/95	35 years
SHOPPERS' WORLD (Virginia)	VA	5,926	10,211	18,863	15	10,211	18,878	29,089	376	1975-2001	05/30/07	35 years
THE SHOPPES AT NOTTINGHAM SQUARE (Maryland)	MD	—	2,928	12,849	7	2,928	12,856	15,784	370	2005-2006	03/08/07	35 years
SOUTH VALLEY SHOPPING CENTER (Virginia)	VA	—	9,043	5,082	8,877	9,143	13,859	23,002	1,741	1966	03/21/03	35 years
THIRD STREET PROMENADE (California) (9)	CA	—	22,645	12,709	42,160	24,668	52,846	77,514	17,039	1888-2000	1996-2000	35 years

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION—CONTINUED
December 31, 2007
(Dollars in thousands)

COLUMN A Descriptions	COLUMN B Encumbrance	COLUMN C Initial cost to company			COLUMN D Cost Capitalized Subsequent to Acquisition	COLUMN E Gross amount at which carried at close of period			COLUMN F Accumulated Depreciation and Amortization	COLUMN G Date of Construction	COLUMN H Date Acquired	COLUMN I Life on which depreciation in latest income statements is computed
		Land	Building and Improvements			Land	Building and Improvements	Total				
TOWER (Virginia)	VA	—	7,170	10,518	2,068	7,129	12,627	19,756	3,863	1953-1960	08/24/98	35 years
TROY (New Jersey)	NJ	—	3,126	5,193	14,195	4,028	18,486	22,514	14,217	1966	07/23/80	22 years
TYSONS STATION (Virginia)	VA	6,217	388	453	2,658	475	3,024	3,499	2,850	1954	01/17/78	17 years
WESTGATE MALL (California)	CA	—	6,319	107,284	2,158	6,319	109,442	115,761	10,213	1960-1966	03/31/04	35 years
WHITE MARSH PLAZA (Maryland)	MD	10,643	3,478	21,413	6	3,478	21,419	24,897	657	1987	03/08/07	35 years
WHITE MARSH OTHER (Maryland)	MD	1,152	61,913	1,843	1	61,913	1,844	63,757	60	1985	03/08/07	35 years
WILDWOOD (Maryland)	MD	26,159	9,111	1,061	7,478	9,111	8,539	17,650	7,052	1958	05/05/69	33 1/3 years
WILLOW GROVE (Pennsylvania)	PA	—	1,499	6,643	18,677	1,499	25,320	26,819	16,744	1953	11/20/84	35 years
WILLOW LAWN (Virginia)	VA	—	3,192	7,723	64,209	7,790	67,334	75,124	34,239	1957	12/05/83	35 years
WYNNEWOOD (Pennsylvania)	PA	30,330	8,055	13,759	14,239	8,055	27,998	36,053	11,137	1948	10/29/96	35 years
TOTALS		\$ 450,084	\$ 709,857	\$ 1,130,126	\$ 1,612,864	\$ 735,889	\$ 2,716,958	\$ 3,452,847	\$ 756,703			

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION—CONTINUED
Three Years Ended December 31, 2007

Reconciliation of Total Cost
(In thousands)

Balance, December 31, 2004	\$ 2,666,276
Additions during period	
Acquisitions	119,194
Improvements	157,104
Deduction during period—disposition and retirements of property	<u>(113,253)</u>
Balance, December 31, 2005	\$ 2,829,321
Additions during period	
Acquisitions	317,287
Improvements	112,930
Deduction during period—disposition and retirements of property	<u>(55,280)</u>
Balance, December 31, 2006	\$ 3,204,258
Additions during period	
Acquisitions	313,934
Improvements	140,613
Deduction during period—disposition and retirements of property	<u>(205,958)</u>
Balance, December 31, 2007	<u>\$ 3,452,847</u>

(A) For Federal tax purposes, the aggregate cost basis is approximately \$2.9 billion as of December 31, 2007.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED
DEPRECIATION—CONTINUED
Three Years Ended December 31, 2007

Reconciliation of Accumulated
Depreciation and Amortization
(In thousands)

Balance, December 31, 2004	\$595,338
Additions during period—depreciation and amortization expense	83,656
Deductions during period—disposition and retirements of property	<u>(15,244)</u>
Balance, December 31, 2005	\$663,750
Additions during period—depreciation and amortization expense	89,564
Deductions during period—disposition and retirements of property	<u>(12,807)</u>
Balance, December 31, 2006	\$740,507
Additions during period—depreciation and amortization expense	96,454
Deductions during period—disposition and retirements of property	<u>(80,258)</u>
Balance, December 31, 2007	<u>\$756,703</u>

**FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
Year Ended December 31, 2007
(Dollars in thousands)**

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)
Mortgage on Hotel in San Jose, CA	9%	August 2016	Principal and interest; balloon payment due at maturity (2)	—	\$ 16,940	\$ 12,326
Mortgage on retail buildings in Philadelphia, PA	Greater of prime plus 2% or 10% plus participation	May 2021	Interest only monthly; balloon payment due at maturity	—	19,062	19,062(3)
Mortgage on retail buildings in Philadelphia, PA	10% plus participation	May 2021	Interest only; balloon payment due at maturity	—	9,250	9,250
					<u>\$ 45,252</u>	<u>\$ 40,638</u>

(1) For Federal tax purposes, the aggregate tax basis is approximately \$45.3 million as of December 31, 2007.

(2) This note was amended on August 4, 2006. The amended note decreased the interest from 14% to 9% per annum, and requires monthly payments of principal and interest based on 15-year amortization schedule.

(3) This mortgage is available for up to \$25.0 million.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE—CONTINUED
Three Years Ended December 31, 2007
Reconciliation of Carrying Amount
(In thousands)

Balance, December 31, 2004	\$42,909
Additions during period:	
Issuance of loans	4,974
Deductions during period:	
Collection and satisfaction of loans	(6,871)
Allowance for collectibility	(481)
Balance, December 31, 2005	\$40,531
Additions during period:	
Issuance of loans	4,321
Deductions during period:	
Collection and satisfaction of loans	(4,055)
Allowance for collectibility	(280)
Amortization of discount	239
Balance, December 31, 2006	\$40,756
Additions during period:	
Issuance of loans	8
Deductions during period:	
Collection and satisfaction of loans	(556)
Amortization of discount	430
Balance, December 31, 2007	<u>\$40,638</u>

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004 (previously filed as Exhibit 3.1 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File No. 1-07533) (the "2005 2Q Form 10-Q") and incorporated herein by reference)
3.2	Amended and Restated Bylaws of Federal Realty Investment Trust dated February 12, 2003, as amended October 29, 2003, May 5, 2004 and February 17, 2006 (previously filed as Exhibit 3.2 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2005 (File No. 1-07533) (the "2005 Form 10-K") and incorporated herein by reference)
4.1	Specimen Common Share certificate (previously filed as Exhibit 4(i) to the Trust's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-07533) (the "1999 Form 10-K") and incorporated herein by reference)
4.2	Articles Supplementary relating to the 5.417% Series 1 Cumulative Convertible Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.1 to the Trust's Current Report on Form 8-K filed on March 13, 2007, (File No. 1-07533) and incorporated herein by reference)
4.3	Amended and Restated Rights Agreement, dated March 11, 1999, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 1 to the Trust's Registration Statement on Form 8-A/A filed on March 11, 1999 (File No. 1-07533) and incorporated herein by reference)
4.4	First Amendment to Amended and Restated Rights Agreement, dated as of November 2003, between the Trust and American Stock Transfer & Trust Company (previously filed as Exhibit 4.5 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2003 (File No. 1-07533) and incorporated herein by reference)
4.5	Indenture dated December 13, 1993 related to the Trust's 7.48% Debentures due August 15, 2026; and 6.82% Medium Term Notes due August 1, 2027; (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 33-51029), and amended on Form S-3 (File No. 33-63687), filed on December 13, 1993 and incorporated herein by reference)
4.6	Indenture dated September 1, 1998 related to the Trust's 8.75% Notes due December 1, 2009; 6 1/8% Notes due November 15, 2007; 4.50% Notes due 2011; 5.65% Notes due 2016; 6.00% Notes due 2012; 6.20% Notes due 2017; and 5.40% Notes due 2013 (previously filed as Exhibit 4(a) to the Trust's Registration Statement on Form S-3 (File No. 333-63619) filed on September 17, 1998 and incorporated herein by reference)
4.7	Pursuant to Regulation S-K Item 601(b)(4)(iii), the Trust by this filing agrees, upon request, to furnish to the Securities and Exchange Commission a copy of other instruments defining the rights of holders of long-term debt of the Trust
10.1	Amended and Restated 1993 Long-Term Incentive Plan, as amended on October 6, 1997 and further amended on May 6, 1998 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-07533) and incorporated herein by reference)
10.2	Fiscal Agency Agreement dated as of October 28, 1993 between the Trust and Citibank, N.A. (previously filed as an exhibit to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File No. 1-07533) and incorporated herein by reference)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.3	Form of Severance Agreement between the Trust and Certain of its Officers dated December 31, 1994 (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 1994 (File No. 1-07533) and incorporated herein by reference)
10.4	* Severance Agreement between the Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-07533) (the "1999 1Q Form 10-Q") and incorporated herein by reference)
10.5	* Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 22, 1999 (previously filed as a portion of Exhibit 10 to the 1999 1Q Form 10-Q and incorporated herein by reference)
10.6	* Amendment to Executive Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.12 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-07533) (the "2004 Form 10-K") and incorporated herein by reference)
10.7	* Split Dollar Life Insurance Agreement dated August 12, 1998 between the Trust and Donald C. Wood (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-07533) and incorporated herein by reference)
10.8	* Severance Agreement between the Trust and Jeffrey S. Berkes dated March 1, 2000 (previously filed as a portion of Exhibit 10 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-07533) and incorporated herein by reference)
10.9	* Amendment to Severance Agreement between Federal Realty Investment Trust and Jeffrey S. Berkes dated February 16, 2005 (previously filed as Exhibit 10.17 to the 2004 Form 10-K and incorporated herein by reference)
10.10	* Severance Agreement dated March 1, 2002 between the Trust and Larry E. Finger (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 (File No. 1-07533) and incorporated herein by reference)
10.11	* Amendment to Severance Agreement between Federal Realty Investment Trust and Larry E. Finger dated February 16, 2005 (previously filed as Exhibit 10.19 to the 2004 Form 10-K and incorporated herein by reference)
10.12	* Amendment to Stock Option Agreement dated August 15, 2002 between the Trust and Dawn M. Becker (previously filed as a portion of Exhibit 10 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 (File No. 1-075330 and incorporated herein by reference)
10.13	2001 Long-Term Incentive Plan (previously filed as Exhibit 99.1 to the Trust's S-8 Registration Number 333-60364 filed on May 7, 2001 and incorporated herein by reference)
10.14	* Health Coverage Continuation Agreement between Federal Realty Investment Trust and Donald C. Wood dated February 16, 2005 (previously filed as Exhibit 10.26 to the 2004 Form 10-K and incorporated herein by reference)
10.15	* Severance Agreement between the Trust and Dawn M. Becker dated April 19, 2000 (previously filed as Exhibit 10.26 to the Trust's 2005 2Q Form 10-Q and incorporated herein by reference)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.16	* Amendment to Severance Agreement between the Trust and Dawn M. Becker dated February 16, 2005 (previously filed as Exhibit 10.27 to the 2004 Form 10-K and incorporated herein by reference)
10.17	Form of Restricted Share Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.28 to the 2004 Form 10-K and incorporated herein by reference)
10.18	Form of Restricted Share Award Agreement for awards made under the Trust's Annual Incentive Bonus Program for shares issued out of 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.29 to the 2004 Form 10-K and incorporated herein by reference)
10.19	Form of Option Award Agreement for options awarded under 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.30 to the 2004 Form 10-K and incorporated herein by reference)
10.20	Form of Option Award Agreement for awards made under the Trust's 2003 Long-Term Incentive Award Program for shares issued out of the 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.32 to the 2005 Form 10-K and incorporated herein by reference)
10.21	Credit Agreement dated as of July 28, 2006, by and between the Trust, Wachovia Capital Markets LLC, Wachovia Bank, National Association and various other financial institutions (previously filed as Exhibit 10.1) to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 31, 2006 and incorporated herein by reference)
10.22	Amended and Restated 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.34 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-07533) and incorporated herein by reference)
10.23	Restricted Share Award Agreement between the Trust and Joseph M. Squeri dated October 1, 2007 (filed herewith)
10.24	Severance Agreement between the Trust and Joseph M. Squeri dated October 1, 2007 (filed herewith)
10.25	Credit Agreement dated as of November 9, 2007, by and between the Trust, Wachovia Capital Markets LLC, Wachovia Bank, National Association and various other financial institutions (filed herewith)
10.26	Consulting Agreement between the Trust and Larry E. Finger dated January 1, 2008 (filed herewith)
21.1	Subsidiaries of Federal Realty Investment Trust (filed herewith)
23.1	Consent of Grant Thornton LLP (filed herewith)
24.1	Power of Attorney (included on signature page)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer (filed herewith)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer (filed herewith)
32.2	Section 1350 Certification of Chief Financial Officer (filed herewith)

* Management contract or compensatory plan to be filed under Item 15(b) of Form 10-K.

**FEDERAL REALTY INVESTMENT TRUST
RESTRICTED SHARE AWARD AGREEMENT
(Shares in Lieu of Salary/Bonus)**

October 1, 2007

The parties to this Restricted Share Award Agreement (this "Agreement") are **Federal Realty Investment Trust**, a Maryland real estate investment trust (the "Trust"), and **Joseph M. Squeri**, an individual employee of the Trust (the "Key Employee")

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 2001 Long-Term Incentive Plan (the "Plan") of a Restricted Share Award for a certain number of shares of beneficial interest of the Trust (the "Shares"), subject to certain restrictions and covenants on the part of Key Employee. The parties hereto desire to set forth in this Agreement their respective rights and obligations with respect to such Shares.

Capitalized terms used in this Agreement, unless otherwise defined herein, have the respective meanings given to such terms in the Plan. The terms of the Plan are incorporated by reference as if set forth herein in their entirety. To the extent this Restricted Share Award Agreement is in any way inconsistent with the Plan, the terms and provisions of the Plan shall prevail.

In consideration of the covenants set forth in this Agreement, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Award of Restricted Shares.

(a) The Trust hereby confirms the grant to the Key Employee, as of October 1, 2007 (the "Grant Date"), of the following Restricted Shares subject to the restrictions and other terms and conditions set forth herein and in the Plan:

(i) Four Thousand Two Hundred Thirty-Three (4,233) Shares representing base salary otherwise payable to Key Employee for the period from October 1, 2007 through and including December 31, 2008 ("Salary Shares"); and

(ii) Eight Hundred Forty-Six (846) Shares representing the bonus payable to Key Employee in February 2008 in accordance with the terms of that certain letter agreement dated June 25, 2007 between the Trust and Key Employee ("Bonus Shares").

The Salary Shares and Bonus Shares are sometimes collectively hereinafter referred to as the "Restricted Shares."

(b) On or as soon as practicable after the Grant 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 such stop-transfer orders and 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.

The certificate or certificates representing the Restricted Shares shall be held in custody by the Chief Financial Officer of the Trust until the Restricted 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 shall have expired. Upon forfeiture, in accordance with Paragraph 4, of all or any portion of the Restricted Shares, the certificate or certificates representing the forfeited Restricted Shares shall be canceled.

(c) This award of Restricted Shares is made in lieu of (i) any cash bonus Key Employee may be eligible to receive for calendar year 2007 pursuant to the Trust's annual incentive bonus plan or otherwise; and (ii) any cash base salary that the Key Employee is eligible to receive for services provided by the Key Employee to the Trust for the period from October 1, 2007 through and including December 31, 2008. Key Employee shall not be entitled to receive any bonus paid during the first quarter of calendar year 2008 for calendar year 2007 or any base salary for the period from October 1, 2007 through and including December 31, 2008.

2. Restrictions Applicable to Restricted Shares.

(a) Beginning on the Grant 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:

(i) 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) during the Restricted Period (as hereinafter defined in Paragraph 3);

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

(iii) 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.

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. Restricted Period.

(a) The restrictions set forth in Paragraph 2 shall apply for a period (the "Restricted Period") from the Grant Date until such Restricted Period lapses as to all Restricted Shares on January 1, 2009; provided, however, that the Restricted Period shall not lapse on the date set forth above unless the Key Employee has tendered to the Trust, on or before that date, the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restricted Period for such Restricted Shares on that date.

(b) Notwithstanding the foregoing, the Restricted Period shall lapse as follows:

(i) The Restricted Period shall lapse as to all Bonus Shares immediately upon Key Employee's death, discharge by the Trust without Cause (as defined in the Plan) or Involuntary Termination (as defined in the Plan) during the one year period commencing with the occurrence of a Change in Control (as defined in the Plan) provided that such death, discharge without Cause or Involuntary Termination occurs on or

after the date on which annual bonus payments are made to the Trust's executive officers in the first quarter of 2008 ("Bonus Payment Date"). If Key Employee's death, discharge without Cause or Involuntary Termination occurs prior to the Bonus Payment Date, the Bonus Shares will be forfeited upon the occurrence of any of such events.

(ii) The Restricted Period shall lapse as to Salary Shares on a pro-rata basis in the event the Key Employee dies, is discharged by the Trust without Cause or incurs an Involuntary Termination during the one year period commencing with the occurrence of a Change in Control. The number of Salary Shares that will vest upon the occurrence of Key Employee's death, discharge without Cause or Involuntary Termination following a Change in Control shall be determined by multiplying the total number of Salary Shares by a percentage that is calculated by dividing the number of full months that have elapsed from the Grant Date through and including the date of Key Employee's death, discharge without Cause or Involuntary Termination following Change in Control by fifteen (15), the number of full months occurring between the Grant Date and January 1, 2009. All other Salary Shares will be forfeited upon the occurrence of Key Employee's death, discharge without Cause or Involuntary Termination following Change in Control.

Notwithstanding the foregoing, the Restricted Period shall only lapse as provided in Paragraphs 3(b)(i) and 3(b)(ii) provided that Key Employee or his legal representative shall first tender, within ninety (90) days after the death, discharge without Cause or Involuntary Termination following Change in Control, the amount of any state and federal withholding tax obligation which will be imposed on the Trust by reason of the lapsing of the Restricted Period for the Bonus Shares and/or Salary Shares, as applicable.

4. Forfeiture.

If there is a termination of the Key Employee's Service with the Trust for any reason, then all rights of the Key Employee to any and all then-remaining Restricted Shares, after giving application to Paragraphs 3(a) and 3(b), shall terminate and be forfeited. In addition, in the event the Key Employee or his legal representative fails to tender to the Trust any required tax withholding amount in accordance with Paragraphs 3(a) or 3(b) above by the date specified therein, then the Trust shall retain a portion of the Restricted Shares sufficient to meet its tax withholding obligation.

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 shall be assignable or otherwise subject to hypothecation by the Key Employee.

6. 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. This Agreement may be amended at any time by written agreement of the parties hereto. The terms set forth in this Agreement shall control over any contrary terms set forth in that certain Severance Agreement of even date herewith between Key Employee and the Trust.

7. Governing Law.

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

8. 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.

9. Continued Employment.

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

10. 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.

11. Section 83(b) Election.

The Key Employee acknowledges that it is the Key Employee's sole responsibility, and not the Trust's, to file a timely election under section 83(b) of the Internal Revenue Code, of 1986, as amended. The Key Employee acknowledges that he or she is relying on his or her own advisors with respect to the decision as to whether or not to file any section 83(b) election.

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/ Donald C. Wood
Donald C. Wood
President and Chief Executive Officer

WITNESS:

/s/ Dawn M. Becker

KEY EMPLOYEE

By: /s/ Joseph M. Squeri
Joseph M. Squeri

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this 1st day of October, 2007 by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Employer"), and JOSEPH M. SQUERI ("Employee").

WHEREAS, Employee currently serves as Employer's Executive Vice President and on January 1, 2008, the Employee will serve as Employer's Executive Vice President-Chief Financial Officer and Treasurer. The Employer and the Employee wish to set forth the terms of a severance agreement for Employee;

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

1. Termination Without Cause on or after January 1, 2009. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b) on or after January 1, 2009, Employee will be deemed to have been Terminated Without Cause and shall receive payments and benefits as described in this Section 1; *provided, however*, in the event Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b) under circumstances described in Section 6 below, Employee shall receive such payments and benefits as are set forth in Section 6 in lieu of the payments and benefits under this Section 1:

- (a) by Employer other than with Cause (as "Cause" is defined in Section 3, hereof);
- (b) by Employer within six (6) months following the occurrence of one or more of the following events:
 - (i) the nature of Employee's duties or the scope of Employee's responsibilities or authority as of the date first written above are materially modified by Employer without Employee's written consent where such material modification constitutes an actual or constructive demotion of Employee; *provided, however*, that a change in the position(s) to whom Employee reports shall not by itself constitute a material modification of Employee's responsibilities; *provided, further*, that if Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a Spin-off (as defined in Section 15) of that affiliate, the nature of Employee's duties and the scope of responsibilities and authority referred to above in this paragraph (i) shall mean those as in effect as of the first day of employment with the affiliate following the Spin-off and not those in effect with the Employer as of the date first written above;
 - (ii) Employer changes the location of its principal office to outside a fifty (50) mile radius of the office where the Employee is headquartered;
 - (iii) Employer's setting of Employee's base salary for any year at an amount which is less than ninety percent (90%) of the greater of (A) Employee's base salary for 2007, or (B) Employee's highest base salary during the

three (3) then most recent calendar years (including the year of termination), regardless of whether such salary reduction occurs in one year or over the course of years; and

- (iv) this Severance Agreement is not expressly assumed by any successor (directly or indirectly, whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Employer.
- (c) Decision by Employer to Terminate Without Cause. Employer's decision to terminate Employee's employment Without Cause shall be made by the Board of Trustees.
- (d) Severance Payment Upon Termination Without Cause on or after January 1, 2009. In the event of Termination Without Cause on or after January 1, 2009 other than under circumstances described in Section 6 below, Employee will receive as severance pay an amount in cash equal to one (1) year's salary. For the purpose of calculating amounts payable pursuant to this Section 1(d), "salary" shall be an amount equal to (i) the greater of (A) Employee's highest annual base salary paid during the previous three (3) years or (B) Employee's annual base salary in the year of termination, plus (ii) the greatest annual aggregate amount of any annual bonus paid to Employee in respect of any of the three (3) fiscal years immediately preceding such termination. For purposes of the preceding sentence: (i) the term "salary" shall not include any cash or equity-based incentive award intended to be a long-term incentive award, including awards made pursuant to Employer's Amended and Restated 2003 Long-Term Incentive Award Program; (ii) an annual bonus paid in the form of stock will be considered to have been paid in respect of a particular year if (A) in the case of a bonus paid under Employer's annual Incentive Bonus Plan in effect for the applicable year (as the same may be amended from time to time, or any successor plan, the "Bonus Plan"), the stock bonus was awarded in respect of that year, even if it did not vest in that year, or (B) in the case of any other stock bonus, the shares vested in that year (other than as a result of the Termination Without Cause); (iii) a stock bonus will be valued (A) in the case of a bonus paid under the Bonus Plan, at a figure equal to the number of shares awarded, multiplied by the per-share value (closing price) on the date on which the bonus was approved by the Compensation Committee of Employer's Board of Trustees, and (B) in the case of any other stock bonus, at a figure equal to the number of shares that vested, multiplied by the per-share value (closing price) on the date on which they vested; and (iv) notwithstanding the valuation provisions in clause (iii) above, if Employee elected to receive all or any portion of an annual bonus in the form of stock rather than cash, the maximum amount to be included as bonus in the computation of "salary" for that year shall be the amount of cash bonus otherwise payable without taking into account any additional stock granted in consideration for delayed vesting. Payment also will be made for vacation time that has accrued, but is unused as of the date of termination.
- (e) Benefits. In the event of Termination Without Cause on or after January 1, 2009 other than under circumstances described in Section 6 below, Employee shall receive "Full Benefits" for nine (9) months. Employer shall have satisfied its

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

- (f) Stock Options. Notwithstanding any agreement to the contrary, in the event of any Termination Without Cause on or after January 1, 2009 other than under circumstances described in Section 6 below, the vesting of options to purchase shares of Employer's common stock granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the twelve (12) months thereafter shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer. The terms of the stock option agreements shall determine the period during which any vested options may be exercisable.
- (g) Outplacement Services. In the event of Termination Without Cause on or after January 1, 2009 other than under circumstances described in Section 6 below, Employer shall make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employer for a period not to exceed six (6) months from the date of Employee's termination.
- (h) Provision of Telephone/Secretary. In the event of Termination Without Cause on or after January 1, 2009 other than under circumstances described in Section 6 below, Employer shall provide Employee for a period not to exceed six (6) months from Employee's date of termination with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone. Such benefits shall not include an office or physical access to Employer's offices and will cease upon commencement by Employee of employment with another employer.
- (i) Notice. If Employee terminates his or her employment pursuant to Section 1(b) hereof other than under circumstances described in Section 6 below and

(i) Employee is not an executive officer of Employer, Employee shall give sixty (60) days' written notice to Employer of such termination, or
(ii) if Employee is an executive officer of Employer, Employee shall give ninety (90) days' written notice to Employer of such termination.

- (j) Notwithstanding the foregoing provisions of this Agreement, it shall not be considered a Termination Without Cause in the event that the Employee voluntarily becomes an employee of an affiliate of the Employer in connection with a spin-off of that affiliate if the Employer has assigned this Agreement to the affiliate as contemplated in Section 15 and the affiliate has assumed the obligations hereunder.

1A. Termination Without Cause on or prior to January 1, 2009. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b) on or prior to January 1, 2009 other than under circumstances described in Section 6 below, Employee shall be entitled to receive the following: (a) if such termination occurs on or prior to December 31, 2007, Employee shall not be entitled to receive any payments or benefits; and (b) if such termination occurs on or after January 1, 2008 but prior to January 1, 2009, Employee shall be entitled to receive one (1) month of annual base salary for each full month Employee was employed by Employer prior to such termination and no other payments or benefits. Notwithstanding anything in this Agreement to the contrary with respect to grants of options or restricted shares of Employer, the terms and conditions set forth in that certain Restricted Share Award Agreement (New Hire Award) and in that certain Restricted Share Award Agreement (Shares in Lieu of Salary/Bonus), both of which are dated of even date herewith between Employer and Employee, shall control over the terms of this Agreement with respect to the grants of restricted shares set forth therein in the event of any termination of Employee's employment with Employer.

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

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

- (a) failure (other than failure due to disability) to substantially perform his or her duties with Employer or an affiliate thereof; which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which Employee is diligently pursuing cure ("Failure to Perform");
- (b) willful conduct which is demonstrably and materially injurious to Employer or an affiliate thereof, monetarily or otherwise;
- (c) breach of fiduciary duty involving personal profit; or
- (d) willful violation in the course of performing his or her duties for Employer of any law, rule or regulation (other than traffic violations or misdemeanor offenses).

No act or failure to act shall be considered willful unless done or omitted to be done in bad faith and without reasonable belief that the action or omission was in the best interest of Employer.

- (e) Decision by Employer to Terminate With Cause. The decision to terminate the employment of Employee with Cause shall be made by the Board of Trustees.
- (f) Severance Payment Upon Termination with Cause. In the event of termination for Failure to Perform pursuant to Section 3(a), or termination for cause pursuant to Section 3(b), (c) or (d) above, the terms of the stock option agreements between Employer and Employee thereunder will determine the terms of the vesting of options and the exercisability of vested options.
 - (i) For Cause Termination for Failure to Perform. In the event that Employee's employment is terminated with Cause pursuant to Section 3(a) above on or after January 1, 2009, Employee shall receive as severance pay an amount in cash equal to one (1) month's salary for every year of service to Employer in excess of five (5) years of service; such severance payment shall not exceed six (6) months' pay. The number of months for which such a payment is due shall determine the length of the for cause term ("For Cause Term"). For the purposes of this Section 3(f)(i) only, "salary" shall mean Employee's then current annual base salary and shall not include any bonus or other compensation. Payment shall also be made for accrued, but unused, vacation time. Employee shall also receive Full Benefits (as defined above) for the For Cause Term. In the event that, following Employee's termination for Failure to Perform, Employee becomes employed by or affiliated with, as a partner, consultant, contractor or otherwise, any entity which is substantially engaged in the business of property investment or management ("Competitor"), all payments specified in this Section 3(f)(i) shall cease upon the date Employee commences such employment or affiliation; *provided, however*, Employee shall continue to receive medical and dental care benefits from Employer until (i) Employee is eligible to receive medical and dental care benefits from the Competitor, or (ii) the date of expiration of Employee's For Cause Term, whichever comes first. Employee shall receive no payments or benefits if Employee is terminated for Cause prior to January 1, 2009.
 - (ii) Other Cause Termination. In the event that Employee's employment is terminated with Cause pursuant to Section 3(b), (c) or (d) on or after January 1, 2009, 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. Employee shall receive no payments or benefits if Employee is terminated for Cause prior to January 1, 2009.

4. Severance Benefits Upon Termination Upon Disability on or after January 1, 2009. Employer may terminate Employee upon thirty (30) days' prior written notice if (i) Employee's Disability has disabled Employee from rendering service to Employer for at least a six (6) month consecutive period

during the term of Employee's employment, (ii) Employee's "Disability" is within the meaning of such defined term in Employer's group long-term disability policy, and (iii) Employee is covered under such policy. In the event of Employee's Termination Upon Disability on or after January 1, 2009, 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 on or after January 1, 2009.
- (b) Stock Options. In the event that Employee's employment is terminated due to Disability on or after January 1, 2009, 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.

Employee shall receive no payments or benefits if Employee is terminated due to Disability prior to January 1, 2009.

5. Severance Benefits Upon Termination Upon Death on or after January 1, 2009. If Employee dies on or after January 1, 2009, Employee's estate shall be entitled to receive an amount in cash equal to Employee's then-current base salary through the last day of the month in which Employee's death occurs plus any bonus previously awarded but unpaid and any accrued vacation pay through the last day of the month in which Employee's death occurs. The terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of his or her death and the exercise period for any vested option. Employee shall receive no payments or benefits if Employee dies prior to January 1, 2009.

6. Severance Benefits Upon Termination Upon Change in Control.

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

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

of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by Employer (a "Subsidiary"), (B) Employer or any Subsidiary, or (C) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

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

(iii) Approval by shareholders of Employer of

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

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

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

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

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

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

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

(iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting

Securities by Employer which, by reducing the number of Voting Securities outstanding, increases the proportional number of Voting Securities Beneficially Owned by the Subject Person; *provided, however*, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur; or (B) if Employer (1) establishes a wholly-owned subsidiary (“Holding Company”), (2) causes the Holding Company to establish a wholly-owned subsidiary (“Merger Sub”), and (3) merges with Merger Sub, with Employer as the surviving entity (such transactions collectively are referred as the “Reorganization”). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

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

(b) Termination of Employment Following Change in Control. Employee shall be entitled to the benefits provided in this Section 6 if a Change in Control occurs anytime after the date of this Agreement and Employee’s employment with Employer is terminated (i) under any of the circumstances in Sections 1(a) or 1(b) within a period of two years after the occurrence of such Change in Control, or (ii) for any reason, either voluntarily or involuntarily, during the 30-day period beginning on the first anniversary of such Change of Control, unless such termination is because of Employee’s death, Disability or Retirement. The term “Retirement” shall mean termination of employment in accordance with (x) a qualified employee pension or profit-sharing plan maintained by Employer, or (y) Employer’s retirement policy in effect immediately prior to the Change in Control. For purposes of this Section 6, Employee’s employment shall be terminated by written notice delivered by either Employer or Employee to the other party. The date of Employee’s termination of employment shall be the earlier of the date of Employee’s or Employer’s written notice terminating Employee’s employment with Employer, unless such notice shall specify an effective date of termination occurring later than the date of such notice, in which event such specified effective date shall govern (“Termination Date”).

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

(i) Employer shall pay to Employee a single cash payment equal to two (2) year’s salary. For the purpose of calculating amounts payable pursuant to this Section 6(c), “salary” shall be calculated in the same manner as set forth in Section 1(d) (without giving effect to any accelerated vesting which may have occurred as a result of the Change in Control). Payment also will be made for vacation time that has accrued, but is unused as of the date of termination. If Employee’s employment is terminated by Employee by a written notice which specifies a Termination Date at least five (5) business days later than the date of such notice, the payment shall be made on the Termination Date. If Employee gives less than five (5) business days notice, then such payment shall be made within five (5) business days of the date of such notice. Notwithstanding the above, if Employee’s termination of employment

occurs under the circumstances described in clause (ii) of Section 6(b) (i.e., for any reason, either voluntarily or involuntarily, during the 30-day period beginning on the first anniversary of such Change of Control, unless such termination is because of Employee's death, Disability or Retirement), then if and to the extent required in order to comply with Section 409A of the Code, as determined by the Employer, the payment to Employee shall be delayed until six months and one day after the Termination Date;

(ii) Employee shall receive Full Benefits for two (2) years following the Termination Date;

(iii) Employer, to the extent legally permissible, shall continue to provide to Employee all other officer perquisites, allowances, accommodations of employment, and benefits on the same terms and conditions as such are from time to time made available generally to the other officers of Employer but in no event less than the highest level of the perquisites, allowances, accommodations of employment and benefits that were available to Employee during the last twelve (12) months of Employee's employment prior to the Change in Control for a period of two (2) years following the Termination Date;

(iv) For the purposes of this Section 6(c), Employee's right to receive officer perquisites, allowances and accommodations of employment is intended to include (A) Employee's right to have Employer provide Employee for a period not to exceed nine (9) months from Employee's Termination Date with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone; *provided, however*, such benefits described in this Section 6(c)(iv)(A) shall not include an office or physical access to Employer's offices and will cease upon the commencement by Employee of employment with another employer, and (B) Employee's right to have Employer make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employee for a period not to exceed nine (9) months.

(v) Upon the occurrence of a Change in Control, all restrictions on the receipt of any option to acquire or grant of Voting Securities to Employee shall lapse and such option shall become immediately and fully exercisable; provided, however, that any restrictions on the Voting Securities granted pursuant to that certain Restricted Share Award Agreement (Shares in Lieu of Salary/Bonus) of even date herewith between Employer and Employee shall only lapse in accordance with the terms and provisions of such agreement. Notwithstanding any applicable restrictions or any agreement to the contrary, Employee may exercise any options to acquire Voting Securities as of the Change in Control by delivery to Employer of a written notice dated on or prior to the expiration of the stated term of the option.

(d) Excise Tax Payments.

(i) In the event that any payment or benefit (within the meaning of Section 280G(b)(2) of the Code) that is provided for hereunder (other than the payment provided for in this Section 6(e)(i)) to be paid to or for the benefit of Employee (including, without limitation, the payments or benefits provided for under any provision of this Section 6) or payments or benefits under any other plan, agreements or arrangement between Employee and Employer (a "Payment" or "Payments"), be determined or alleged to be subject to an excise or similar purpose tax pursuant to Section 4999 of the Code or any successor or other comparable federal, state, or local tax laws or any interest or penalties incurred by Employee with respect to such excise or similar purpose tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax") Employer shall pay to Employee such additional compensation as is necessary (after taking into account all federal, state

and local taxes (including any interest and penalties imposed with respect to such taxes), including any income or Excise Tax, payable by Employee as a result of the receipt of such additional compensation) (a "Gross-Up Payment") to place Employee in the same after-tax position (including federal, state and local taxes) Employee would have been in had no such Excise Tax been paid or incurred.

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

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

Payment. A "Final Determination" shall be deemed to have occurred when Employee has received from the applicable governmental taxing authority a refund of taxes or other reduction in Employee's tax liability by reason of the Excess Payment and upon either (x) the date a determination is made by, or an agreement is entered into with, the applicable governmental taxing authority which finally and conclusively binds Employee and such taxing authority, or in the event that a claim is brought before a court of competent jurisdiction, the date upon which a final determination has been made by such court and either all appeals have been taken and finally resolved or the time for all appeals has expired or (y) the statute of limitations with respect to Employee's applicable tax return has expired. If an Excess Payment is determined to have been made, the amount of the Excess Payment shall be treated as a loan by Employer to Employee and Employee shall pay to Employer on demand (but not less than ten (10) days after the determination of such Excess Payment and written notice has been delivered to Employee) the amount of the Excess Payment plus interest at an annual rate equal to the Applicable Federal Rate provided for in Section 1274(d) of the Code from the date the Gross-Up Payment (to which the Excess Payment relates) was paid to Employee until date of repayment of the Excess Payment to Employer.

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

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

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

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

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

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

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

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

11. Arbitration.

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

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

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

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

14. Restrictions on Competition; Solicitation; Hiring.

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

out of the employ of Employer or its affiliates, provided that Employee shall be permitted to call upon and hire any member of the Employee's immediate family;

- (ii) in order to protect the confidential information and proprietary rights of Employer, solicit, induce or attempt to induce any Person who or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, an actual customer, client, business partner, property owner, developer or tenant or a prospective customer, client, business partner, property owner, developer or tenant (i.e., a customer, client, business partner, property owner, developer or tenant who is party to a written proposal or letter of intent with Employer, in each case written less than six (6) months prior to termination of Employee's employment) of Employer, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates, or (B) in any way interfering with the relationship between such Person and Employer or its affiliates; or
 - (iii) solicit, induce or attempt to induce any Person who is or that is, at the time of termination of Employee's employment, or has been within six (6) months prior to the time of termination of Employee's employment, a tenant, supplier, licensee or consultant of, or provider of goods or services to Employer or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with Employer or its affiliates or (B) in any way interfering with the relationship between such Person and Employer or its affiliates.
- (c) The above notwithstanding, the restrictions contained in subsections (a) and (b) above shall not apply to Employee in the Post-Termination Period in the event that Employee has ceased to be employed by Employer under circumstances described in Section 6 of this Severance Agreement.
 - (d) Because of the difficulty of measuring economic losses to Employer as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to Employer for which it would have no other adequate remedy, Employee agrees that the foregoing covenants, in addition to and not in limitation of any other rights, remedies or damages available to Employer at law, in equity or under this Agreement, may be enforced by Employer in the event of the breach or threatened breach by Employee, by injunctions and/or restraining orders. If Employer is involved in court or other legal proceedings to enforce the covenants contained in this Section 14, then in the event Employer prevails in such proceedings, Employee shall be liable for the payment of reasonable attorneys' fees, costs and ancillary expenses incurred by Employer in enforcing its rights hereunder.
 - (e) It is agreed by the parties that the covenants contained in this Section 14 impose a fair and reasonable restraint on Employee in light of the activities and business of Employer on the date of the execution of this Agreement and the current plans

of Employer; but it is also the intent of Employer and Employee that such covenants be construed and enforced in accordance with the changing activities, business and locations of Employer and its affiliates throughout the term of these covenants.

- (f) It is further agreed by the parties hereto that, in the event that Employee shall cease to be employed hereunder, and enters into a business or pursues other activities that, at such time, are not in competition with Employer or its affiliates or with any business or activity which Employer or its affiliates contemplated pursuing, as of the date of termination of Employee's employment, within twelve (12) months from such date of termination, or similar activities or business in locations the operation of which, under such circumstances, does not violate this Section 14 or any of Employee's obligations under this Section 14, Employee shall not be chargeable with a violation of this Section 14 if Employer or its affiliates subsequently enter the same (or a similar) competitive business, course of activities or location, as applicable.
- (g) The covenants in this Section 14 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.
- (h) All of the covenants in this Section 14 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Employee against Employer whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by Employer of such covenants. It is specifically agreed that the Post Termination Period, during which the agreements and covenants of Employee made in this Section 14 shall be effective, shall be computed by excluding from such computation any time during which Employee is in violation of any provision of this Section 14.
- (i) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Employee shall be prohibited from engaging in any competitive activity described in Section 14 hereof, the period of time for which Employee shall be prohibited pursuant to Section 14 hereof shall be the maximum time permitted by law.

15. No Assignment. Neither this Severance Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either Employer or Employee without the prior written consent of the other party; *provided, however*, that this provision shall not preclude Employee from designating one or more beneficiaries to receive any amount that may be payable after Employee's death and shall not preclude Employee's executor or administrator from assigning any right hereunder to the person or persons entitled thereto; *provided, further*, that in connection with a voluntary transfer, the Employer may assign this Severance Agreement (and its rights, remedies, obligations, and liabilities) to an affiliate of the Employer without the consent of the Employee in connection with a spin off of such affiliate (whether by a transfer of shares of beneficial ownership,

assets, or other substantially similar transaction) to all or substantially all of the shareholders of the Employer (a “Spin-off”) and, upon such assignment, the affiliate shall be deemed the Employer for all purposes of this Severance Agreement. This Severance Agreement shall not be terminated either by the voluntary or involuntary dissolution or the winding up of the affairs of Employer, or by any merger or consolidation wherein Employer is not the surviving entity, or by any transfer of all or substantially all of Employer’s assets on a consolidated basis. In the event of any such merger, consolidation or transfer of assets, the provisions of this Severance Agreement shall be binding upon and shall inure to the benefit of the surviving entity or to the entity to which such assets shall be transferred.

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

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

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

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

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

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

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

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

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

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

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

/s/ Joseph M. Squeri

Joseph M. Squeri

Employee's Permanent Address:

5121 Westpath Way
Bethesda, Maryland 20816

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Donald C. Wood

Donald C. Wood
President and Chief Executive Officer

1626 East Jefferson Street
Rockville, Maryland 20852

CREDIT AGREEMENT

Dated as of November 9, 2007

by and among

FEDERAL REALTY INVESTMENT TRUST,
as Borrower,

WACHOVIA CAPITAL MARKETS, LLC,
as Sole Lead Arranger
and
Sole Book Manager,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Agent,

Each of

BANK OF AMERICA, N.A.,
JPMORGAN CHASE BANK, N.A.,
SUNTRUST BANK,
and
U.S. BANK NATIONAL ASSOCIATION,
as a Documentation Agent,

and

Each of
CITICORP NORTH AMERICA, INC.
and
REGIONS BANK,
as a Managing Agent,

and

THE FINANCIAL INSTITUTIONS INITIALLY SIGNATORY HERETO
AND THEIR ASSIGNEES PURSUANT TO SECTION 12.5.(d),
as Lenders

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THIS CREDIT AGREEMENT (this “**Agreement**”) dated as of November 9, 2007, by and among FEDERAL REALTY INVESTMENT TRUST, a real estate investment trust formed under the laws of the State of Maryland (the “**Borrower**”), each of the financial institutions initially a signatory hereto together with their assignees pursuant to Section 12.5.(d), WACHOVIA CAPITAL MARKETS, LLC, as Sole Lead Arranger and Sole Book Manager (the “**Arranger**”), WACHOVIA BANK, NATIONAL ASSOCIATION, as Agent, each of BANK OF AMERICA, N.A., JPMORGAN CHASE BANK, N.A., SUNTRUST BANK and U.S. BANK NATIONAL ASSOCIATION, as a Documentation Agent (each a “**Documentation Agent**”), and each of CITICORP NORTH AMERICA, INC. and REGIONS BANK, as a Managing Agent (each a “**Managing Agent**”).

WHEREAS, the Lenders desire to make available to the Borrower a term loan facility in the aggregate principal amount of \$200,000,000, all 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 I. DEFINITIONS

Section 1.1. Definitions.

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

“**Accession Agreement**” means an Accession Agreement substantially in the form of Annex I to the Guaranty.

“**Additional Costs**” has the meaning given that term in Section 4.1.

“**Adjusted EBITDA**” means, for any given period, (a) the EBITDA of the Borrower and its Subsidiaries determined on a consolidated basis for such period, minus (b) Capital Reserves.

“**Adjusted Eurodollar Rate**” means, with respect to each Interest Period for any LIBOR Loan, the rate obtained by dividing (a) LIBOR for such Interest Period by (b) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained with respect to Eurocurrency funding (currently as referred to “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 is determined or any applicable 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). Any change in such maximum rate shall result in a change in the Adjusted Eurodollar Rate on the date on which such change in such maximum rate becomes effective.

“**Adjusted Total Asset Value**” means Total Asset Value determined exclusive of assets that are owned by (a) Excluded Subsidiaries, (b) Unconsolidated Affiliates and (c) the Specified Non-Wholly Owned Subsidiaries.

“**Administrative Questionnaire**” means an administrative questionnaire in a form supplied by the Agent to the Lenders from time to time.

“**Affiliate**” means any Person (other than the Agent or any Lender): (a) directly or indirectly controlling, controlled by, or under common control with, the Borrower; (b) directly or indirectly owning or holding 10.0% or more (or 12.0% or more in the case of Morgan Stanley and its affiliates) of any Equity Interest in the Borrower; or (c) 10.0% or more (or 12.0% or more in the case of Morgan Stanley and its affiliates) 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. The Affiliates of a Person shall include any officer or director of such Person. In no event shall the Agent or any Lender be deemed to be an Affiliate of the Borrower.

“**Agent**” means Wachovia Bank, National Association, as contractual representative for the Lenders under the terms of this Agreement, and any of its successors.

“**Agreement Date**” means the date as of which this Agreement is dated.

“**Applicable Law**” means all applicable provisions of constitutions, statutes, rules, regulations and orders of all governmental bodies and all orders and decrees of all courts, tribunals and arbitrators.

“**Applicable Margin**” means the percentage per annum determined, at any time, based on the range into which the Borrower’s Credit Rating then falls, in accordance with the levels in the table set forth below (each a “**Level**”). Any change in the Borrower’s Credit Rating which would cause it to move to a different Level in such table shall effect a change in the Applicable Margin on the Business Day on which such change occurs. During any period that the Borrower has received Credit Ratings that are not equivalent, the Applicable Margin shall be determined by the higher of such two Credit Ratings. During any period for which the Borrower has received a Credit Rating from only one Rating Agency, then the Applicable Margin shall be determined based on such Credit Rating. During any period for which the Borrower has not received a Credit Rating from either Rating Agency, then the Applicable Margin shall be determined based on Level 5. As of the Agreement Date, and thereafter until changed as provided above, the Applicable Margin is determined based on Level 2.

<u>Level</u>	<u>Borrower's Credit Rating (S&P/Moody's)</u>	<u>Applicable Margin for LIBOR Loans</u>	<u>Applicable Margin for Base Rate Loans</u>
1	A-/A3	0.500%	0.00%
2	BBB+/Baa1	0.575%	0.00%
3	BBB/Baa2	0.750%	0.00%
4	BBB-/Baa3	0.950%	0.00%
5	< BBB-/Baa3	1.250%	0.25%

“**Arranger**” means Wachovia Capital Markets, LLC, together with its successors and permitted assigns.

“**Assignee**” has the meaning given that term in Section 12.5.(d).

“**Assignment and Acceptance Agreement**” means an Assignment and Acceptance Agreement among a Lender, an Assignee and the 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 Lender acting as the Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged by the Lender acting as the Agent or any other 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.

“**Borrower**” has the meaning set forth in the introductory paragraph hereof and shall include the Borrower’s successors and permitted assigns.

“**Business Day**” means (a) any day other than a Saturday, Sunday or other day on which banks in Charlotte, North Carolina or New York, New York 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.

“**Capital Reserves**” means, for any period and with respect to any: (a) portion of a Property developed with improvements utilized for the retail sale of goods or services, office space or other use (other than residential apartments), an amount equal to (i) \$0.15 per square foot times (ii) a fraction, the numerator of which is the number of days in such period and the denominator of which is 365; provided, however, no capital reserves shall be required with respect to any portion of any such Property which is leased under a ground lease to a third party that owns the improvements on such portion of such Property; or (b) Multifamily Property, an amount equal to (i) \$200 per apartment unit in such Multifamily Property times (ii) a fraction, the numerator of which is the number of days in such period and the denominator of which is

365. If the term Capital Reserves is used without reference to any specific Property, then the amount shall be determined on an aggregate basis with respect to all Retail Properties and Multifamily Properties of the Borrower and its Subsidiaries and a proportionate share of all Retail and Multifamily Properties of all Unconsolidated Affiliates.

“**Capitalization Rate**” means 7.50%.

“**Capitalized Lease Obligation**” means an obligation under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP. The amount of a Capitalized Lease Obligation is the capitalized amount of such obligation as would be required to be reflected on the balance sheet prepared in accordance with GAAP of the applicable Person as of the applicable date.

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

“**Commitment**” means, as to each Lender, such Lender’s obligation to make a Loan pursuant to Section 2.1. in an amount up to, but not exceeding, the amount set forth for such Lender on Schedule 1 attached page hereto as such Lender’s “Commitment Amount.”

“**Compliance Certificate**” has the meaning given that term in Section 8.3.

“**Construction-in-Process**” means cash expenditures for land and improvements (including indirect costs internally allocated and development costs) in accordance with GAAP on all Properties that are under development or will commence development within twelve months from any date of determination.

“**Construction Budget**” means the fully-budgeted costs for the acquisition and construction of a given parcel of real property (including, without limitation, the cost of

acquiring such parcel of real property, reserves for construction interest and operating deficits, tenant improvements, leasing commissions, and infrastructure costs) as reasonably determined by the Borrower in good faith.

“**Continue**,” “**Continuation**” and “**Continued**” each refers to the continuation of a LIBOR Loan from one Interest Period to another Interest Period pursuant to Section 2.6.

“**Controlled Property**” means a Property which is an Eligible Property that is owned in fee simple (or leased under a Ground Lease) by a Guarantor that is not a Wholly Owned Subsidiary and with respect to which the Borrower or such Guarantor has the right to take the following actions without the need to obtain the consent of any Person (other than the Requisite Lenders if required pursuant to this Agreement): (a) to create Liens on such Property as security for Indebtedness of the Borrower or such Guarantor, as applicable, and (b) to sell, convey, transfer or otherwise dispose of such Property.

“**Convert**,” “**Conversion**” and “**Converted**” each refers to the conversion of a Loan of one Type into a Loan of another Type pursuant to Section 2.7.

“**Credit Percentage**” means, as to each Lender, the ratio, expressed as a percentage, of (a) the unpaid principal amount of the Loan owing to such Lender to (b) the aggregate unpaid principal amount of all Loans.

“**Credit Rating**” means the rating assigned by a Rating Agency to the senior unsecured long term Indebtedness of the Borrower.

“**Default**” means any of the events specified in Section 10.1., 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.(a).

“**Derivatives Contract**” means any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any commitment on the part of a Loan Party to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement. Not in limitation of the foregoing, the term “Derivatives Contract” includes any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement, including any such obligations or liabilities under any such master agreement.

“Derivatives Termination Value” means, in respect of any one or more Derivatives Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Derivatives Contracts, (a) for any date on or after the date such Derivatives Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Derivatives Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Derivatives Contracts (which may include the Agent or any Lender).

“Development Property” means a Property (a) that otherwise qualifies as an Eligible Property, except that it is not yet a Retail Property or Multifamily Property, but it is being developed to become one, and (b) that is either (i) Construction-in-Process or (ii) an Unstabilized Property.

“Dollars” or **“\$”** means the lawful currency of the United States of America.

“EBITDA” means, with respect to a Person for any period: (a) net income (or loss) of such Person for such period determined on a consolidated basis, in accordance with GAAP, exclusive of the following (but only to the extent included in determination of such net income (loss)): (i) depreciation and amortization expense; (ii) Interest Expense; (iii) income tax expense; (iv) extraordinary or non-recurring gains and losses; plus (b) such Person’s pro rata share of EBITDA of its Unconsolidated Affiliates. EBITDA will be adjusted to remove all impact of straight lining of rents.

“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 5.1. shall have been fulfilled or waived in writing by the Requisite Lenders.

“Eligible Assignee” means any Person who is, at the time of determination: (i) a Lender or an affiliate of a Lender; (ii) a commercial bank, trust, trust company, insurance company, 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; (iii) a savings and loan association or savings bank organized under the laws of the United States of America, or any state thereof, and having a tangible net worth of at least \$500,000,000; or (iv) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, 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 or an affiliate of a Lender, such Person’s (or its parent’s) senior unsecured long term indebtedness must be rated BBB or higher by S&P, Baa2 or higher by Moody’s, or the equivalent or higher of either such rating by another rating agency acceptable to the Agent.

“Eligible Property” means a Property which satisfies all of the following requirements: (a) such Property is a Retail Property or Multifamily Property; (b) neither such Property, nor any interest of the Borrower or any Subsidiary therein (and if such Property is owned by a

Subsidiary, none of the Borrower's direct or indirect ownership interests in such Subsidiary) is subject to any Lien other than Permitted Liens (excluding Permitted Liens of the type described in clauses (g) and (h) of the definition thereof) or subject to any Negative Pledge; (c) such Property is free of all structural defects or major architectural deficiencies, title defects, environmental conditions or other adverse matters except for defects, deficiencies, conditions or other matters individually or collectively which are not material to the profitable operation of such Property; and (d) if such Property is (i) leased by the Borrower, a Subsidiary or Unconsolidated Affiliate pursuant to a Ground Lease or other lease, (ii) the lessor's interest in such Property is subject to a Mortgage and (iii) such Ground Lease or lease is subordinate to such Mortgage, then the mortgagee shall have executed a customary non-disturbance agreement with respect to the rights of the Borrower, such Subsidiary or Unconsolidated Affiliate under the Ground Lease or other lease.

"Environmental Laws" means any Applicable Law relating to environmental protection or the manufacture, storage, remediation, disposal or clean-up of Hazardous Materials including, without limitation, the following: Clean Air Act, 42 U.S.C. § 7401 et seq.; Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; National Environmental Policy Act, 42 U.S.C. § 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 Interest" means, with respect to any Person, any share of capital stock of (or other ownership or profit interests in) such Person, any warrant, option or other right for the purchase or other acquisition from such Person of any share of capital stock of (or other ownership or profit interests in) such Person, any security convertible into or exchangeable for any share of capital stock of (or other ownership or profit interests in) such Person or warrant, right or option for the purchase or other acquisition from such Person of such shares (or such other interests), and any other ownership or profit interest in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such share, warrant, option, right or other interest is authorized or otherwise existing on any date of determination.

"Equity Issuance" means any issuance or sale by a Person of any Equity Interest in such Person and shall in any event include the issuance of any Equity Interest upon the conversion or exchange of any security constituting Indebtedness that is convertible or exchangeable, or is being converted or exchanged, for Equity Interests.

"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 10.1., provided that any requirement for notice or lapse of time or any other condition has been satisfied.

“Excluded Subsidiary” means any Subsidiary (a) holding title to assets which are or are to become collateral for any Secured Indebtedness of such Subsidiary; and (b) which is prohibited from Guarantying the Indebtedness of any other Person pursuant to (i) any document, instrument or agreement evidencing such Secured Indebtedness or (ii) a provision of such Subsidiary’s organizational documents which provision was included in such Subsidiary’s organizational documents as a condition to the extension of such Secured Indebtedness.

“Existing Credit Agreement” means that certain Credit Agreement dated as of July 28, 2006, by and among the Borrower, the financial institutions party thereto as “Lenders”, Wachovia Bank, National Association, as Agent, and the other parties thereto.

“Extension Request” has the meaning given such term in Section 2.9.

“Fair Market Value” means, with respect to (a) a security listed on a national securities exchange or the NASDAQ National Market, the price of such security as reported on such exchange by any widely recognized reporting method customarily relied upon by financial institutions and (b) with respect to any other property, the price which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing buyer, neither of which is under pressure or compulsion to complete the transaction.

“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 Agent by federal funds dealers selected by the Agent on such day on such transaction as determined by the Agent.

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

“Fixed Charges” means, for any period, the sum of (a) Interest Expense of the Borrower and its Subsidiaries determined on a consolidated basis for such period, (b) all regularly scheduled principal payments made with respect to Indebtedness of the Borrower and its Subsidiaries during such period, other than any balloon, bullet or similar principal payment which repays such Indebtedness in full, and (c) all Preferred Dividends paid during such period. The Borrower’s pro rata share of the Fixed Charges of Unconsolidated Affiliates (other than intercompany amounts) of the Borrower shall be included in determinations of Fixed Charges.

“Funds From Operations” means, for a given period, income of the Borrower and its Subsidiaries available for common shareholders before depreciation and amortization of real

estate assets and before extraordinary items less gains and losses on sale of real estate determined on a consolidated basis in accordance with GAAP applied on a consistent basis for such period. Adjustments for Unconsolidated Affiliates will be calculated to reflect the Borrower's pro rata share of funds from operations on the same basis.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"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, commission, board, department or other 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.

"Ground Lease" means a ground lease or master lease containing the following terms and conditions: (a) a remaining term (exclusive of any unexercised extension options) of thirty (30) years or more from the Agreement Date; (b) the right of the lessee to mortgage and encumber its interest in the leased property without the consent of the lessor; (c) the obligation of the lessor to give the holder of any mortgage Lien on such leased property written notice of any defaults on the part of the lessee and agreement of such lessor that such lease will not be terminated until such holder has had a reasonable opportunity to cure or complete foreclosures, and fails to do so; (d) reasonable transferability of the lessee's interest under such lease, including ability to sublease; and (e) such other rights customarily required by mortgagees making a loan secured by the interest of the holder of the leasehold estate demised pursuant to a ground lease or master lease.

"Guarantor" means any Person that is a party to the Guaranty as a "Guarantor" and in any event shall include each Material Subsidiary (unless an Excluded Subsidiary or a Subsidiary that owns any Non-Controlled Property.)

"Guaranty," "Guaranteed," "Guarantying" or to **"Guarantee"** as applied to any obligation means and includes: (a) a guaranty (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), directly or indirectly, in any manner, of any part or all of such obligation, or (b) an agreement, direct or indirect, contingent or otherwise, and whether or not constituting a guaranty, the practical effect of which is to assure the payment or performance (or payment of damages in the event of nonperformance) of any part or all of such obligation whether by: (i) the purchase of securities or obligations, (ii) the purchase, sale or lease (as lessee or lessor) of property or the purchase or sale

of services primarily for the purpose of enabling the obligor with respect to such obligation to make any payment or performance (or payment of damages in the event of nonperformance) of or on account of any part or all of such obligation, or to assure the owner of such obligation against loss, (iii) the supplying of funds to or in any other manner investing in the obligor with respect to such obligation, (iv) repayment of amounts drawn down by beneficiaries of letters of credit, or (v) the supplying of funds to or investing in a Person on account of all or any part of such Person's obligation under a Guaranty of any obligation or indemnifying or holding harmless, in any way, such Person against any part or all of such obligation. When not otherwise specified, "Guaranty" as used herein shall mean the Guaranty to which the Guarantors are parties substantially in the form of Exhibit H.

"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, "TCLP" toxicity or "EP toxicity"; (b) oil, petroleum or petroleum derived substances, natural gas, natural gas liquids or synthetic gas and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (c) any flammable substances or explosives or any radioactive materials; (d) asbestos in any form; (e) toxic mold; and (f) 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) all obligations of such Person in respect of money borrowed; (b) all 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 or services rendered; (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); (e) all Off-Balance Sheet Obligations of such Person; (f) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Mandatorily Redeemable Stock issued by such Person or any other Person, valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; (g) all obligations of such Person in respect of any purchase obligation, repurchase obligation, takeout commitment or forward equity commitment, in each case evidenced by a binding agreement (excluding any such obligation to the extent the obligation can be satisfied by the issuance of Equity Interests (other than Mandatorily Redeemable Stock)); (h) net obligations under any Derivatives Contract not entered into as a hedge against existing Indebtedness, in an amount equal to the Derivatives Termination Value thereof; (i) all Indebtedness of other Persons which such Person has Guaranteed or is otherwise recourse to such Person (except for guaranties of customary exceptions for fraud, misapplication of funds, environmental indemnities and other similar exceptions to recourse liability (but not

exceptions relating to bankruptcy, insolvency, receivership or other similar events)); (j) all Indebtedness of another Person secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness or other payment obligation; and (k) such Person's pro rata share of the Indebtedness of any Unconsolidated Affiliate of such Person. By way of example only and not in limitation of the preceding sentence, Indebtedness of any Person shall include Indebtedness of any partnership or joint venture in which such Person is a general partner or joint venturer to the extent of such Person's pro rata share of the ownership of such partnership or joint venture (except if such Indebtedness, or any portion thereof, is recourse to such Person, in which case the greater of such Person's pro rata portion of such Indebtedness or the amount of the recourse portion of the Indebtedness, shall be included as Indebtedness of such Person). All Loans shall constitute Indebtedness of the Borrower.

"Intellectual Property" has the meaning given that term in Section 6.1.(s).

"Interest Expense" means, for any period, without duplication, (a) total interest expense of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP for such period, including capitalized interest not funded under a construction loan on a consolidated basis, plus (b) the Borrower's pro rata share of Interest Expense of Unconsolidated Affiliates for such period.

"Interest Period" means with respect to any LIBOR Loan, each period commencing on the date such LIBOR Loan is made, or in the case of the Continuation of a LIBOR Loan the last day of the preceding Interest Period for such Loan, or deemed made and ending one week, 1, 2, 3 or 6 months or 1 year thereafter, as the Borrower may select in the Notice of Borrowing, a Notice of Continuation or a Notice of Conversion, as the case may be, except that each Interest Period (other than an Interest Period with a one week duration) that commences on the last Business Day of a calendar month, or on a day for which there is no 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 and (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the immediately following Business Day (or, if such immediately following Business Day falls in the next calendar month, on the immediately preceding Business Day).

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

"Investment" means, (x) with respect to any Person, any acquisition or investment (whether or not of a controlling interest) by such Person, by means of any of the following: (a) the purchase or other acquisition of any Equity Interest in another Person, (b) a loan, advance or extension of credit to, capital contribution to, Guaranty of Indebtedness of, or purchase or other acquisition of any Indebtedness of, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute the business or a division or operating unit of another Person and (y) with respect to any Property or other asset, the

acquisition thereof. Any binding commitment to make an Investment in any other Person, as well as any option of another Person to require an Investment in such Person, shall constitute an Investment. Except as expressly provided otherwise, for purposes of determining compliance with any covenant contained in a Loan Document, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“**Investment Grade Rating**” means a Credit Rating of BBB-/Baa3 (or equivalent) or higher from either of the Rating Agencies.

“**Lender**” means each financial institution from time to time party hereto as a “Lender,” together with its respective successors and permitted assigns.

“**Lending Office**” means, for each Lender and for each Type of Loan, the office of such Lender specified in such Lender’s Administrative Questionnaire, or such other office of such Lender of which such Lender may notify the Agent in writing from time to time.

“**Level**” has the meaning given that term in the definition of the term “Applicable Margin.”

“**LIBOR**” means, 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 LIBOR01 Page (or any successor 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. If for any reason such rate is not available, LIBOR shall be, for any Interest Period, the rate per annum reasonably determined by the Agent as the rate of interest at which Dollar deposits in the approximate amount of the LIBOR Loan comprising part of such borrowing would be offered by the Agent to major banks in the London interbank Eurodollar market at their request at or about 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.

“**LIBOR Loan**” means a Loan bearing interest at a rate based on LIBOR.

“**Lien**” as applied to the property of any Person means: (a) any security interest, encumbrance, mortgage, deed to secure debt, deed of trust, assignment of leases and rents, pledge, lien, charge 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, rents 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, other than any precautionary filing not otherwise constituting or giving rise to a Lien, including a financing statement filed (i) in respect of a lease not constituting a Capitalized Lease Obligation pursuant to Section 9-505 (or a successor provision)

of the Uniform Commercial Code or its equivalent as in effect in an applicable jurisdiction or (ii) in connection with a sale or other disposition of accounts or other assets not prohibited by this Agreement in a transaction not otherwise constituting or giving rise to a Lien; and (d) any agreement by such Person to grant, give or otherwise convey any of the foregoing.

“**Loan**” means a loan made by a Lender to the Borrower pursuant to Section 2.1.

“**Loan Document**” means this Agreement, each Note, the Guaranty 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 and 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.

“**Major Default**” means a Default resulting from the occurrence of any of the events described in Section 10.1.(a), Section 10.1.(b), Section 10.1.(f) or Section 10.1.(g).

“**Mandatorily Redeemable Stock**” means, with respect to any Person, any Equity Interest of such Person which by the terms of such Equity Interest (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable), upon the happening of any event or otherwise, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than an Equity Interest to the extent redeemable in exchange for common stock or other equivalent common Equity Interests), (b) is convertible into or exchangeable or exercisable for Indebtedness or Mandatorily Redeemable Stock, or (c) is redeemable at the option of the holder thereof, in whole or in part (other than an Equity Interest which is redeemable solely in exchange for common stock or other equivalent common Equity Interests), in each case on or prior to the date on which all Loans (as defined in the Existing Credit Agreement) are scheduled to be due and payable in full pursuant to the terms of the Existing Credit Agreement. For purposes of this definition, Equity Interests in any of the following Subsidiaries which the Borrower is obligated to acquire pursuant to currently existing agreements with the holders of such Equity Interest shall not be considered to be Mandatorily Redeemable Stock: Congressional Plaza Associates, LLC; Street Retail West 4, L.P.; Street Retail West 7, L.P., FR Pike 7 Limited Partnership, Federal Realty Partners L.P., and FR Leesburg Plaza, LP.

“**Material Adverse Effect**” means a materially adverse effect on (a) the business, assets, liabilities, financial condition or results of operations 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 Agent under any of the Loan Documents or (e) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith.

“Material Contract” means any contract or other arrangement (other than Loan Documents), whether written or oral, to which the Borrower, any Subsidiary or any other Loan Party is a party as to which the breach, nonperformance, cancellation or failure to renew (if renewable by its terms) by any party thereto could reasonably be expected to have a Material Adverse Effect.

“Material Indebtedness” has the meaning given that term in Section 10.1.(e)(i).

“Material Subsidiary” means any Subsidiary to which more than two percent of Adjusted Total Asset Value is attributable on an individual basis.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“Mortgage” means a mortgage, deed of trust, deed to secure debt or similar security instrument 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 of such Person or another Person.

“Mortgage Receivable” means a promissory note secured by a Mortgage of which the Borrower, a Guarantor or one of their respective Subsidiaries is the holder and retains the rights of collection of all payments thereunder.

“Multiemployer Plan” means at any time a multiemployer 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.

“Multifamily Property” means a Property improved with, and from which at least 80% of the rental income is derived from, residential apartments.

“Negative Pledge” means, with respect to a given asset, any provision of a document, instrument or agreement (other than any Loan Document) which prohibits or purports to prohibit the creation or assumption of any Lien on such asset as security for Indebtedness of the Person owning such asset or any other Person; provided, however, that an agreement that conditions a Person’s ability to encumber its assets upon the maintenance of one or more specified ratios that limit such Person’s ability to encumber its assets but that do not generally prohibit the encumbrance of its assets, or the encumbrance of specific assets, shall not constitute a Negative Pledge.

“Net Operating Income” or **“NOI”** means, for any Property and for a given period, the sum of the following (without duplication and determined on a consistent basis with prior periods): (a) rents and other revenues received in the ordinary course from such 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 paid (excluding interest but including an appropriate accrual for taxes and insurance) related to the ownership, operation or maintenance of such Property, including but not limited to

taxes, assessments and the like, 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 Property, but specifically excluding general overhead expenses of the Borrower or any Subsidiary and any property management fees) minus (c) the Capital Reserves for such Property as of the end of such period minus (d) the greater of (i) the actual property management fee paid during such period and (ii) an imputed management fee in the amount of three percent (3.0%) of the gross revenues for such Property for such period.

“**Net Proceeds**” means with respect to any Equity Issuance by a Person, the aggregate amount of all cash and the Fair Market Value of all other property (other than securities of such same Person being converted or exchanged in connection with such Equity Issuance) 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-Controlled Property**” means an Eligible Property owned in fee simple (or leased under a Ground Lease) by (a) an Unconsolidated Affiliate or (b) a Subsidiary that is not a Wholly Owned Subsidiary but which Property does not otherwise qualify as a Controlled Property.

“**Note**” has the meaning given that term in Section 2.8.

“**Notice of Borrowing**” means a notice in the form of Exhibit B to be delivered to the Agent pursuant to Section 2.1.(b) evidencing the Borrower’s request for the borrowing of the Loans.

“**Notice of Continuation**” means a notice in the form of Exhibit C to be delivered to the Agent pursuant to Section 2.6. evidencing the Borrower’s request for the Continuation of a LIBOR Loan.

“**Notice of Conversion**” means a notice in the form of Exhibit D to be delivered to the Agent pursuant to Section 2.7. evidencing the Borrower’s request for the Conversion of a Loan from one Type to another Type.

“**Obligations**” means, individually and collectively: (a) the aggregate principal balance of, and all accrued and unpaid interest on, all Loans and (b) all other indebtedness, liabilities, obligations, covenants and duties of the Borrower and the other Loan Parties owing to the 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 Property at any time, the ratio, expressed as a percentage, of (a) the net rentable square footage of such Property for which the Borrower or a Subsidiary is collecting rent, or for which a lease has been signed but the term has not yet

commenced, to (b) the total square footage of such Property available for lease; *provided*, that, in the case of a Multifamily Property, “Occupancy Rate” means the ratio, expressed as a percentage, of (a) the net rentable units of such Multifamily Property for which the Borrower or a Subsidiary is collecting rent, or for which a lease has been signed but the term has not yet commenced, to (b) the total units of such Multifamily Property available for lease.

“**OFAC**” means the Office of Foreign Assets Control of the United States Department of the Treasury, and any successor Governmental Authority for such office.

“**Off-Balance Sheet Obligations**” means liabilities and obligations of the Borrower, any Subsidiary or any other Person in respect of “off-balance sheet arrangements” (as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated under the Securities Act) which the Borrower would be required to disclose in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of the Borrower’s report on Form 10-Q or Form 10-K (or their equivalents) which the Borrower is required to file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor).

“**Participant**” has the meaning given that term in Section 12.5.(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 pursuant to any Environmental Laws) 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 7.6.; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workers’ 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) the rights of tenants under leases or subleases not interfering with the ordinary conduct of business of such Person; (e) Liens in favor of the Agent for the benefit of the Lenders; (f) Liens in favor of the Borrower or a Guarantor securing obligations owing by a Subsidiary to the Borrower or a Guarantor, which obligations have been subordinated to the obligations owing by the Borrower and the Guarantors under the Loan Documents on terms satisfactory to the Agent; (g) Liens in existence as of the Agreement Date set forth in Part II of Schedule 6.1.(f); and (h) Liens securing Indebtedness permitted by Section 9.6.

“**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 (a) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (b) 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 the Base Rate as in effect from time to time plus the Applicable Margin for Base Rate Loans plus four percent (4.0%).

“Preferred Dividends” means, for any period and without duplication, all Restricted Payments paid during such period on Preferred Equity Interests issued by the Borrower or a Subsidiary. Preferred Dividends shall not include dividends or distributions (a) paid or payable solely in Equity Interests (other than Mandatorily Redeemable Stock) payable to holders of such class of Equity Interests; (b) paid or payable to the Borrower or a Subsidiary; or (c) constituting balloon, bullet or similar redemptions resulting in the redemption of Preferred Equity Interests in full.

“Preferred Equity Interests” means, with respect to any Person, Equity Interests in such Person which are entitled to preference or priority over any 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 Lender then acting as the 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 Lender acting as the Agent or any other Lender.

“Principal Office” means the office of the Agent located at One Wachovia Center, Charlotte, North Carolina, or such other office of the Agent as the Agent may designate from time to time.

“Property” means any parcel of real property owned or leased (in whole or in part) or operated by the Borrower, any Subsidiary or any Unconsolidated Affiliate of the Borrower and which is located in a state of the United States of America or the District of Columbia.

“Rating Agency” means S&P or Moody’s, as applicable.

“Register” has the meaning given that term in Section 12.5.(e).

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

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

“Requisite Lenders” means, as of any date, Lenders holding at least 66-2/3% of the principal amount of the aggregate outstanding Loans. Loans held by Defaulting Lenders shall be disregarded when determining the Requisite Lenders.

“Responsible Officer” means with respect to the Borrower or any Subsidiary, the chief executive officer, the chief financial officer, the treasurer or the chief operations officer, and in the case of the Borrower, the Senior Vice President-Capital Markets & Investor Relations or the Vice President-Chief Accounting Officer of the Borrower.

“Restricted Payment” means: (a) any dividend or other distribution, direct or indirect, on account of any Equity Interest of the Borrower or any Subsidiary now or hereafter outstanding, except a dividend payable solely in Equity Interests of identical class 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 Equity Interest of the Borrower or any Subsidiary now or hereafter outstanding; and (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any Equity Interests of the Borrower or any Subsidiary now or hereafter outstanding.

“Retail Property” means (a) any Property identified as a “Retail Property” on Schedule 6.1.(x) and (b) any Property, a substantial use of which, is the retail sale of goods and services.

“Sanctioned Entity” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, (d) a Person resident in, or determined to be resident in, a country that is subject to a country sanctions program administered and enforced by OFAC described or referenced at <http://www.ustreas.gov/offices/enforcement/ofac/> or as otherwise officially published by OFAC from time to time.

“Sanctioned Person” means a Person named on the list of Specially Designated Nationals maintained by OFAC available at or through <http://www.ustreas.gov/offices/enforcement/ofac/> or as otherwise officially published from time to time.

“Secured Indebtedness” means, with respect to any Person, (a) all Indebtedness of such Person that is secured in any manner by any Lien on any Property plus (b) 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.

“**Significant Subsidiary**” means any Subsidiary to which more than \$10,000,000 of Total Asset Value is attributable on an individual basis.

“**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 if such affiliate is not itself Solvent) are each in excess of the fair valuation of its total liabilities (including all contingent liabilities computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that could reasonably be expected to become an actual and matured liability); (b) such Person is able to pay its debts or other obligations in the ordinary course as they mature; and (c) such Person has capital not unreasonably small to carry on its business and all business in which it proposes to be engaged.

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors.

“**Specified Non-Wholly Owned Subsidiaries**” means Congressional Plaza Associates, LLC; FRIT Escondido Promenade, LLC; Street Retail West 4, L.P.; and Street Retail West 7, L.P.

“**Stabilized Property**” means a completed Property that has achieved an Occupancy Rate of at least 85%.

“**Subsidiary**” means, for any Person, any corporation, partnership or other entity of which at least a majority of the Equity 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, and shall include all Persons the accounts of which are consolidated with those of such Person pursuant to GAAP.

“**Tangible Net Worth**” means, as of a given date, the stockholders’ equity of the Borrower and Subsidiaries determined on a consolidated basis plus (a) accumulated depreciation and amortization minus the following (to the extent reflected in determining stockholders’ equity of the Borrower and its Subsidiaries): (b) the amount of any write-up in the book value of any assets contained in any balance sheet resulting from revaluation thereof or any write-up in excess of the cost of such assets acquired, and (c) all amounts appearing on the assets side of any such balance sheet for assets which would be classified as intangible assets under GAAP, all determined on a consolidated basis.

“**Taxes**” has the meaning given that term in Section 3.12.(a).

“**Termination Date**” means November 6, 2008, or such later date to which the Termination Date may be extended pursuant to Section 2.9.

“Titled Agents” means each of the Arranger, the Documentation Agents, and the Managing Agents and their respective successors and permitted assigns.

“Total Asset Value” means the sum of all of the following of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP applied on a consistent basis: (a) cash and cash equivalents, plus (b) with respect to each Stabilized Property owned by the Borrower or any Subsidiary, (i) EBITDA attributable to such Property for the fiscal quarter most recently ended (adjusted for acquisitions and dispositions) times (ii) 4, divided by (iii) the Capitalization Rate, plus (c) the GAAP book value of Properties acquired during the most recent quarter, plus (d) Construction-in-Process until the earlier of the (i) one year anniversary date of project completion or (ii) the second quarter after the project achieves an Occupancy Rate of 85%, plus (e) the GAAP book value of Unimproved Land, Mortgage Receivables and other promissory notes. The Borrower’s pro rata share of assets held by Unconsolidated Affiliates will be included in Total Asset Value calculations consistent with the above described treatment for wholly owned assets. For purposes of determining Total Asset Value, EBITDA from Properties acquired or disposed of by the Borrower and its Subsidiaries during the period of determination shall be excluded from clause (b) above.

“Total Indebtedness” means all Indebtedness of the Borrower and its Subsidiaries determined on a consolidated basis.

“Type” with respect to any Loan, refers to whether such Loan is a LIBOR Loan or Base Rate Loan.

“Unconsolidated Affiliate” means, 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.

“Unencumbered Adjusted NOI” means, for any period, NOI from (a) Wholly Owned Properties; (b) Controlled Properties; and (c) Non-Controlled Properties, all of which have been owned for the entire period and as adjusted for any non-recurring items during the reporting period. For purposes of this definition, to the extent the NOI attributable to Non-Controlled Properties would exceed 10% of the Unencumbered Adjusted NOI, such excess shall be excluded.

“Unencumbered Asset Value” means (a) the Unencumbered Adjusted NOI for the fiscal quarter most recently ending times 4 divided by the Capitalization Rate, plus (b) the GAAP book value of all Properties acquired during the fiscal quarter most recently ended which Properties are not subject to any Lien other than Permitted Liens (excluding Permitted Liens of the type described in clauses (g) and (h) of the definition thereof) or subject to any Negative Pledge, plus (c) the GAAP book value of Development Property not subject to any Lien other than Permitted Liens (excluding Permitted Liens of the type described in clauses (g) and (h) of the definition thereof) or subject to any Negative Pledge, until the earlier of (i) the one year anniversary date of project completion or (ii) the second quarter after the project achieves an Occupancy Rate of

85%. For purposes of this definition, to the extent the Unencumbered Asset Value attributable to Development Properties would exceed 10% of the Unencumbered Asset Value, such excess shall be excluded.

“**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.

“**Unimproved Land**” consists of land on which no development (other than paving or other improvements that are not material and are temporary in nature) has occurred and for which no development is planned in the 12 months following any date of determination.

“**Unsecured Indebtedness**” means Indebtedness which is not Secured Indebtedness.

“**Unstabilized Property**” means a Property (a) the improvements on which were completed within twelve months prior to any date of determination; and (b) which has not achieved an Occupancy Rate of 85%.

“**Wachovia**” means Wachovia Bank, National Association, together with its successors and permitted assigns.

“**Wholly Owned Property**” means an Eligible Property which is wholly owned in fee simple (or leased under a Ground Lease) by only the Borrower or a Guarantor that is a Wholly Owned Subsidiary.

“**Wholly Owned Subsidiary**” means any Subsidiary of a Person in respect of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors’ qualifying shares) are at the time directly or indirectly owned or controlled by such Person or one or more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries of such Person.

Section 1.2. General; References to Times.

Unless otherwise indicated, all accounting terms, ratios and measurements shall be interpreted or determined in accordance with GAAP; provided that, if at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Requisite Lenders shall so request, the Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Requisite Lenders); provided further that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Agent financial statements and other documents required under

this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. 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 as of the date of this Agreement and from time to time thereafter to the extent not prohibited 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 direct or indirect Subsidiary of the Borrower 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.

Section 1.3. Financial Attributes of Non-Wholly Owned Subsidiaries.

When determining the Borrower’s compliance with any financial covenant contained in any of the Loan Documents, only the Borrower’s pro rata share of the financial attributes of a Subsidiary that is not a Wholly Owned Subsidiary shall be included.

ARTICLE II. CREDIT FACILITY

Section 2.1. Loans.

(a) Generally. Subject to the terms and conditions hereof, on the Effective Date each Lender severally and not jointly agrees to make a Loan to the Borrower in a principal amount not to exceed the amount of such Lender’s Commitment. Once repaid, the principal amount of a Loan may not be reborrowed.

(b) Requesting. The Borrower shall give the Agent notice pursuant to the Notice of Borrowing of the borrowing of the Loans no later than 11:00 a.m. on the date three Business Days prior to the anticipated Effective Date. Such Notice of Borrowing shall be irrevocable once given and binding on the Borrower.

(c) Disbursements of Loan Proceeds. No later than 1:00 p.m. on the Effective Date, each Lender will make available for the account of its applicable Lending Office to the Agent at the Principal Office, in immediately available funds, the proceeds of the Loan to be made by such Lender. Subject to satisfaction of the applicable conditions set forth in Article V. for such borrowing, the Agent will make the proceeds of such borrowing available to the Borrower no later than 2:00 p.m. on such date and at the account specified by the Borrower in the Notice of Borrowing.

Section 2.2. Rates and Payment of Interest on Loan.

(a) Rates. The Borrower promises to pay to the Agent for the account of each Lender interest on the unpaid principal amount of the 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; and
- (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.

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

(b) Payment of Interest. Accrued and unpaid interest on each Loan shall be payable (i) in the case of a Base Rate Loan, monthly in arrears on the first day of each calendar month, (ii) in the case of a LIBOR Loan, in arrears on the last day of each Interest Period therefor, and, if such Interest Period is longer than three months, at three-month intervals following the first day of such Interest Period, and (iii) in the case of any Loan, in arrears upon the payment, prepayment or Continuation thereof or the Conversion of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid, Continued or Converted). 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 Agent shall give notice thereof to the Lenders to which such interest is payable and to the Borrower. All determinations by the Agent of an interest rate hereunder shall be conclusive and binding on the Lenders and the Borrower for all purposes, absent manifest error.

(c) Ratings Change. If the Applicable Margin shall change as a result of a change in the Borrower's Credit Rating and then within a 90-day period change back to the Applicable Margin in effect at the beginning of such period as a result of another change in such Credit Rating, and (i) if the initial change in the Applicable Margin was an increase, then the Borrower will receive as a credit against its Obligations for the period during which the increase existed any incremental interest expense with respect to the Loans the interest rate on which included the Applicable Margin and (ii) if the initial change in the Applicable Margin was a decrease, then the Borrower shall promptly pay to the Agent for the ratable benefit of the Lenders for the period during which the increase existed determined as if such decrease had not occurred additional interest with respect to the Loans the interest rate on which included the Applicable Margin.

Section 2.3. Number of Interest Periods.

There may be no more than 6 different Interest Periods for LIBOR Loans outstanding at the same time.

Section 2.4. Repayment of Loans.

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

Section 2.5. Prepayments.

Subject to Section 4.4., the Borrower may prepay the Loans, in whole or in part, at any time without premium or penalty. The Borrower shall give the Agent at least one Business Day's prior written notice of the prepayment of the Loans.

Section 2.6. Continuation.

So long as no Event of Default shall exist, 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 immediately preceding Interest Period. Each selection of a new Interest Period shall be made by the Borrower giving to the Agent a Notice of Continuation not later than 11:00 a.m. 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 Loans and portions thereof subject to such Continuation and (c) the duration of the selected Interest Period. Each Notice of Continuation shall be irrevocable by and binding on the Borrower once given. Promptly after receipt of a Notice of Continuation, the Agent shall notify each Lender holding any such Loan being Continued by 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, or if an Event of Default shall exist at the end of the current Interest Period of a LIBOR Loan, such Loan will automatically, on the last day of the current Interest Period therefor, Convert into a Base Rate Loan notwithstanding the first sentence of Section 2.7. or the Borrower's failure to comply with any of the terms of such Section.

Section 2.7. Conversion.

The Borrower may on any Business Day, upon the Borrower's giving of a Notice of Conversion to the Agent, Convert all or a portion of a Loan of one Type into a Loan of another Type; provided, however, a Base Rate Loan may not be Converted to a LIBOR Loan if an Event of Default shall exist. 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 11:00 a.m. on the date of any proposed Conversion into Base Rate Loans and 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 Agent shall notify each Lender holding a Loan being Converted 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 (confirmed immediately in writing) or telecopy in the form of a Notice of Conversion specifying (a) the requested date of such Conversion, (b) the Type of Loan to be Converted, (c) the portion of such Type of Loan to be Converted, (d) the Type of Loan such 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 2.8. Notes.

(a) Notes. The Loan made by each Lender shall, in addition to this Agreement, also be evidenced by a promissory note of the Borrower substantially in the form of Exhibit E (each a “**Note**”), payable to the order of such Lender in a principal amount equal to the amount of its Commitment and otherwise duly completed.

(b) Records. The date, amount, interest rate, Type and duration of Interest Periods (if applicable) of the Loan made by each Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books and such entries shall be binding on the Borrower, absent manifest error; provided, however, that the failure of a Lender to make any such record shall not affect the obligations of the Borrower under any of the Loan Documents.

(c) Lost, Stolen, Destroyed or Mutilated Notes. Upon receipt by the Borrower of (i) written notice from a Lender that the Note of such Lender has been lost, stolen, destroyed or mutilated, and (ii) (A) in the case of loss, theft or destruction, an unsecured agreement of indemnity from such Lender in form reasonably satisfactory to the Borrower, or (B) in the case of mutilation, upon surrender and cancellation of such Note, the Borrower shall at the expense of such Lender execute and deliver to such Lender a new Note dated the date of such lost, stolen, destroyed or mutilated Note.

Section 2.9. Extension of Termination Date.

The Borrower shall have the right, exercisable one time, to extend the Termination Date for one year. The Borrower may exercise such right only by executing and delivering to the Agent at least 90 days but not more than 180 days prior to the current Termination Date, a written request for such extension (an “**Extension Request**”). The Agent shall forward to each Lender a copy of the Extension Request delivered to the Agent promptly upon receipt thereof. Subject to satisfaction of the following conditions, the Termination Date shall be extended for one year effective upon receipt of the Extension Request and payment of the fee referred to in the following clause (b): (a) immediately prior to such extension and immediately after giving effect thereto, (i) no Default or Event of Default shall exist and (ii) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party shall be true and correct in all material respects on

and as of the date of such extension 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 correct in all material respects on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents and (b) the Borrower shall have paid the Fees payable under Section 3.6.(a).

ARTICLE III. PAYMENTS, FEES AND OTHER GENERAL PROVISIONS

Section 3.1. Payments.

Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement or any other Loan Document shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to the Agent at its Principal Office, not later than 2:00 p.m. on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Subject to Section 10.3., the Borrower may, at the time of making each payment under this Agreement or any Note, specify to the Agent the amounts payable by the Borrower hereunder to which such payment is to be applied. Each payment received by the 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 Agent fails to pay such amount to a Lender as provided in the previous sentence, the Agent shall pay interest on such amount until paid at a rate per annum equal to the Federal Funds Rate from time to time in effect. If the due date of any payment under this Agreement or any other Loan Document would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for the period of such extension.

Section 3.2. Pro Rata Treatment.

Except to the extent otherwise provided herein:

(a) the making of the Loans under Section 2.1. shall be made, pro rata according to amounts of the Lenders' respective Commitments and payment of the Fee under Section 3.6.(a), shall be made for the account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them;

(b) each payment or prepayment of principal of Loans by the Borrower shall be made for the account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them;

(c) each payment of interest on the Loans by the Borrower shall be made for the account of the Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders; and

(d) the Conversion and Continuation of the Loans of a particular Type (other than Conversions provided for by Section 4.5.) shall be made pro rata among the Lenders according to the amounts of their respective Loans and the then current Interest Period for each Lender's portion of each Loan of such Type shall be coterminous.

Section 3.3. Sharing of Payments, Etc.

If a Lender shall obtain payment of any principal of, or interest on, the Loan made by it to the Borrower under this Agreement, or shall obtain payment on any other Obligation owing by the Borrower or other Loan Party 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 10.3., as applicable, such Lender shall promptly purchase from the other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans made by the other Lenders or other Obligations owed to such other Lenders in such amounts, 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 10.3., as applicable. 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. The Borrower agrees that any Lender so purchasing a participation (or direct interest) in the Loans or other Obligations owed to such other Lenders pursuant to this Section may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

Section 3.4. Several Obligations.

No Lender shall be responsible for the failure of any other Lender to make 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) Generally. Base Rate Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$500,000 in excess thereof. LIBOR Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$1,000,000 in excess of that amount.

(b) Prepayments. Each voluntary prepayment of the Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$100,000 in excess thereof (or, if less, the aggregate principal amount of Loans then outstanding).

Section 3.6. Fees.

(a) Extension Fee. If the Borrower exercises its right to extend the Termination Date in accordance with Section 2.9., the Borrower agrees to pay to the Agent for the account of the Lenders a fee equal to one-tenth of one percent (0.10%) of the principal balance of the Loans outstanding at the time of such extension. Such fee shall be due and payable in full on the date the Agent receives the Extension Request.

(b) Administrative and Other Fees. The Borrower agrees to pay the administrative and other fees of the Agent as may be agreed to in writing by the Borrower and the Agent from time to time.

Section 3.7. Computations.

Unless otherwise expressly set forth herein, any accrued interest on any Loan, any Fees or any other Obligations due hereunder shall be computed on the basis of a year of 360 days and the actual number of days elapsed, except in the case of Base Rate Loans which shall be computed on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed.

Section 3.8. 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 any other Loan Party or received by any Lender, then such excess sum shall be credited as a payment of principal, except to the extent the payment thereof as principal would result in the payment of amounts under Section 4.4., in which case such amount shall be paid to the Borrower or whomever else may be legally entitled thereto. It is the express intent of the parties hereto that the Borrower not pay and the Lenders not receive, directly or indirectly, in any manner whatsoever, interest in excess of that which may be lawfully paid by the Borrower under Applicable Law.

Section 3.9. Agreement Regarding Interest and Charges.

The parties hereto hereby agree and stipulate that the only charge imposed upon the Borrower for the use of money in connection with this Agreement is and shall be the interest specifically described in Section 2.2.(a)(i) and (ii). Notwithstanding the foregoing, the parties hereto further agree and stipulate that all agency fees, syndication fees, closing fees, underwriting fees, default charges, late charges, funding or "breakage" charges, increased cost charges, attorneys' fees and reimbursement for costs and expenses paid by the Agent or any Lender to third parties or for damages incurred by the Agent or any Lender, in each case in connection with the transactions contemplated by this Agreement and the other Loan Documents, are charges made to compensate the 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 Agent and the Lenders in connection with this Agreement and shall under no circumstances be deemed to be charges for the use of money. All charges other than charges for the use of money shall be fully earned and nonrefundable when due.

Section 3.10. Statements of Account.

The Agent will account to the Borrower monthly with a statement of Loans, accrued interest and Fees, charges and payments made pursuant to this Agreement and the other Loan Documents, and such account rendered by the Agent shall be deemed conclusive upon Borrower absent manifest error. The failure of the 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 two Business Days after notice from the Agent, then, in addition to the rights and remedies that may be available to the 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 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 Agent of any amount required to be paid to the Agent hereunder (without giving effect to any notice or cure periods), in addition to other rights and remedies which the Agent or the Borrower may have under the immediately preceding provisions or otherwise, the 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 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 Agent in respect of a Defaulting Lender’s Loans shall not be paid to such Defaulting Lender and shall be held uninvested by the Agent and either applied against the purchase price of such Loans under the following subsection (b) or paid to such Defaulting Lender upon the Defaulting Lender’s curing of its default.

(b) Purchase or Cancellation of Defaulting Lender’s Loan. Any Lender who is not a Defaulting Lender shall have the right, but not the obligation, in its sole discretion, to acquire all of the unpaid principal balance of the Defaulting Lender’s Loan. Any Lender desiring to exercise such right shall give written notice thereof to the Agent and the Borrower no sooner than 2 Business Days and not later than 5 Business Days after such Defaulting Lender became a Defaulting Lender. If more than one Lender exercises such right, each such Lender shall have the right to acquire an amount of the unpaid principal balance of the Defaulting Lender’s Loan in proportion to the respective unpaid principal balance of the Loans held by other Lenders exercising such right. If after such 5th Business Day, the Lenders have not elected to purchase

all of the unpaid principal balance of such Defaulting Lender's Loan, then the Borrower may, by giving written notice thereof to the Agent, such Defaulting Lender and the other Lenders demand that such Defaulting Lender assign the unpaid principal balance of its Loan to an Eligible Assignee subject to and in accordance with the provisions of Section 12.5.(d) for the purchase price provided for below, whereupon such Defaulting Lender shall no longer be a party hereto or have any rights or obligations under any of the Loan Documents. No party hereto shall have any obligation whatsoever to initiate any such replacement or to assist in finding an Eligible Assignee. Upon any such purchase or assignment, the Defaulting Lender's interest in the Loans and its rights hereunder with respect thereto (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 or assignee thereof, including an appropriate Assignment and Acceptance Agreement and, notwithstanding Section 12.5.(d) shall pay to the Agent an assignment fee in the amount of \$7,000. The purchase price for the Loan of a Defaulting Lender shall be equal to the amount of the principal balance of the Loan outstanding and owed by the Borrower to the Defaulting Lender. Prior to payment of such purchase price to a Defaulting Lender, the Agent shall apply against such purchase price any amounts retained by the 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 Agent from or on behalf of the Borrower. There shall be no recourse against any Lender or the 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 3.12. 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) with respect to the Agent or a Lender that would not be imposed but for a connection between the Agent or such Lender and the jurisdiction imposing such taxes (other than a connection arising solely by virtue of the activities of the Agent or such Lender pursuant to or in respect of this Agreement or any other Loan Document), (iii) any taxes imposed on or measured by any Lender's assets, net income, gross receipts or branch profits, (iv) any withholding taxes payable with respect to payments hereunder or under any other Loan Document under Applicable Law as currently interpreted and applied as of the Agreement Date, 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:

(i) pay directly to the relevant Governmental Authority the full amount required to be so withheld or deducted prior to the date the same would become delinquent;

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

(iii) without duplication of amounts paid pursuant to the immediately preceding clause (i), pay to the 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 Agent or such Lender will equal the full amount that the 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 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 Agent and the Lenders for any incremental Taxes, interest or penalties that may become payable by the Agent or any Lender as a result of any such failure. For purposes of this Section, a distribution hereunder by the 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 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 W-8ECI and W-8BEN, 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 and (ii) not subject to United States Federal withholding tax imposed under the Internal Revenue Code. Each such Lender or Participant shall, to the extent it may lawfully do so, (x) deliver further copies of such forms or other appropriate certifications on or before the date that any such forms expire or become obsolete and after the occurrence of any event requiring a change in the most recent form delivered to the Borrower or the Agent and (y) obtain such extensions of the time for filing, and renew such forms and certifications thereof, as may be reasonably requested by the Borrower or the Agent. The Borrower shall not be required to pay any amount pursuant to the last sentence of subsection (a) above (or in respect thereof, under subsection (b) above) to any Lender or Participant that is organized under the laws of a jurisdiction outside of the United States of America or the Agent, if it is organized under the laws of a jurisdiction outside of the United States of America, if such Lender, Participant or the Agent, as applicable, fails to comply with the requirements of this subsection. If any such Lender or Participant, to the extent it may lawfully do so, fails to deliver the above forms or other documentation, then the Agent may withhold from any payments to be made to such Lender under any of the Loan Documents such amounts as are required by the Internal Revenue Code. If any Governmental Authority asserts that the Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made

to or for the account of any Lender, such Lender shall indemnify the Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, and costs and expenses (including all reasonable fees and disbursements of any law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel) of the Agent. The obligation of the Lenders under this Section shall survive repayment of all Obligations and the resignation or replacement of the Agent.

ARTICLE IV. YIELD PROTECTION, ETC.

Section 4.1. Additional Costs; Capital Adequacy.

(a) Additional Costs. The Borrower shall promptly pay to the 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 Loan (such increases in costs and reductions in amounts receivable being herein called “**Additional Costs**”), to the extent 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 its Loan (other than taxes, fees, duties, levies, imposts, charges, deductions, withholdings or other charges which are excluded from the definition of Taxes pursuant to the first sentence of Section 3.12.(a) or payable as a result of failing to deliver forms required by Section 3.12.(c)); 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 to the extent 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; 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 Agent), the obligation of such Lender to Continue, or to Convert any other Type of Loans into, LIBOR Loans hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 4.5. shall apply).

(c) **Notification and Determination of Additional Costs.** Each of the Agent and each Lender agrees to notify the Borrower of any event occurring after the Agreement Date entitling the 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 Agent or any Lender to give such notice shall not release the Borrower from any of its obligations hereunder (and in the case of a Lender, to the Agent); provided further that no Lender shall be entitled to claim any additional cost, reduction in amounts, loss, tax or other additional amount under this Article IV if such Lender fails to provide such notice to the Borrower within 180 days of the date such Lender becomes aware of the occurrence of the event giving rise to the additional cost, reduction in amounts, loss, tax or other additional amount. The Agent or such Lender agrees to furnish to the Borrower (and in the case of a Lender, to the Agent) a certificate setting forth the basis and amount of each request by the Agent or such Lender for compensation under this Section. Absent manifest error, determinations by the 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 4.2. 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 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 the Adjusted Eurodollar Rate for such Interest Period, or

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

then the Agent shall give the Borrower and each Lender prompt notice thereof and, so long as such condition remains in effect, the Lenders shall be under no obligation to, and shall not, Continue 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.

Section 4.3. Illegality.

Notwithstanding any other provision of this Agreement, if any Lender shall reasonably determine (which determination shall be conclusive and binding) that it has become unlawful after the Agreement Date for such Lender to honor its obligation to maintain LIBOR Loans hereunder, then such Lender shall promptly notify the Borrower thereof (with a copy to the Agent) and such Lender's obligation to Continue, or to Convert Loans of any other Type into, LIBOR Loans shall be suspended until such time as such Lender may again maintain LIBOR Loans (in which case the provisions of Section 4.5. shall be applicable).

Section 4.4. Compensation.

The Borrower shall pay to the Agent for the account of each Lender, upon the request of such Lender through the 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 reasonably determines is attributable to:

- (a) any payment or prepayment (whether mandatory or optional) of a LIBOR 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 V. to be satisfied) to borrow a LIBOR Loan from such Lender on the requested 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.

Upon the Borrower's request, any Lender requesting compensation under this Section shall provide the Borrower with a statement setting forth the basis for requesting such compensation and the method for determining the amount thereof. Absent manifest error, determinations by any Lender in any such statement shall be conclusive, provided that such determinations are made on a reasonable basis and in good faith.

Section 4.5. Treatment of Affected Loans.

If the obligation of any Lender to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 4.1.(b), 4.2. or 4.3., 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 4.1.(b) or 4.3., on such earlier date as such Lender may specify to the Borrower with a copy to the Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 4.1. or 4.3. 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 Continued by such Lender as LIBOR Loans shall be 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 Agent) that the circumstances specified in Section 4.1. or 4.3. 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) at a time when LIBOR Loans of 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 are held pro rata (as to principal amounts, Types and Interest Periods) in accordance with the respective unpaid principal amount of the Loans held by each of the Lenders.

Section 4.6. Change of Lending Office.

Each Lender agrees that it will file any certificate or document reasonably requested by the Borrower and 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., 4.1. or 4.3. to reduce the liability of the Borrower or avoid the results provided thereunder, so long as such filing or designation is not disadvantageous to such Lender as determined by such Lender in its sole discretion, except that any such Lender shall have no obligation to designate a Lending Office located in the United States of America if such Lender has no office in the United States of America at the time of designation.

Section 4.7. Assumptions Concerning Funding of LIBOR Loans.

Calculation of all amounts payable to a Lender under this Article IV. 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 IV.

Section 4.8. Affected Lenders.

If (a) a Lender requests compensation pursuant to Section 3.12. or 4.1., and the Requisite Lenders are not also doing the same, or (b) the obligation of any Lender to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 4.1.(b) or 4.3. but the obligation of the Requisite Lenders shall not have been suspended under such Sections, then, so long as there does not then exist any Event of Default, the Borrower may demand that such Lender (the "**Affected Lender**"), and upon such demand the Affected Lender shall promptly, assign its Loan to an Eligible Assignee subject to and in accordance with the provisions of Section 12.5.(d) for a purchase price to be agreed upon by the Affected Lender and the Eligible Assignee. Each of the Agent and the Affected Lender shall reasonably cooperate in effectuating the replacement of such Affected Lender under this Section, but at no time shall the Agent, such Affected Lender nor any other Lender be obligated in any way whatsoever to initiate any such replacement or to assist in finding an Eligible Assignee. The exercise by the Borrower of its rights under this Section shall be at the Borrower's sole cost and expenses and at no cost or expense to the Agent, the Affected Lender or any of the other Lenders. Subject to the proviso to Section 4.1.(c), the terms of this Section shall not in any way limit the Borrower's obligation to pay to any Affected Lender compensation owing to such Affected Lender pursuant to Section 3.12. or 4.1. for periods up to the date of replacement.

Section 5.1. Initial Conditions Precedent.

The obligation of the Lenders to make the Loans on the Effective Date is subject to the following conditions precedent:

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

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

(ii) Notes executed by the Borrower and complying with the applicable provisions of Section 2.8. executed by the Borrower;

(iii) The Guaranty executed by each Guarantor existing as of the Effective Date;

(iv) An opinion of counsel to the Loan Parties, addressed to the Agent and the Lenders, in substantially the form set forth in Exhibit F;

(v) The declaration of trust of the Borrower certified as of a recent date by the Secretary of State of the state of its incorporation;

(vi) A good standing certificate with respect to the Borrower issued as of a recent date by the Secretary of State of the state of its incorporation and certificates of qualification to transact business or other comparable certificates issued by the Secretary of State (and any state department of taxation, as applicable) of each state in which the Borrower is required to be so qualified and where the failure to be so qualified could reasonably be expected to have a Material Adverse Effect;

(vii) 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 the Notice of Borrowing and Notices of Continuation and Notices of Conversion;

(viii) Copies, certified by the Secretary or Assistant Secretary of the Borrower, of (i) the bylaws of the Borrower and (ii) all corporate (or comparable) action taken by the Borrower to authorize the execution, delivery and performance of the Loan Documents to which the Borrower is a party;

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

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

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

(xii) Copies certified by the Secretary or Assistant Secretary of each Guarantor (or other individual performing similar functions) of (i) the by-laws of such Guarantor, 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, (ii) all corporate, partnership, member or other necessary action taken by such Guarantor to authorize the execution, delivery and performance of the Loan Documents to which it is a party and (iii) the articles of incorporation, articles of organization, certificate of limited partnership or other comparable organizational instrument (if any) of such Guarantor;

(xiii) The Fees then due and payable under Section 3.6., and any other Fees payable to the Agent, the Titled Agents and the Lenders on or prior to the Effective Date;

(xiv) A Compliance Certificate calculated as of September 30, 2007 (giving pro forma effect to the financing contemplated by this Agreement and the use of the proceeds of the Loans to be funded on the Effective Date);

(xv) The Notice of Borrowing; and

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

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

(i) There shall not have occurred or become known to the Agent or any of the Lenders any event, condition, situation or status since the date of the information contained in the financial and business projections, budgets, pro forma data and forecasts concerning the Borrower and its Subsidiaries delivered to the 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 its Subsidiaries 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 would not reasonably be likely 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; and

(c) No Default or Event of Default shall exist as of the date of the making of such Loans or would exist immediately after giving effect thereto; and

(d) The representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party shall be true and correct on and as of the date of the making of the Loans 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 correct in all material respects on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES

Section 6.1. Representations and Warranties.

In order to induce the Agent and each Lender to enter into this Agreement and to make Loans, the Borrower represents and warrants to the Agent and each Lender as follows:

(a) Organization; Power; Qualification. Each of the Borrower, its Subsidiaries and the other Loan Parties is a corporation, partnership or other legal entity, duly organized or formed, validly existing and 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, Part I of Schedule 6.1.(b) is a true, complete and correct list of all Subsidiaries of the Borrower setting forth for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding any Equity Interests in such Subsidiary, (iii) the nature of the Equity Interests held by each such Person, (iv) the percentage of ownership of such Subsidiary represented by such Equity Interests and (v) whether such Subsidiary is a Material Subsidiary and/or an Excluded Subsidiary and whether such Subsidiary owns a Non-Controlled Property (and if so, which one(s)). Except as disclosed in such Schedule, as of the Agreement Date (i) each of the Borrower and its Subsidiaries owns, free and clear of all Liens (other than Permitted Liens) and has the unencumbered right to vote, all outstanding Equity Interests in each Person shown to be held by it on such Schedule, (ii) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (iii) there are no outstanding subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind (including, without limitation, any stockholders' or voting trust agreements) for the issuance, sale, registration or voting of, or outstanding securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, any such Person. As of the Agreement Date, Part II of Schedule 6.1.(b) correctly sets forth all Unconsolidated Affiliates of the Borrower, including the correct legal name of such Person, the type of legal entity which each such Person is, and all Equity Interests in such Person held directly or indirectly by the Borrower.

(c) Authorization of Agreement, Etc. The Borrower has the right and power, and has taken all necessary action to authorize the Borrower, to borrow and obtain other extensions of credit hereunder. The Borrower and each other Loan Party 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. The 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 and as may be limited by equitable principles generally.

(d) Compliance of Loan Documents 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 and other extensions of credit hereunder do not: (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 organizational documents of the Borrower or 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.

(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 Laws (including without limitation, Environmental Laws) relating such Person 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) Title to Properties; Liens. As of the Agreement Date, Part I of Schedule 6.1.(f) sets forth all of the real property owned or leased by the Borrower, each other Loan Party and each other Subsidiary. Each such Person has good, marketable and legal title to, or a valid leasehold interest in, its respective assets. As of the Agreement Date, there are no Liens against any assets of the Borrower, any Subsidiary or any other Loan Party except for Permitted Liens.

(g) Existing Indebtedness. Schedule 6.1.(g) is, as of September 30, 2007, a complete and correct listing of all Indebtedness of the Borrower and its Subsidiaries, including without limitation, Guarantees of the Borrower and its Subsidiaries, and indicating whether such Indebtedness is Secured Indebtedness or Unsecured Indebtedness. Except as set forth on such Schedule, from September 30, 2007 through the Agreement Date, neither the Borrower nor any of its Subsidiaries has incurred any Indebtedness having an outstanding principal balance in excess of \$1,000,000 in the aggregate.

(h) Litigation. Except as set forth on Schedule 6.1.(h), there are no actions, suits, investigations or proceedings pending (nor, to the knowledge of the Borrower, are there any actions, suits or proceedings threatened, nor to the knowledge of the Borrower is there any 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 could reasonably be expected to have a Material Adverse Effect. 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 could reasonably be expected to have a Material Adverse Effect.

(i) Taxes. All federal, state and other tax returns of the Borrower, any Subsidiary or any other 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 other 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 7.6. As of the Agreement Date, none of the United States income tax returns of the Borrower, its Subsidiaries or any other Loan Party is under audit. All charges, accruals and reserves on the books of the Borrower and each of its Subsidiaries and each other Loan Party in respect of any taxes or other governmental charges are in accordance with GAAP.

(j) Financial Statements. The Borrower has furnished to the Agent copies of (i) the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries for the fiscal year ending December 31, 2006, and the related audited consolidated statements of operations, cash flows and shareholders' equity for the fiscal year ending on such dates, 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, 2007, and the related unaudited consolidated statements of operations, cash flows and shareholders' equity of the Borrower and its consolidated Subsidiaries for the period of three fiscal quarters ending on such date. Such financial statements (including in each case related schedules and notes) are complete 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 audit adjustments). Neither the Borrower nor any of its Subsidiaries 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.

(k) No Material Adverse Change. Since December 31, 2006, there has been no material adverse change in the business, assets, liabilities, financial condition or results of operations of the Borrower and its consolidated Subsidiaries taken as a whole. Each of the Borrower, its Subsidiaries and the other Loan Parties is Solvent.

(l) ERISA. Each member of the ERISA Group is in compliance with its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan, except in each case for noncompliances which could not reasonably be expected to have a Material Adverse Effect. As of the Agreement Date, 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.

(m) Not Plan Assets; No Prohibited Transaction. None of the assets of the Borrower, any Subsidiary or any other Loan Party 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 other Loan Documents, and the borrowing and repayment of amounts hereunder, do not and will not constitute "prohibited transactions" under ERISA or the Internal Revenue Code.

(n) Absence of Defaults. Neither the Borrower, any Subsidiary nor any other Loan Party is in default under its articles of incorporation, bylaws, partnership agreement or other similar organizational documents, and no event has occurred, which has not been remedied, cured or waived, which in any such case: (i) constitutes a Default or an Event of Default; or (ii) constitutes, or which with the passage of time, the giving of notice, a determination of materiality, the satisfaction of any condition, or any combination of the foregoing, would constitute, a default or event of default by the Borrower, any Subsidiary or any other Loan Party under any material agreement (other than this Agreement) or judgment, decree or order to which the Borrower or any Subsidiary or other Loan Party is a party or by which the Borrower or any Subsidiary or other Loan Party or any of their respective properties may be bound where such default or event of default could, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(o) Environmental Laws. Each of the Borrower, its Subsidiaries and the other Loan Parties has obtained all Governmental Approvals which are required under Environmental Laws and is 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. Except for any of the following matters that could not reasonably be expected to have a Material Adverse Effect, (i) the Borrower is not aware of, and has not received notice of, any past, present, or future events, conditions, circumstances, activities, practices, incidents, actions, or plans which, with respect to the Borrower, its Subsidiaries and each 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 (ii) 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 Borrower's knowledge after due inquiry, threatened, against the Borrower, its Subsidiaries and each other Loan Party relating in any way to Environmental Laws.

(p) Investment Company; Etc. Neither the Borrower nor 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, or (ii) 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.

(q) 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 Regulation U of the Board of Governors of the Federal Reserve System.

(r) Affiliate Transactions. Except as permitted by Section 9.10., 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 any other Loan Party is a party.

(s) Intellectual Property. Each of the Borrower, each other Loan Party and each other Subsidiary owns or has the right to use, under valid license agreements or otherwise, all material patents, licenses, franchises, trademarks, trademark rights, trade names, trade name rights, trade secrets and copyrights (collectively, “**Intellectual Property**”) necessary to 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, which conflict could reasonably be expected to have a Material Adverse Effect. The Borrower, each other Loan Party and each other Subsidiary have taken all such steps as they deem reasonably necessary to protect their respective rights under and with respect to such Intellectual Property. No material claim has been asserted by any Person with respect to the use of any Intellectual Property by the Borrower, any other Loan Party or any other Subsidiary, or challenging or questioning the validity or effectiveness of any Intellectual Property. The use of such Intellectual Property by the Borrower, its Subsidiaries and the other Loan Parties, does not infringe on the rights of any Person, subject to such claims and infringements as do not, in the aggregate, give rise to any liabilities on the part of the Borrower, any other Loan Party or any other Subsidiary that could reasonably be expected to have a Material Adverse Effect.

(t) Business. As of the Agreement Date, the Borrower and its Subsidiaries are engaged in the business of acquiring, developing, owning and managing commercial real estate, including retail and multi-family properties, together with other business activities incidental thereto.

(u) Broker’s Fees. No broker’s or finder’s fee, commission or similar compensation will be payable with respect to the transactions contemplated hereby. No other similar fees or commissions will be payable by any Loan Party for any other services rendered to the Borrower or any of its Subsidiaries ancillary to the transactions contemplated hereby.

(v) Accuracy and Completeness of Information. None of the written information, reports or other papers or data (excluding financial projections and other forward looking statements), taken as a whole as of the date of delivery thereof, furnished to the Agent or any Lender by, on behalf of, or at the direction of, the Borrower, any Subsidiary or any other Loan Party in connection with or relating in any way to this Agreement, contained any untrue statement of a fact material to the creditworthiness of the Borrower, any Subsidiary or any other Loan Party or omitted to state a material fact necessary in order to make such statements contained therein, in light of the circumstances under which they were made, not misleading. All financial statements furnished to the Agent or any Lender by, on behalf of, or at the direction of, the Borrower, any Subsidiary or any other Loan Party in connection with or relating in any way to this Agreement, 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. All financial projections and other forward looking statements prepared by or on behalf of the Borrower, any Subsidiary or any other Loan Party that have been or may hereafter be made available to the Agent or any Lender were or will be

prepared in good faith based on reasonable assumptions. As of the Effective Date, 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 6.1.(j) or in such information, reports or other papers or data or otherwise disclosed in writing to the Agent and the Lenders.

(w) REIT Status. The Borrower qualifies as a REIT and is in compliance with all requirements and conditions imposed under the Internal Revenue Code to allow the Borrower to maintain its status as a REIT.

(x) Unencumbered Assets. As of the Agreement Date, Schedule 6.1.(x) is a correct and complete list of each Wholly Owned Property, Controlled Property and Non-Controlled Property included as of the Agreement Date in the calculation of Unencumbered Asset Value. Except as set forth on such Schedule, each of the Properties included by the Borrower in calculations of Unencumbered Asset Value is an Eligible Property.

(y) Foreign Assets Control. None of the Borrower, any Subsidiary or any Affiliate of the Borrower is in violation of any of the country or list based economic and trade sanctions administered and enforced by OFAC that are described or referenced at <http://www.ustreas.gov/offices/enforcement/ofac/> or as otherwise officially published from time to time.

Section 6.2. Survival of Representations and Warranties, Etc.

All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of the Borrower, any Subsidiary or any other Loan Party to the 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 hereto or thereto or any statement contained in any certificate, financial statement or other instrument delivered by or on behalf of the Borrower prior to the Agreement Date and delivered to the Agent or any Lender in connection with the underwriting or closing of the transactions contemplated hereby) shall constitute representations and warranties made by the Borrower in favor of the Agent or any of the Lenders 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, the date on which any extension of the Termination Date is effectuated pursuant to Section 2.9. and the date of the making of the Loans, 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 correct in all material respects on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents. 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.

ARTICLE VII. AFFIRMATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 12.6., all of the Lenders) shall otherwise consent in the manner provided for in Section 12.6., the Borrower shall comply with the following covenants:

Section 7.1. Preservation of Existence and Similar Matters.

Except as otherwise permitted under Section 9.7., the Borrower shall, and shall 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 7.2. Compliance with Applicable Law and Material Contracts.

The Borrower shall, and shall cause each Subsidiary and each other Loan Party to, comply with (a) all Applicable Laws, including the obtaining of all Governmental Approvals, the failure with which to comply could reasonably be expected to have a Material Adverse Effect, and (b) all terms and conditions of all contracts and other written agreements to which it is a party if any such non-compliance could reasonably be expected to have a Material Adverse Effect.

Section 7.3. Maintenance of Property.

In addition to the requirements of any of the other Loan Documents, the Borrower shall, and shall cause each Subsidiary and other Loan Party to, (a) protect and preserve all of its material properties, including, but not limited to, all Intellectual Property, and maintain in good repair, working order and condition all tangible properties, ordinary wear and tear excepted, and (b) 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 7.4. Conduct of Business.

The Borrower shall, and shall cause its Subsidiaries and the other Loan Parties to, carry on their respective businesses as described in Section 6.1.(t).

Section 7.5. Insurance.

In addition to the requirements of any of the other Loan Documents, the Borrower shall, and shall cause each Subsidiary and other Loan Party to, maintain insurance (on a replacement cost basis) 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, and from time to time deliver to the Agent upon its request a

detailed list, together with copies of all policies of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

Section 7.6. Payment of Taxes and Claims.

The Borrower shall, and shall 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 7.7. Visits and Inspections.

The Borrower shall, and shall cause each Subsidiary and other Loan Party to, permit representatives or agents of any Lender or the Agent, from time to time after reasonable prior notice if no Event of Default shall be in existence, as often as may be reasonably requested, but only during normal business hours and at the expense of such Lender or the Agent (unless an Event of Default shall exist, in which case the exercise by the Agent of its rights under this Section shall be at the expense of the Borrower), as the case may be, to: (a) visit and inspect all properties of the Borrower or such Subsidiary or other Loan Party to the extent any such right to visit or inspect is within the control of such Person; (b) inspect and make extracts from their respective books and records, including but not limited to management letters prepared by independent accountants; and (c) discuss with its officers, and its independent accountants, its business, properties, condition (financial or otherwise), results of operations and performance. If requested by the Agent, the Borrower shall execute an authorization letter addressed to its accountants authorizing the Agent or any Lender to discuss the financial affairs of the Borrower and any Subsidiary or any other Loan Party with its accountants.

Section 7.8. Use of Proceeds.

The Borrower shall use the proceeds of the Loans for general corporate purposes only. No part of the proceeds of any Loan will be used (a) for the purpose of buying or carrying "margin stock" within the meaning of Regulation U 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 or (b) to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or Sanctioned Entity.

Section 7.9. Environmental Matters.

The Borrower shall, and shall cause all of its Subsidiaries and the other Loan Parties to, comply with all Environmental Laws the failure with which to comply could reasonably be

expected to have a Material Adverse Effect. 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, any 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, any Subsidiary or any other Loan Party may be liable or responsible for costs associated with a response to or cleanup of a release of Hazardous Materials or any damages caused thereby, and the matters referred to in such notices, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, the Borrower shall provide the Agent with a copy of such notice promptly, and in any event within 10 Business Days, after the receipt thereof by the Borrower, any Subsidiary or any other Loan Party. The Borrower shall, and shall cause its Subsidiaries and the other Loan Parties to, take promptly 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 7.10. Books and Records.

The Borrower shall, and shall cause each of its Subsidiaries and the other Loan Parties to, maintain books and records pertaining to its respective business operations in such detail, form and scope as is consistent with good business practice and in accordance with GAAP.

Section 7.11. Further Assurances.

The Borrower shall, at the Borrower's cost and expense and upon request of the Agent, execute and deliver or cause to be executed and delivered, to the Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be reasonably necessary or advisable in the reasonable opinion of the Agent to carry out the provisions and purposes of this Agreement and the other Loan Documents.

Section 7.12. New Subsidiaries/Guarantors.

(a) Requirement to Become Guarantor. Within 10 Business Days of any Person (other than an Excluded Subsidiary or a Subsidiary owning a Non-Controlled Property) becoming a Material Subsidiary after the Effective Date, the Borrower shall deliver to the Agent each of the following items, each in form and substance satisfactory to the Agent: (i) an Accession Agreement executed by such Material Subsidiary and (ii) the items that would have been delivered under Sections 5.1.(a)(iv), (ix) through (xii) and (xvi) if such Material Subsidiary had been one on the Effective Date; provided, however, promptly (and in any event within 10 Business Days) upon (x) any Excluded Subsidiary ceasing to be subject to the restriction which prevented it from becoming a Guarantor on the Effective Date or delivering an Accession Agreement pursuant to this Section, as the case may be, or (y) a Subsidiary ceasing to own any Non-Controlled Properties, such Subsidiary shall comply with the provisions of this Section if then applicable. The Borrower shall send to each Lender copies of each of the foregoing items once the Agent has received all such items with respect to a Material Subsidiary.

(b) **Other Guarantors.** The Borrower may, at its option, cause any Subsidiary that is not already a Guarantor to become a Guarantor by executing and delivering to the Agent the items required to be delivered under the immediately preceding subsection (a).

(c) **Release of a Guarantor.** The Borrower may request in writing that the Agent release, and upon receipt of such request the Agent shall release, a Guarantor from the Guaranty so long as: (i) such Guarantor (x) meets, or will meet simultaneously with its release from the Guaranty, all of the provisions of the definition of the term "Excluded Subsidiary" or (y) has ceased to be, or simultaneously with its release from the Guaranty will cease to be, a Material Subsidiary (whether pursuant to a transaction permitted under Section 9.7. or otherwise); (ii) such Guarantor is not otherwise required to be a party to the Guaranty under the immediately preceding subsection (a); (iii) no Default or Event of Default shall then be in existence or would occur as a result of such release, including, without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1.; and (iv) the Agent shall have received such written request at least 10 Business Days prior to the requested date of release. Delivery by the Borrower to the Agent of any such request shall constitute a representation by the Borrower that the matters set forth in the preceding sentence (both as of the date of the giving of such request and as of the date of the effectiveness of such request) are true and correct with respect to such request.

Section 7.13. REIT Status.

The Borrower shall at all times maintain its status as a REIT.

Section 7.14. Exchange Listing.

The Borrower shall maintain at least one class of common shares of the Borrower having trading privileges on the New York Stock Exchange, the American Stock Exchange or other national exchange reasonably acceptable to the Agent 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 VIII. INFORMATION

For so long as this Agreement is in effect, unless the Requisite Lenders (or if required pursuant to Section 12.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 12.6., the Borrower shall furnish to the Agent at its Lending Office:

Section 8.1. Quarterly Financial Statements.

As soon as available and in any event within 5 days after the same is required to be filed with the Securities and Exchange Commission (but in no event later than 50 days after the end of each of the first, second and third fiscal quarters of the Borrower), the unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such period and the related unaudited consolidated statements of operations, common shareholders' equity and cash flows of the Borrower and its Subsidiaries for such period, setting forth in each case in comparative form the figures as of the end of and for the corresponding periods of the previous fiscal year, all of which shall be in a form acceptable to the Securities and Exchange Commission and 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 and in all material respects, 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 audit adjustments).

Section 8.2. Year-End Statements.

As soon as available and in any event within 5 days after the same is required to be filed with the Securities and Exchange Commission (but in no event later than 95 days after the end of each fiscal year of the Borrower), the audited consolidated balance sheet of the Borrower and its Subsidiaries as at the end of such fiscal year and the related audited consolidated statements of operations, common shareholders' equity 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 in a form acceptable to the Securities and Exchange Commission and certified by (a) 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 and (b) independent certified public accountants of recognized national standing acceptable to the Agent, whose certificate shall be unqualified and who shall have authorized the Borrower to deliver such financial statements and certification thereof to the Agent and the Lenders pursuant to this Agreement.

Section 8.3. Compliance Certificate.

At the time financial statements are furnished pursuant to Sections 8.1. and 8.2., and, if the Requisite Lenders reasonably believe that an Event of Default specified in Section 10.1.(a), Section 10.1.(b), Section 10.1.(f) or Section 10.1.(g) or a Default under Section 10.1.(g) may occur, within 5 Business Days of the Agent's request with respect to any other fiscal period, a certificate substantially in the form of Exhibit G (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, fiscal year, or other fiscal period, as the case may be, the calculations required to establish whether or not the Borrower was in compliance with the covenants contained in Sections 9.1. and 9.4. and (b) stating that, to the best of his or her knowledge, information and belief after due inquiry, 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, whether it is continuing and the steps being taken by the Borrower with respect to such event, condition or failure. Together with each Compliance Certificate delivered in connection with quarterly or annual financial statements, the Borrower shall deliver a report, in form and detail reasonably satisfactory to the Agent, setting forth (x) a statement of Funds From Operations for the fiscal period then ending; (y) a list of each Wholly Owned Property, Controlled Property and Non-Controlled Property included in the calculation of Unencumbered Asset Value, such list to identify any Property that has ceased to be included in the calculation of Unencumbered Asset Value since the previous such list delivered to the Agent; and (z) a listing of all Properties acquired by the Borrower or any Subsidiary since the delivery of the previous such list, including their net operating income, cost and related mortgage debt, if any.

Section 8.4. Other Information.

(a) Management Reports. Promptly upon receipt thereof, copies of all management reports, if any, submitted to the Borrower or its Board of Trustees by its independent public accountants;

(b) Securities Filings. Within 5 Business Days of the filing thereof, copies of all registration statements (excluding the exhibits thereto (unless requested by the Agent) 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;

(c) Shareholder Information. 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;

(d) ERISA. 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 the action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(e) Litigation. To the extent the Borrower or any Subsidiary 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 or any Subsidiary or any of their respective properties, assets or businesses which 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 or any of its Subsidiaries are being audited;

(f) Modification of Organizational Documents. A copy of any amendment to the declaration of trust, bylaws or other organizational documents of the Borrower within 15 Business Days after the effectiveness thereof;

(g) Change of Management or Financial Condition. Prompt notice of any change in the chief executive officer, chief financial officer, chief investment officer or general counsel of the Borrower, any Subsidiary or any other Loan Party and any change in the business, assets, liabilities, financial condition or results of operations of the Borrower, any Subsidiary or any other Loan Party which has had or could reasonably be expected to have a Material Adverse Effect;

(h) Default. Notice of the occurrence of any of the following promptly upon a Responsible Officer of the Borrower obtaining knowledge thereof: (i) any Default or Event of Default or (ii) 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;

(i) Judgments. Prompt notice of any order, judgment or decree in excess of \$5,000,000 having been entered against the Borrower, any Subsidiary or any other Loan Party of any of their respective properties or assets;

(j) Notice of Violations of Law. Prompt notice if the Borrower, any Subsidiary or any other Loan Party shall receive any notification from any Governmental Authority alleging a violation of any Applicable Law or any inquiry which, in either case, could reasonably be expected to have a Material Adverse Effect;

(k) Material Subsidiary. Prompt notice of any Person becoming a Material Subsidiary;

(l) Material Asset Sales. Prompt notice of the sale, transfer or other disposition of any material assets of the Borrower, any Subsidiary or any other Loan Party to any Person other than the Borrower, any Subsidiary or any other Loan Party;

(m) Patriot Act Information. From time to time and promptly upon each request, information identifying the Borrower as a Lender may request in order to comply with the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)); and

(n) Other Information. 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 or results of operations of the Borrower or any of its Subsidiaries as the Agent or any Lender may reasonably request.

Section 8.5. Electronic Delivery of Certain Information.

(a) The Borrower may deliver documents, materials and other information required to be delivered pursuant to Article VIII. (collectively, “**Information**”) in an electronic format acceptable to the Agent by e-mailing any such Information to an e-mail address of the Agent as specified by the Agent from time to time. The Agent shall promptly post such Information on the Borrower’s behalf on an internet or intranet website to which each Lender and the Agent has access, whether a commercial, third-party website (such as Intralinks or SyndTrak) or a website sponsored by the Agent (the “**Platform**”). Such Information shall only be deemed to have been delivered to the Lenders on the date on which such information is so posted. The Agent shall promptly notify each Lender by e-mail or otherwise when Information is posted to the Platform.

(b) In addition, the Borrower may deliver Information required to be delivered pursuant to Sections 8.1., 8.2., and 8.4.(b) and (c) by posting any such Information to the Borrower’s internet website (as of the Agreement Date, www.federalrealty.com). Any such Information provided in such manner shall only be deemed to have been delivered to the Agent or a Lender (i) on the date on which the Agent or such Lender, as applicable, receives notice from the Borrower that such Information has been posted to the Borrower’s internet website and (ii) only if such Information is publicly available without charge on such website. If for any reason, the Agent or a Lender either did not receive such notice or after reasonable efforts was unable to access such website, then the Agent or such Lender, as applicable, shall not be deemed to have received such Information. In addition to any manner permitted by Section 12.1., the Borrower may notify the Agent or a Lender that Information has been posted to such a website by causing an e-mail notification to be sent to an e-mail address specified from time to time by the Agent or such Lender, as applicable.

(c) Notwithstanding anything in this Section to the contrary (i) the Borrower shall deliver paper copies of Information to the Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given to the Borrower by the Agent or such Lender and (ii) in every instance the Borrower shall be required to provide to the Agent a paper original of the Compliance Certificate required by Section 8.3.

(d) The Borrower acknowledges and agrees that the Agent may make Information, as well as any other written information, reports, data, certificates, documents, instruments, agreements and other materials relating to the Borrower, any Subsidiary or any other Loan Party or any other materials or matters relating to this Agreement, any of the other Loan Documents or any of the transactions contemplated by the Loan Documents, in each case to the extent that the Agent’s communication thereof to the Lenders is otherwise permitted hereunder (collectively, the “**Communications**”) available to the Lenders by posting the same on the Platform. The Borrower acknowledges that (i) the distribution of material through an electronic medium, such as the Platform, is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided “as is” and “as available” and (iii) neither the Agent nor any of its affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. The provisions of the immediately preceding clause (i) are not intended to limit the Lenders’ obligations under Section 12.8.

(e) The Agent shall have no obligation to request the delivery or to maintain copies of any of the Information or other materials referred to above, and in no event shall have any responsibility to monitor compliance by the Borrower with any such requests. Each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such Information or other materials.

ARTICLE IX. NEGATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 12.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 12.6., the Borrower shall comply with the following covenants:

Section 9.1. Financial Covenants.

The Borrower shall not permit:

(a) Maximum Leverage Ratio. The ratio of (i) Total Indebtedness to (ii) Total Asset Value, to exceed 0.60 to 1.0 at any time; provided, however, that if such ratio is greater than 0.60 to 1.0 but is not greater than 0.65 to 1.0, then such failure to comply with the foregoing covenant shall not constitute a Default or an Event of Default and the Borrower shall be deemed to be in compliance with this subsection (a) so long as (1) the Borrower's failure to comply with the foregoing covenant resulted from the Borrower's (or any Subsidiary's) acquisition of a portfolio of Properties, (2) such acquisition is otherwise permitted hereunder, (3) such ratio does not exceed 0.60 to 1.0 for a period of more than two complete consecutive fiscal quarters and (4) the Borrower shall not have previously used the exception provided in clauses (1) through (3) on more than one occasion during the term of this Agreement.

(b) Minimum Fixed Charge Coverage Ratio. The ratio of (i) Adjusted EBITDA of the Borrower and its Subsidiaries determined on a consolidated basis for the fiscal quarter of the Borrower most recently ending to (ii) Fixed Charges for such period, to be less than 1.50 to 1.00 at the end of any fiscal quarter.

(c) Maximum Secured Indebtedness Ratio. The ratio of (i) Secured Indebtedness of the Borrower and its Subsidiaries determined on a consolidated basis to (ii) Total Asset Value, to be greater than 0.350 to 1.00 at any time.

(d) Minimum Unencumbered Leverage Ratio. The ratio of (i) Unencumbered Asset Value to (ii) Unsecured Indebtedness of the Borrower and its Subsidiaries determined on a consolidated basis, to be less than 1.60 to 1.00 at the any time.

(e) Minimum Net Worth. Tangible Net Worth at any time to be less than (i) \$870,000,000 plus (ii) 75% of the Net Proceeds of all Equity Issuances effected by the Borrower or any Subsidiary after June 30, 2003 (other than Equity Issuances to the Borrower or any Subsidiary).

(f) Assets Owned by Borrower and Guarantors. The amount of Adjusted Total Asset Value attributable to assets directly owned by the Borrower and the Guarantors to be less than 95.0% of Adjusted Total Asset Value.

Section 9.2. Restricted Payments.

The Borrower shall not, and shall not permit any of its Subsidiaries to, declare or make any Restricted Payment if an Event of Default or a Major Default exists or a Default or Event of Default would result from the making of such Restricted Payment, except that the Borrower may, subject to the immediately following sentence, declare and make cash distributions to its shareholders during any fiscal year in an aggregate amount not to exceed the minimum amount necessary for the Borrower to remain in compliance with Section 7.13. If an Event of Default specified in Section 10.1.(a), Section 10.1.(b), Section 10.1.(f) or Section 10.1.(g) shall exist, or if as a result of the occurrence of any other Event of Default any of the Obligations have been accelerated pursuant to Section 10.2.(a), the Borrower shall not, and shall not permit any Subsidiary to, make any Restricted Payments to any Person other than to the Borrower or any Subsidiary.

Section 9.3. Indebtedness.

The Borrower shall not, and shall not permit any Subsidiary or any other Loan Party to, incur, assume, or otherwise become obligated in respect of any Indebtedness after the Agreement Date if as a result of the assumption, incurring or becoming obligated in respect thereof, and after giving effect thereto, a Default or Event of Default is or would be caused thereby, or any Major Default or Event of Default is then in existence, including, without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1.

Section 9.4. Certain Permitted Investments.

The Borrower shall not, and shall not permit any Subsidiary to, make any Investment in or otherwise own the following items which would cause the aggregate value of such holdings of the Borrower and such other Subsidiaries to exceed 35.0% of Total Asset Value at any time:

(a) Investments in Unconsolidated Affiliates and other Persons that are not Subsidiaries and Investments in Subsidiaries that own Non-Controlled Properties, with the aggregate value of such Investments determined in a manner consistent with the definition of Total Asset Value or, if not contemplated under the definition of Total Asset Value, as determined in accordance with GAAP;

(b) the aggregate book value of all Mortgage Receivables; and

(c) the aggregate Construction Budget for all real property under construction.

Section 9.5. Investments Generally.

The Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, directly or indirectly, acquire, make or purchase any Investment, or permit any Investment of such Person to be outstanding on and after the Agreement Date, other than the following:

(a) Investments in Subsidiaries in existence on the Agreement Date and disclosed on Part I of Schedule 6.1.(b);

(b) Investments to acquire Equity Interests of a Subsidiary or any other Person who after giving effect to such acquisition would be a Subsidiary, so long as in each case (i) as a result of such Investment, and after giving effect thereto, no Default or Event of Default is or would be caused thereby, and no other Major Default or Event of Default is then in existence and (ii) if such Subsidiary is (or after giving effect to such Investment would become) a Material Subsidiary, and is not an Excluded Subsidiary and does not own a Non-Controlled Property, the terms and conditions set forth in Section 7.12. are satisfied;

(c) Investments permitted under Section 9.4.;

(d) Investments in Cash Equivalents;

(e) intercompany Indebtedness among the Borrower and its Wholly Owned Subsidiaries provided that such Indebtedness is permitted by the terms of Section 9.3.;

(f) loans and advances to officers and employees (i) to finance their exercise of options to acquire stock in the Borrower to the extent made pursuant to arrangements in existence on the Agreement Date and only as permitted by Applicable Law and (ii) for moving, entertainment, travel and other similar expenses in the ordinary course of business consistent with past practices; and

(g) any other Investment so long as a result of making such Investment, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be caused thereby, and no other Major Default or Event of Default is then in existence.

Section 9.6. Liens; Negative Pledges; Other Matters.

(a) The Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, create, assume, or incur 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 as a result of the creation, assumption or incurring of such Lien, a Default or Event of Default is or would be caused thereby or any other Major Default or Event of Default is then in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1.

(b) The Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, enter into, assume or otherwise be bound by any Negative Pledge except for a Negative Pledge contained in any agreement (i) evidencing Indebtedness which the Borrower or such

Subsidiary may create, incur, assume, or permit or suffer to exist under Section 9.3.; (ii) which Indebtedness is secured by a Lien permitted to exist hereunder and (iii) which prohibits the creation of any other Lien on only the property securing such Indebtedness as of the date such agreement was entered into.

(c) The Borrower shall not, and shall not permit any Subsidiary or other Loan Party 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 (other than an Excluded Subsidiary) to: (i) pay dividends or make any other distribution on any of such Subsidiary's capital stock or other equity interests owned by the Borrower or any Subsidiary; (ii) pay any Indebtedness owed to the Borrower or any Subsidiary; (iii) make loans or advances to the Borrower or any Subsidiary; or (iv) transfer any of its property or assets to the Borrower or any Subsidiary other than, in the case of any Subsidiary that is not a Wholly Owned Subsidiary, limitations arising after the date hereof to the effect 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 9.7. Merger, Consolidation, Sales of Assets and Other Arrangements.

The Borrower shall not, and shall not permit any Subsidiary or other Loan Party to: (i) enter into any transaction of merger or consolidation; (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (iii) 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, whether now owned or hereafter acquired; provided, however, that:

(a) any of the actions described in the immediately preceding clauses (i) through (iii) may be taken with respect to any Subsidiary or any other Loan Party (other than the Borrower) so long as, as a result of the taking of such action, and after giving effect thereto, no Default or Event of Default is or would be caused thereby or any other Major Default or Event of Default is then in existence; notwithstanding the foregoing, any such Loan Party may enter into a transaction of merger pursuant to which such Loan Party is not the survivor of such merger only if (i) the Borrower shall have given the Agent and the Lenders at least 10 Business Days' prior written notice of such merger; (ii) if the survivor entity is a Material Subsidiary (and not an Excluded Subsidiary) within 5 Business Days of consummation of such merger, the survivor entity (if not already a Guarantor) shall have executed and delivered an assumption agreement in form and substance satisfactory to the Agent pursuant to which such survivor entity shall assume all of the such Loan Party's Obligations under this Agreement and the other Loan Documents to which it is a party; (iii) within 30 days of consummation of such merger, the survivor entity delivers to the Agent the following: (A) items of the type referred to in Sections 5.1.(a)(ix) through (xii) with respect to the survivor entity as in effect after consummation of such merger (if not previously delivered to the Agent and still in effect), (B) copies of all documents entered into by such Loan Party or the survivor entity to effectuate the consummation of such merger, including, but not limited to, articles of merger and the plan of merger, (C) copies, certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of such Loan Party or the survivor entity, of all corporate and shareholder action authorizing such merger and (D) copies of any filings with the Securities and Exchange Commission in connection with such merger; and (iv) such Loan Party and the survivor entity each takes such other action and delivers such other documents, instruments, opinions and agreements as the Agent may reasonably request;

(b) the Borrower, its Subsidiaries and the other Loan Parties may lease and sublease their respective assets, as lessor or sublessor (as the case may be), in the ordinary course of their business;

(c) a Person may merge with and into the Borrower so long as (i) the Borrower is the survivor of such merger, (ii) immediately prior to such merger, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence, and (iii) the Borrower shall have given the Agent and the Lenders at least 10 Business Days' prior written notice of such merger (except that such prior notice shall not be required in the case of the merger of a Subsidiary with and into the Borrower);

(d) the Borrower and each Subsidiary may sell, transfer or dispose of assets (including by merger or liquidation of Subsidiaries) among themselves; and

(e) the Borrower and each Subsidiary may transfer property as security for Indebtedness permitted by Section 9.3.

Section 9.8. Fiscal Year.

The Borrower shall not change its fiscal year from that in effect as of the Agreement Date.

Section 9.9. Modifications of Organizational Documents.

The Borrower shall not, and shall not permit any Loan Party or other Subsidiary to, amend, supplement, restate or otherwise modify its articles or certificate of incorporation, by-laws, operating agreement, declaration of trust, partnership agreement or other applicable organizational document if such amendment, supplement, restatement or other modification could reasonably be expected to have a Material Adverse Effect.

Section 9.10. Transactions with Affiliates.

The Borrower shall not, and shall not permit any of its Subsidiaries or any other Loan Party 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, except (a) compensation, bonus and benefit arrangements with employees and trustees as permitted by Applicable Law; (b) transactions not prohibited by Section 9.7. to the extent among the Borrower, the other Loan Parties and other Subsidiaries; and (c) other 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.

Section 9.11. ERISA Exemptions.

The Borrower shall not, and shall not permit any Subsidiary 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 as a result of contributions by the Borrower or a Subsidiary to Benefit Arrangements, Plans or Multiemployer Plans not prohibited by this Agreement or any other Loan Document.

Section 9.12. Non-Controlled Properties.

The Borrower shall not permit any Subsidiary that owns a Non-Controlled Property to own any assets other than another Non-Controlled Property and other nonmaterial assets incidental to the ownership of a Non-Controlled Property.

ARTICLE X. DEFAULT

Section 10.1. Events of Default.

Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of Applicable Law or pursuant to any judgment or order of any Governmental Authority:

(a) Default in Payment of Principal. The Borrower shall fail to pay when due (whether upon demand, at maturity, by reason of acceleration or otherwise) the principal of any of the Loans.

(b) Default in Payment of Interest and Other Obligations. 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, or any other Loan Party shall fail to pay when due any payment Obligation owing by such other Loan Party under any Loan Document to which it is a party, and such failure shall continue for a period of 5 Business Days.

(c) Default in Performance. (i) The Borrower shall fail to perform or observe any term, covenant, condition or agreement contained in Section 8.4.(h) or Article IX. or (ii) the Borrower 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 30 days after the earlier of (x) the date upon which a Responsible Officer of the Borrower or such other Loan Party obtains knowledge of such failure or (y) the date upon which the Borrower has received written notice of such failure from the Agent.

(d) Misrepresentations. Any written statement, representation or warranty made or deemed made by or on behalf of the Borrower 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 or any other Loan Party to the Agent or any Lender, shall at any time prove to have been incorrect or misleading, in light of the circumstances in which made or deemed made, in any material respect when furnished or made or deemed 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 grace period for such payment), any Indebtedness (other than the Loans but including Secured Indebtedness accelerated, or required to be prepaid or repurchased prior to the stated maturity thereof, as a result of a casualty with respect to, or condemnation of, the property securing such Secured Indebtedness) having an aggregate outstanding principal amount of \$25,000,000 or more (“**Material Indebtedness**”); or

(ii) (x) the maturity of any Material Indebtedness shall have been accelerated in accordance with the provisions of any indenture, contract or instrument evidencing, providing for the creation of or otherwise concerning such Material Indebtedness or (y) any Material Indebtedness shall have been required to be prepaid or repurchased prior to the stated maturity thereof;

(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 Material Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person, to accelerate the maturity of any such Material Indebtedness or require any such Material Indebtedness to be prepaid or repurchased prior to its stated maturity; or

(iv) any Loan Party shall fail to pay when due and payable amounts in excess of \$25,000,000 in the aggregate owing in respect of any Derivatives Contracts.

The provisions of the immediately preceding clauses (ii) and (iii) shall not apply to any Secured Indebtedness accelerated, or required to be prepaid or repurchased prior to the stated maturity thereof, as a result of a casualty with respect to, or condemnation of, the property securing such Secured Indebtedness.

(f) Voluntary Bankruptcy Proceeding. The Borrower, any other Loan Party or any Significant Subsidiary 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 partnership 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 other Loan Party or any Significant Subsidiary 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 60 consecutive calendar days, or an order granting the remedy or other relief requested in such case or proceeding against the Borrower, such Subsidiary or such other Loan Party (including, but not limited to, an order for relief under such Bankruptcy Code or such other federal bankruptcy laws) shall be entered.

(h) Litigation; Enforceability. The Borrower or any other Loan Party shall disavow, revoke or terminate (or attempt to 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 or this Agreement, any Note, the Guaranty or any other Loan Document shall cease to be in full force and effect (except as a result of the express terms thereof).

(i) Judgment. A judgment or order for the payment of money or for an injunction shall be entered against the Borrower, any Subsidiary or any other Loan Party, by any court or other tribunal and (i) such judgment or order shall continue for a period of 30 days without being paid, stayed or dismissed through appropriate appellate proceedings and (ii) either (A) the amount of such judgment or order for which insurance has not been acknowledged in writing by the applicable insurance carrier (or the amount as to which the insurer has denied liability) exceeds, individually or together with all other such outstanding judgments or orders entered against the Borrower, such Subsidiaries and such other Loan Parties, \$25,000,000 or (B) in the case of an injunction or other non-monetary judgment, such judgment could reasonably be expected to have a Material Adverse Effect.

(j) Attachment. A warrant, writ of attachment, execution or similar process shall be issued against any property of the Borrower, any Subsidiary or any other Loan Party which exceeds, individually or together with all other such warrants, writs, executions and processes, \$25,000,000 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 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 \$25,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having Unfunded Liabilities in excess of \$25,000,000 in the aggregate 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 Plan or Plans having Unfunded Liabilities in excess of \$25,000,000 in the aggregate; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Plan or Plans having Unfunded Liabilities in excess of \$25,000,000 in the aggregate 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 \$25,000,000.

(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 20.0% of the total voting power of the then outstanding voting stock of the Borrower; or

(ii) During any period of 12 consecutive months ending after the Agreement Date, individuals who at the beginning of any such 12-month period constituted the Board of Trustees of the Borrower (together with any new trustees whose election by such Board or whose nomination for election by the shareholders of the Borrower was approved by a vote of a majority of the trustees then still in office who were either trustees at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute at least two-thirds of the Board of Trustees of the Borrower then in office.

Section 10.2. Remedies Upon Event of Default.

Upon the occurrence of an Event of Default the following provisions shall apply:

(a) Acceleration; Termination of Facilities.

(i) Automatic. Upon the occurrence of an Event of Default specified in Sections 10.1.(f) or 10.1.(g), (A) the principal of, and all accrued interest on, the Loans and the Notes at the time outstanding and (B) all of the other Obligations of the Borrower, including, but not limited to, the other amounts owed to the Lenders and the

Agent under this Agreement, the Notes or any of the other Loan Documents shall become immediately and automatically due and payable by the Borrower without presentment, demand, protest, or other notice of any kind, all of which are expressly waived by the Borrower.

(ii) Optional. If any other Event of Default shall exist, the Agent shall, at the direction of the Requisite Lenders, declare (A) the principal of, and accrued interest on, the Loans and the Notes at the time outstanding and (B) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the Agent under this Agreement, the Notes or any of the other Loan Documents to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Borrower.

(b) Loan Documents. The Requisite Lenders may direct the Agent to, and the 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 Agent to, and the 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 and as directed by the Requisite Lenders, the 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 10.3. Allocation of Proceeds.

If an Event of Default shall exist and maturity of any of the Obligations has been accelerated, all payments received by the 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 in the following order and priority:

- (a) amounts due to the Agent in respect of fees and expenses due under Section 12.2.;
- (b) amounts due to the Lenders in respect of fees and expenses due under Section 12.2., pro rata in the amount then due each Lender;
- (c) payments of interest on all the Loans, to be applied for the ratable benefit of the Lenders;
- (d) payments of principal of all the Loans, to be applied for the ratable benefit of the Lenders;

- (e) amounts due the Agent and the Lenders from the Borrower or the other Loan Parties pursuant to Sections 11.7. and 12.9.;
- (f) payments of all other Obligations and other amounts due and owing by the Borrower and the other Loan Parties 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 10.4. Performance by Agent.

If the Borrower shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, the Agent may, after notice to the Borrower, 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 Agent, promptly pay any amount reasonably expended by the Agent in such performance or attempted performance to the Agent, together with interest thereon at the applicable Post-Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, neither the 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 except to the extent resulting from its gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment.

Section 10.5. Rights Cumulative.

The rights and remedies of the 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 Agent and the Lenders may be selective and no failure or delay by the 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.

ARTICLE XI. THE AGENT

Section 11.1. Authorization and Action.

Each Lender hereby appoints and authorizes the Agent to take such action as contractual representative on such Lender's behalf and to exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Not in limitation of the foregoing, each Lender authorizes and directs the Agent to enter into the Loan Documents for the benefit of the Lenders. Each Lender hereby agrees that, except as otherwise set forth herein, any action taken by the Requisite Lenders in accordance with the provisions of this Agreement or the Loan Documents, and the exercise by the Requisite Lenders of the powers set forth herein or

therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Nothing herein shall be construed to deem the Agent a trustee or fiduciary for any Lender or to impose on the Agent duties or obligations other than those expressly provided for herein. At the request of a Lender, the Agent will forward to such Lender copies or, where appropriate, originals of the documents delivered to the Agent pursuant to this Agreement or the other Loan Documents. The Agent will also furnish to any Lender, upon request of such Lender, a copy of any certificate or notice furnished to the Agent by the Borrower, any Loan Party or any other Affiliate of the Borrower, pursuant to this Agreement or any other Loan Document not already delivered to such Lender pursuant to the terms of this Agreement or any such other Loan Document. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of any of the Obligations), the Agent shall not be required to exercise any discretion or take any action, but shall 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 provision of this Agreement), and such instructions shall be binding upon all Lenders and all holders of any of the Obligations; provided, however, that, notwithstanding anything in this Agreement to the contrary, the Agent shall not be required to take any action which exposes the 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 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 (or all of the Lenders if explicitly required under any provision of this Agreement) have so directed the Agent to exercise such right or remedy.

Section 11.2. Agent's Reliance, Etc.

Notwithstanding any other provisions of this Agreement or any other Loan Documents, neither the Agent nor any of its 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 or any other Loan Document, except for its or their own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment. Without limiting the generality of the foregoing, the Agent: (a) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Agent; (b) may consult with legal counsel (including its own counsel or counsel for the Borrower or any other 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 Agent on behalf of the Lenders in any such collateral; and (f) shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telephone or telecopy) believed by it to be genuine and signed, sent or given by the proper party or parties.

Section 11.3. Notice of Defaults.

The Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the 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 (excluding the Lender which is also serving as the Agent) becomes aware of any Default or Event of Default, it shall promptly send to the Agent such a "notice of default." Further, if the Agent receives such a "notice of default", the Agent shall give prompt notice thereof to the Lenders.

Section 11.4. Wachovia as Lender.

Wachovia, 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 the Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Wachovia in each case in its individual capacity. Wachovia and its 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 other Loan Party or any other affiliate thereof as if it were any other bank and without any duty to account therefor to the other Lenders. Further, the 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. The Lenders acknowledge that, pursuant to such activities, Wachovia or its affiliates may receive information regarding the Borrower, other Loan Parties, other Subsidiaries and other Affiliates (including information that may be subject to confidentiality obligations in favor of such Person) and acknowledge that the Agent shall be under no obligation to provide such information to them.

Section 11.5. Approvals of Lenders.

All communications from the 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 Agent by the Borrower in respect of the matter or issue to be resolved, and (d) shall include the 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 under the Loan Documents) of

receipt of such communication. Except as otherwise provided in this Agreement, unless a Lender shall give written notice to the Agent that it specifically objects to the recommendation or determination of the 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 11.6. Lender Credit Decision, Etc.

Each Lender expressly acknowledges and agrees that neither the Agent nor any of its 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 other Loan Party, any Subsidiary or any other Person to such Lender and that no act by the Agent hereafter taken, including any review of the affairs of the Borrower, any other Loan Party or any other Subsidiary, shall be deemed to constitute any such representation or warranty by the Agent to any Lender. Each Lender acknowledges that it has made its own credit and legal analysis and decision to enter into this Agreement and the transactions contemplated hereby independently and without reliance upon the Agent, any other Lender or counsel to the 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 other Loan Parties, the Subsidiaries 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. Each Lender also acknowledges that it will, independently and without reliance upon the Agent, any other Lender or counsel to the 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 Agent under this Agreement or any of the other Loan Documents, the Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower, any other Loan Party or any other Affiliate thereof which may come into possession of the Agent, or any of its officers, directors, employees, agents, attorneys-in-fact or other affiliates. Each Lender acknowledges that the Agent's legal counsel in connection with the transactions contemplated by this Agreement is only acting as counsel to the Agent and is not acting as counsel to such Lender.

Section 11.7. Indemnification of Agent.

Each Lender agrees to indemnify the 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 Credit Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, reasonable out-of-pocket costs and expenses, or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Agent (in its capacity as Agent but not as a Lender) in any way relating to or arising out of the Loan Documents, any transaction

contemplated hereby or thereby or any action taken or omitted by the Agent under the Loan Documents (collectively, “**Indemnifiable Amounts**”); provided, however, that no Lender shall be liable for any portion of such Indemnifiable Amounts to the extent resulting from the Agent’s gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or if the Agent fails to follow the written direction of the Requisite Lenders (or all of the Lenders if expressly required hereunder) unless such failure results from the Agent following the advice of counsel to the Agent of which advice the Lenders have received notice. Without limiting the generality of the foregoing but subject to the preceding proviso, each Lender agrees to reimburse the Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees of the counsel(s) of the Agent’s own choosing) incurred by the Agent in connection with the preparation, negotiation, execution, or enforcement of, or legal advice with respect to the rights or responsibilities of the parties under, the Loan Documents, any suit or action brought by the Agent to enforce the terms of the Loan Documents and/or collect any Obligations, any “lender liability” suit or claim brought against the Agent and/or the Lenders, and any claim or suit brought against the Agent, and/or the Lenders arising under any Environmental Laws. Such out-of-pocket expenses (including counsel fees) shall be advanced by the Lenders on the request of the Agent notwithstanding any claim or assertion that the Agent is not entitled to indemnification hereunder upon receipt of an undertaking by the Agent that the Agent will reimburse the Lenders if it is actually and finally determined by a court of competent jurisdiction that the 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 the Agent for any Indemnifiable Amount following payment by any Lender to the Agent in respect of such Indemnifiable Amount pursuant to this Section, the Agent shall share such reimbursement on a ratable basis with each Lender making any such payment.

Section 11.8. Successor Agent.

The Agent may resign at any time as Agent under the Loan Documents by giving written notice thereof to the Lenders and the Borrower. The Agent may be removed as Agent under the Loan Documents for good cause by all of the Lenders (other than the Lender then acting as Agent) upon 30 days’ prior written notice to the Agent. Upon any such resignation or removal, the Requisite Lenders (other than the Lender then acting as Agent, in the case of the removal of the Agent under the immediately preceding sentence) shall have the right to appoint a successor Agent which appointment shall, provided no Event of Default exists, be subject to the Borrower’s approval, which approval shall not be unreasonably withheld or delayed (except that the Borrower shall, in all events, be deemed to have approved each Lender and its affiliates as a successor Agent). If no successor Agent shall have been so appointed in accordance with the immediately preceding sentence, and shall have accepted such appointment, within 30 days after the resigning Agent’s giving of notice of resignation or the Lenders’ removal of the resigning Agent, then the resigning or removed Agent may, on behalf of the Lenders, appoint a successor 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 Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the

retiring or removed Agent, and the retiring or removed Agent shall be discharged from its duties and obligations under the Loan Documents. After any Agent's resignation or removal hereunder as Agent, the provisions of this Article XI. shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Documents.

Section 11.9. Titled Agents.

Each of the Titled Agents in each such respective capacity, assumes no 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 titles of "Sole Lead Arranger," "Sole Book Manager", "Documentation Agent" and "Managing Agent" are solely honorific and imply no fiduciary responsibility on the part of the Titled Agents to the Agent, the Borrower or any Lender and the use of such titles does not impose on the Titled Agents any duties or obligations greater than those of any other Lender or entitle the Titled Agents to any rights other than those to which any other Lender is entitled.

ARTICLE XII. MISCELLANEOUS

Section 12.1. Notices.

Unless otherwise provided herein, communications provided for hereunder shall be in writing and shall be mailed, telecopied or delivered as follows:

If to the Borrower:

Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852-4041
Attn: Chief Accounting Officer
Telephone: (301) 998-8318
Telecopy: (301) 998-3701

and for all notices (other than notices solely under Article II), with copies to:

General Counsel
Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852-4041
Telephone: (301) 998-8100
Telecopy: (301) 998-3715

and

Wendelin A. White, P.C.
Pillsbury Winthrop Shaw Pittman LLP
2300 N Street, NW
Washington, DC 20037
Telephone: (202) 663-8360
Telecopy: (202) 663-8007

If to the Agent:

Wachovia Bank, National Association
301 S. College Street, NC0172
Charlotte, North Carolina 28288
Attn: Rex E. Rudy
Telephone: (704) 383-6506
Telecopy: (704) 383-6205

If to a Lender:

To such Lender's address or telecopy number, as applicable, as set forth in its Administrative Questionnaire;

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 on a Business Day, when transmitted; or (iii) if hand delivered or sent by overnight courier, when delivered. Notwithstanding the immediately preceding sentence, all notices or communications to the Agent or any Lender under Article II, shall be effective only when actually received. Neither the Agent nor any Lender shall incur any liability to any Loan Party (nor shall the Agent incur any liability to the Lenders) for acting upon any telephonic notice referred to in this Agreement which the 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 hereunder. Failure of a Person designated to get a copy of a notice to receive such copy shall not affect the validity of notice properly given to any other Person.

Section 12.2. Expenses.

The Borrower agrees (a) to pay or reimburse the Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of, and any amendment, supplement or modification to, any of the Loan Documents (including due diligence expenses and travel expenses relating to closing), and the consummation of the transactions contemplated thereby, including the reasonable fees and disbursements of counsel to the Agent and costs and expenses in connection with the use of IntraLinks, Inc., SyndTrak or other similar information transmission systems in connection with the Loan Documents, (b) to pay or reimburse the 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 counsel to the Agent and one separate counsel for the Lenders and any payments in indemnification or otherwise payable by the

Lenders to the Agent pursuant to the Loan Documents, (c) to pay, and indemnify and hold harmless the Agent, and the Lenders 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 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 10.1.(f) or 10.1.(g), including the reasonable fees and disbursements of counsel to the Agent and one separate counsel for the Lenders (but also including special insolvency counsel and any required local counsel), 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. If the Borrower shall fail to pay any amounts required to be paid by it pursuant to this Section, the Agent and/or the Lenders may pay such amounts on behalf of the Borrower and either deem the same to be Loans outstanding hereunder or otherwise Obligations owing hereunder.

Section 12.3. Setoff.

Subject to Section 3.3. and in addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, the Borrower hereby authorizes the Agent, each Lender and each affiliate of the Agent or any Lender, at any time or from time to time during the continuance of an Event of Default, without prior notice to the Borrower or to any other Person, any such notice being hereby expressly waived, but in the case of a Lender or an affiliate of a Lender, subject to receipt of the prior written consent of the Agent exercised in its sole discretion, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Agent, such Lender or any such affiliate of the 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 been declared to be, or have otherwise become, due and payable as permitted by Section 10.2., and although such obligations shall be contingent or unmatured.

Section 12.4. Litigation; Jurisdiction; Other Matters; Waivers.

(a) EACH PARTY HERETO ACKNOWLEDGES THAT ANY DISPUTE OR CONTROVERSY BETWEEN OR AMONG THE BORROWER, THE AGENT OR ANY OF THE LENDERS WOULD BE BASED ON DIFFICULT AND COMPLEX ISSUES OF LAW AND FACT AND WOULD RESULT IN DELAY AND EXPENSE TO THE PARTIES. ACCORDINGLY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE LENDERS, THE AGENT AND THE BORROWER HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT OR TRIBUNAL IN WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST ANY PARTY HERETO ARISING OUT OF THIS AGREEMENT, THE NOTES, OR ANY OTHER LOAN DOCUMENT OR BY REASON OF ANY OTHER SUIT, CAUSE

OF ACTION OR DISPUTE WHATSOEVER BETWEEN OR AMONG THE BORROWER, THE AGENT OR ANY OF THE LENDERS OF ANY KIND OR NATURE RELATING TO ANY OF THE LOAN DOCUMENTS.

(b) EACH OF THE BORROWER, THE AGENT AND EACH LENDER HEREBY AGREES THAT THE FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY STATE COURT LOCATED IN THE BOROUGH OF MANHATTAN OF NEW YORK, NEW YORK, SHALL HAVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN OR AMONG THE BORROWER, THE AGENT OR ANY OF THE LENDERS PERTAINING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE LOANS, THE NOTES OR ANY OTHER LOAN DOCUMENT OR TO ANY MATTER ARISING HEREFROM OR THEREFROM. THE BORROWER AND EACH OF THE LENDERS EXPRESSLY SUBMIT AND CONSENT IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN SUCH COURTS WITH RESPECT TO SUCH CLAIMS OR DISPUTES. EACH PARTY FURTHER WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT FORUM, AND EACH AGREES NOT TO PLEAD OR CLAIM THE SAME. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE BRINGING OF ANY ACTION BY THE AGENT OR ANY LENDER OR THE ENFORCEMENT BY THE AGENT OR ANY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM IN ANY OTHER APPROPRIATE JURISDICTION.

(c) THE PROVISIONS OF THIS SECTION HAVE BEEN CONSIDERED BY EACH PARTY WITH THE ADVICE OF COUNSEL AND WITH A FULL UNDERSTANDING OF THE LEGAL CONSEQUENCES THEREOF, AND 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.

Section 12.5. 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 permitted assigns, except that the Borrower may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of all Lenders and any such assignment or other transfer to which all of the Lenders have not so consented shall be null and void.

(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 Loan or other Obligations owing to such Lender; provided, however, (i) any such participating interest must be for a constant and

not a varying percentage interest and (ii) unless the Borrower and the Agent otherwise agree, after giving effect to the grant of a participating interest in a Lender's Loan, the amount of its Loan in which it has not granted any participating interests must be equal to at least \$10,000,000. 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 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 Loan, (ii) extend the date fixed for the payment of principal of or interest on the Loans or portions thereof owing to such Lender, (iii) reduce the amount of any such payment of principal, (iv) reduce the rate at which interest is payable thereon or (v) release any Guarantor (except as otherwise permitted under Section 7.12.(c)). 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). Upon request from the Agent, a Lender shall notify the Agent of the sale of any participation hereunder and, if requested by the Agent, certify to the Agent that such participation is permitted hereunder and that the requirements of Section 3.12.(c) have been satisfied.

(d) Any Lender may with the prior written consent of the Agent and, so long as no Event of Default exists, the Borrower (which consent, in each case, shall not be unreasonably withheld (it being agreed that the Borrower's withholding of consent to an assignment which would result in the Borrower having to pay amounts under Section 3.12. shall be deemed to be reasonable)), assign to one or more Eligible Assignees (each an "Assignee") all or a portion of its rights and obligations under this Agreement and the Notes (including all or a portion of the Loan owing to such Lender); provided, however, (i) no such consent by the Borrower shall be required in the case of any assignment to another Lender or any affiliate of such Lender or another Lender and no such consent by the Agent shall be required in the case of any assignment by a Lender to any affiliate of such Lender; (ii) unless the Borrower and the Agent otherwise agree, after giving effect to any partial assignment by a Lender, the Assignee shall hold, and the assigning Lender shall retain, Loans having an outstanding principal balance, of at least \$5,000,000 and integral multiples of \$1,000,000 in excess thereof; and (iii) each such assignment shall be effected by means of an Assignment and Acceptance Agreement. 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 a Lender party to this Agreement with respect to the assigned interest as of the effective date of the Assignment and Acceptance Agreement and shall have all the rights and obligations of a Lender with respect to the assigned interest as set forth in such Assignment and Acceptance Agreement, and the transferor Lender shall be released from its obligations hereunder with respect to the assigned interest 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,

the transferor Lender, the 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 Agent an administrative fee for processing such assignment in the amount of \$3,500. Anything in this Section to the contrary notwithstanding, no Lender may assign, or grant a participating interest in any Loan held by it to the Borrower, any Subsidiary or any Affiliate of the Borrower.

(e) The 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 Loan held by each Lender from time to time (the “**Register**”). The 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 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 Agent. Upon its receipt of an Assignment and Acceptance Agreement executed by an assigning Lender, together with each Note subject to such assignment, the Agent shall, if such Assignment and Acceptance Agreement has been completed and if the Agent receives the processing and recording fee described in subsection (d) above, (i) accept such Assignment and Acceptance Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(f) In addition to the assignments and participations permitted under the foregoing provisions of this Section, any Lender may assign and pledge all or any 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.

(g) A Lender may furnish any information concerning the Borrower, any other Loan Party or any of their respective Subsidiaries in the possession of such Lender from time to time to Assignees and Participants (including prospective Assignees and Participants) subject to compliance with Section 12.8.

(h) 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.

(i) Each Lender agrees that, without the prior written consent of the Borrower and the Agent, it will not make any assignment hereunder in any manner or under any circumstances that would require registration or qualification of, or filings in respect of, any Loan or Note under the Securities Act or any other securities laws of the United States of America or of any other jurisdiction.

Section 12.6. Amendments.

(a) Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement or any other 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 other Loan Party or any 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 each Loan Party a party thereto).

(b) Notwithstanding the foregoing, without the prior written consent of each Lender adversely affected thereby, no amendment, waiver or consent shall do any of the following:

(i) subject the Lenders to any additional obligations;

(ii) reduce the principal of, or interest that has accrued or the rates of interest that will be charged on the outstanding principal amount of, any Loans or other Obligations;

(iii) reduce the amount of any Fees payable hereunder or postpone any date fixed for payment thereof;

(iv) modify the definition of the term "Termination Date" (except as contemplated under Section 2.9.) or otherwise postpone any date fixed for any payment of any principal of, or interest on, any Loans or any other Obligations (including the waiver of any Default or Event of Default as a result of the nonpayment of any such Obligations as and when due);

(v) amend or otherwise modify the provisions of Section 3.2.;

(vi) modify the definition of the term "Requisite Lenders" or otherwise 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, including without limitation, any modification of this Section 12.6. if such modification would have such effect;

(vii) release any Guarantor from its obligations under the Guaranty (except as otherwise permitted under Section 7.12. (c)); or

(viii) increase the number of Interest Periods permitted with respect to Loans under Section 2.3.

(c) No amendment, waiver or consent, unless in writing and signed by the Agent, in such capacity, in addition to the Lenders required hereinabove to take such action, shall affect the rights or duties of the Agent under this Agreement or any of the other Loan Documents.

(d) Notwithstanding anything in this Section to the contrary, a Default or Event of Default may not be waived for purposes of Section 5.1.(c) without the prior written consent of the Requisite Lenders.

(e) 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. Except as otherwise provided in Section 11.5., no course of dealing or delay or omission on the part of the 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 any other or further notice or demand in similar or other circumstances.

Section 12.7. Nonliability of Agent and Lenders.

The relationship between the Borrower and the Lenders and the Agent shall be solely that of borrower and lender. Neither the Agent nor any Lender shall have any fiduciary responsibilities to the Borrower or any other Loan Party, and no provision in this Agreement or in any of the other Loan Documents, and no course of dealing between or among any of the parties hereto, shall be deemed to create any fiduciary duty owing by the Agent or any Lender to any Lender, the Borrower, any Subsidiary or any other Loan Party. Neither the 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 12.8. Confidentiality.

The Agent and each Lender shall use reasonable efforts to assure that information about Borrower, the other Loan Parties and other Subsidiaries, and the Properties thereof and their operations, affairs and financial condition, not generally disclosed to the public, which is furnished to the Agent or any Lender pursuant to the provisions of this Agreement or any other Loan Document, is used only for the purposes of this Agreement and the other Loan Documents and shall not be divulged to any Person other than the Agent, the Lenders, and their respective officers, directors, employees and agents who are actively and directly participating in the evaluation, administration or enforcement of the Loan Documents and other transactions between the Agent or such Lender, as applicable, and the Borrower, but in any event the Agent and the Lenders 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 12.8.); (b) as reasonably requested by any bona fide prospective Assignee, Participant or other transferee in connection with the contemplated transfer of any Loan 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 or requested by any Governmental Authority or representative thereof or pursuant to legal process or in connection with any legal proceedings or as otherwise required by Applicable Law; (d) to the Agent's or such Lender's independent auditors and other professional advisors (provided they shall be notified of the confidential nature of the information); (e) after the happening and during the continuance of an Event of Default, to any other Person, as necessary for the exercise by the Agent or the Lenders

of rights hereunder or under any of the other Loan Documents; (f) upon Borrower's prior consent (which consent shall not be unreasonably withheld), to any contractual counter-parties to any swap or similar hedging agreement or to any rating agency; and (g) to the extent such information (x) becomes publicly available other than as a result of a breach by such party of this Section or (y) becomes available to the Agent or any Lender on a nonconfidential basis from a source other than the Borrower or any Affiliate unless the Agent or such Lender has actual knowledge that such information became nonconfidential as a result of a breach of a confidential arrangement with the Borrower or such Loan Party. Notwithstanding the foregoing, the Agent and each Lender may disclose any such confidential information, without notice to the Borrower or any other Loan Party, to Governmental Authorities in connection with any regulatory examination of the Agent or such Lender or in accordance with the regulatory compliance policy of the Agent or such Lender.

Section 12.9. Indemnification.

(a) The Borrower shall and hereby agrees to indemnify, defend and hold harmless the Agent, each of the Lenders, any affiliate of the Agent or any Lender, and their respective directors, officers, shareholders, agents, employees and counsel (each referred to herein as an "**Indemnified Party**") from and against any and all of the following (collectively, the "**Indemnified Costs**"): losses, costs, claims, damages, liabilities, deficiencies, judgments or reasonable expenses of every kind and nature (including, without limitation, amounts paid in settlement, court costs and the reasonable 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, losses, costs, claims, damages, liabilities, deficiencies, judgments or expenses indemnification in respect of which is specifically covered by Section 3.12. or 4.1. or expressly excluded from the coverage of such Sections 3.12. or 4.1.) 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 hereunder; (iii) any actual or proposed use by the Borrower of the proceeds of the Loans; (iv) the Agent's or any Lender's entering into this Agreement; (v) the fact that the Agent and the Lenders have established the credit facility evidenced hereby in favor of the Borrower; (vi) the fact that the 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 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 Agent or the Lenders may have under this Agreement or the other Loan Documents; (ix) any civil penalty or fine assessed by the OFAC against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by, the Agent or any Lender as a result of conduct of the Borrower, any other Loan Party or any Subsidiary that violates or threatens to violate a sanction enforced by the OFAC; or (x) 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 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 for (A) any acts or omissions of such Indemnified Party in connection with matters described in this subsection to the extent arising from the gross negligence or willful misconduct of such Indemnified Party, as determined by a court of competent jurisdiction in a final, non-appealable judgment or (B) Indemnified Costs to the extent arising directly out of or resulting directly from claims of one or more Indemnified Parties against another Indemnified Party.

(b) The Borrower's indemnification obligations under this Section 12.9. 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 Indemnified Costs 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. If indemnification is to be sought hereunder by an Indemnified Party, then such Indemnified Party shall notify the Borrower of the commencement of any Indemnity Proceeding; provided, however, that the failure to so notify the Borrower shall not relieve the Borrower from any liability that it may have to such Indemnified Party pursuant to this Section 12.9.

(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 Indemnity Proceeding covered by this Section and, as provided above, all Indemnified Costs incurred by such 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 Indemnity 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 if (i) 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 Indemnity Proceeding, such Indemnified Party shall not settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed). Notwithstanding the foregoing, an Indemnified Party may settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower where (x) no monetary relief is sought against such Indemnified Party in such Indemnity Proceeding, (y) there is an allegation of a violation of law by such Indemnified Party or (z) the proposed settlement or compromise would otherwise be disadvantageous to such Indemnified Party as determined by it in its sole discretion.

(f) If and to the extent that the obligations of the Borrower under this Section 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 under this Section shall survive any termination of this Agreement and the other Loan Documents and the payment in full in cash 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 12.10. Termination; Survival.

At such time as (a) the outstanding principal balance of the Loans and (b) all other Obligations (other than obligations which survive as provided in the following sentence) have been paid and satisfied in full, this Agreement shall terminate. The indemnities to which the Agent and the Lenders are entitled under the provisions of Sections 3.12., 4.1., 4.4., 11.7., 12.2. and 12.9. and any other provision of this Agreement and the other Loan Documents, and the provisions of Section 12.4., shall continue in full force and effect and shall protect the Agent and the Lenders (i) notwithstanding any termination of this Agreement, or of the other Loan Documents, against events arising after such termination as well as before and (ii) at all times after any such party ceases to be a party to this Agreement with respect to all matters and events existing on or prior to the date such party ceased to be a party to this Agreement.

Section 12.11. 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 12.12. GOVERNING LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 12.13. Patriot Act.

The Lenders and the Agent each hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), it is required to obtain, verify and record information that identifies the Borrower and the other Loan Parties, which information includes the name and address of the Borrower and the other Loan Parties and other information that will allow such Lender or the Agent, as applicable, to identify the Borrower and the other Loan Parties in accordance with such Act.

Section 12.14. 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 12.15. 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 12.16. Limitation of Liability.

Neither the Agent nor any Lender, nor any affiliate, officer, director, employee, attorney, or agent of the Agent or any Lender shall have any liability with respect to, and the Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by the Borrower in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. The Borrower hereby waives, releases, and agrees not to sue the Agent or any Lender or any of the 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 12.17. 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 thereof and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. There are no oral agreements among the parties hereto.

Section 12.18. Construction.

The 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 Agent, the Borrower and each Lender.

Section 12.19. Limitation of Liability of Trustees, Etc.

NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE 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.

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Dawn M. Becker
Name: Dawn M. Becker
Title: Executive Vice President-General Counsel and Secretary

[Signatures Continued on Next Page]

**[Signature Page to Credit Agreement dated as of
November 9, 2007 with Federal Realty Investment Trust]**

WACHOVIA BANK, NATIONAL ASSOCIATION, as Agent
and as a Lender

By: /s/ Amit Khimji

Name: Amit Khimji

Title: Vice President

[Signatures Continued on Next Page]

[Signature Page to Credit Agreement dated as of
November 9, 2007 with Federal Realty Investment Trust]

BANK OF AMERICA, N.A.
as a Lender

By: /s/ Michael W. Edwards
Name: Michael W. Edwards
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A.
as a Lender

By: /s/ Donald Shokrian
Name: Donald Shokrian
Title: Managing Director

SUNTRUST BANK
as a Lender

By: /s/ Nancy B. Richards
Name: Nancy B. Richards
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION
as a Lender

By: /s/ A. Jeffrey Jacobsen
Name: A. Jeffrey Jacobsen
Title: Senior Vice President

CITICORP NORTH AMERICA, INC.
as a Lender

By: /s/ Ricardo James
Name: Ricardo James
Title: Vice President

REGIONS BANK
as a Lender

By: /s/ Kerri Raines
Name: Kerri Raines
Title: Vice President

EUROHYPO AG, NEW YORK BRANCH
as a Lender

By: /s/ John Lippmann
Name: John Lippmann
Title: Director

By: /s/ John Hayes
Name: John Hayes
Title: Vice President

PNC BANK NATIONAL ASSOCIATION
as a Lender

By: /s/ Timothy P. Gleeson
Name: Timothy P. Gleeson
Title: Vice President

ROYAL BANK OF CANADA
as a Lender

By: /s/ Jake Sigmund
Name: Jake Sigmund
Title: Authorized Signatory

COMERICA BANK
as a Lender

By: /s/ James Graycheck
Name: James Graycheck
Title: Vice President

SCHEDULE 1

Commitments

<u>Lender</u>	<u>Commitment Amount</u>
Wachovia Bank, National Association	\$ 21,000,000
Bank of America, N.A.	\$ 21,000,000
JPMorgan Chase Bank, N.A.	\$ 21,000,000
SunTrust Bank	\$ 21,000,000
U.S. Bank National Association	\$ 21,000,000
Citicorp North America, Inc.	\$ 21,000,000
Regions Bank	\$ 21,000,000
Eurohypo AG, New York Agency	\$ 14,000,000
PNC Bank, National Association	\$ 14,000,000
Royal Bank of Canada	\$ 14,000,000
Comerica Bank	\$ 11,000,000

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

THIS ASSIGNMENT AND ACCEPTANCE AGREEMENT dated as of _____, 20__ (the "Agreement") by and among _____ (the "Assignor"), _____ (the "Assignee"), and WACHOVIA BANK, NATIONAL ASSOCIATION, as Agent (the "Agent").

WHEREAS, the Assignor is a Lender under that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto;

WHEREAS, the Assignor desires to assign to the Assignee, among other things, all or a portion of the Assignor's rights under the Credit Agreement, all on the terms and conditions set forth herein; and

WHEREAS, the Agent consents to such assignment on the terms and conditions set forth herein;

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

Section 1. Assignment.

(a) Subject to the terms and conditions of this Agreement and in consideration of the payment to be made by the Assignee to the Assignor pursuant to Section 2 of this Agreement, effective as of _____, 200__ (the "Assignment Date"), the Assignor hereby irrevocably sells, transfers and assigns to the Assignee, without recourse, a \$_____ interest (such interest being the "Assigned Loan") in and to the Assignor's Loan and all of the other rights and obligations of the Assignor under the Credit Agreement, such Assignor's Note and the other Loan Documents (representing _____% in respect of the aggregate amount of all Lenders' outstanding Loans), all voting rights of the Assignor associated with the Assigned Loan, all rights to receive interest on the Assigned Loan and all Fees with respect to the Assigned Loan and all other rights and obligations of the Assignor under the Credit Agreement and the other Loan Documents with respect to the Assigned Loan, all as if the Assignee were an original Lender under and signatory to the Credit Agreement holding a Loan equal to the amount of the Assigned Loan. The Assignee, subject to the terms and conditions hereof, hereby assumes all obligations of the Assignor with respect to the Assigned Loan as if the Assignee were an original Lender under and signatory to the Credit Agreement having a Loan equal to the Assigned Loan, which obligations shall include, but shall not be limited to, the obligation of the Assignor to indemnify the Agent as provided therein (the foregoing obligation, together with all other obligations more particularly set forth in the Credit Agreement and the other Loan Documents, collectively, the "Assigned Obligations"). The Assignor shall have no further duties or obligations with respect to, and shall have no further interest in, the Assigned Obligations or the Assigned Loan from and after the Assignment Date.

(b) The assignment by the Assignor to the Assignee hereunder is without recourse to the Assignor. The Assignee makes and confirms to the Agent, the Assignor, and the other Lenders all of the representations, warranties and covenants of a Lender under Article XI. of the Credit Agreement. Not in limitation of the foregoing, the Assignee acknowledges and agrees that, except as set forth in Section 4 below, the Assignor is making no representations or warranties with respect to, and the Assignee hereby releases and discharges the Assignor for any responsibility or liability for: (i) the present or future solvency or financial condition of the Borrower, any Subsidiary or any other Loan Party, (ii) any representations, warranties, statements or information made or furnished by the Borrower, any Subsidiary or any other Loan Party in connection with the Credit Agreement or otherwise, (iii) the validity, efficacy, sufficiency, or enforceability of the Credit Agreement, any other Loan Document or any other document or instrument executed in connection therewith, or the collectibility of the Assigned Obligations, (iv) the perfection, priority or validity of any Lien with respect to any collateral at any time securing the Obligations or the Assigned Obligations under the Notes or the Credit Agreement and (v) the performance or failure to perform by the Borrower or any other Loan Party of any obligation under the Credit Agreement or any other Loan Document to which it is a party. Further, the Assignee acknowledges that it has, independently and without reliance upon the Agent, or on any affiliate or subsidiary thereof, the Assignor or any other Lender and based on the financial statements supplied by the Borrower and such other documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to become a Lender under the Credit Agreement. The Assignee also acknowledges that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other Loan Documents or pursuant to any other obligation. Except as expressly provided in the Credit Agreement, the Agent shall have no duty or responsibility whatsoever, either initially or on a continuing basis, to provide the Assignee with any credit or other information with respect to the Borrower or any other Loan Party or to notify the Assignee of any Default or Event of Default. The Assignee has not relied on the Agent as to any legal or factual matter in connection therewith or in connection with the transactions contemplated thereunder.

Section 2. Payment by Assignee. In consideration of the assignment made pursuant to Section 1 of this Agreement, the Assignee agrees to pay to the Assignor on the Assignment Date, such amount as they may agree.

Section 3. Payments by Assignor. The Assignor agrees to pay to the Agent on the Assignment Date the administration fee, if any, payable under the applicable provisions of the Credit Agreement.

Section 4. Representations and Warranties of Assignor. The Assignor hereby represents and warrants to the Assignee that (a) as of the Assignment Date (i) the Assignor is a Lender under the Credit Agreement and that the Assignor is not in default of its obligations under the Credit Agreement; and (ii) the outstanding balance of Loan owing to the Assignor (without

reduction by any assignments thereof which have not yet become effective) is \$ _____; and (b) it is the legal and beneficial owner of the Assigned Loan which is free and clear of any adverse claim created by the Assignor.

Section 5. Representations, Warranties and Agreements of Assignee. The Assignee (a) represents and warrants that it is (i) legally authorized to enter into this Agreement, (ii) an "accredited investor" (as such term is used in Regulation D of the Securities Act) and (iii) an Eligible Assignee; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered in connection therewith or pursuant thereto and such other documents and information (including without limitation the Loan Documents) as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (c) appoints and authorizes the Agent to take such action as contractual representative on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof together with such powers as are reasonably incidental thereto; and (d) agrees that, if not already a Lender and to the extent of the Assigned Loan, it will become a party to and shall be bound by the Credit Agreement and the other Loan Documents to which the other Lenders are a party on the Assignment Date and will perform in accordance therewith all of the obligations which are required to be performed by it as a Lender.

Section 6. Recording and Acknowledgment by the Agent. Following the execution of this Agreement, the Assignor will deliver to the Agent (a) a duly executed copy of this Agreement for acknowledgment and recording by the Agent and (b) the Assignor's Note. Upon such acknowledgment and recording, from and after the Assignment Date, the Agent shall make all payments in respect of the interest assigned hereby (including payments of principal, interest, Fees and other amounts) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Assignment Date directly between themselves.

Section 7. Addresses. The Assignee specifies as its address for notices and its Lending Office for all Loans, the offices set forth on Schedule 1 attached hereto.

Section 8. Payment Instructions. All payments to be made to the Assignee under this Agreement by the Assignor, and all payments to be made to the Assignee under the Credit Agreement, shall be made as provided in the Credit Agreement in accordance with the following instructions set forth on Schedule 1 attached hereto or as the Assignee may otherwise notify the Agent.

Section 9. Effectiveness of Assignment. This Agreement, and the assignment and assumption contemplated herein, shall not be effective until (a) this Agreement is executed and delivered by each of the Assignor, the Assignee, the Agent, and if required under Section 12.5.(d) of the Credit Agreement, the Borrower, and (b) the payment to the Assignor of the amounts, if any, owing by the Assignee pursuant to Section 2 hereof and (c) the payment to the Agent of the amounts, if any, owing by the Assignor pursuant to Section 3 hereof. Upon recording and acknowledgment of this Agreement by the Agent, from and after the Assignment Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Agreement, have the rights and obligations of a Lender thereunder to the extent of the Assigned

Loan and (ii) the Assignor shall, to the extent provided in this Agreement, relinquish its rights (except as otherwise provided in Section 12.10. of the Credit Agreement) and be released from its obligations under the Credit Agreement with respect to the Assigned Loan; provided, however, that if the Assignor does not assign its entire interest under the Loan Documents, it shall remain a Lender entitled to all of the benefits and subject to all of the obligations thereunder with respect to its Loan.

Section 10. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 11. Counterparts. This Agreement may be executed in any number of counterparts each of which, when taken together, shall constitute one and the same agreement.

Section 12. Headings. Section headings have been inserted herein for convenience only and shall not be construed to be a part hereof.

Section 13. Amendments; Waivers. This Agreement may not be amended, changed, waived or modified except by a writing executed by the Assignee and the Assignor; provided, however, any amendment, waiver or consent which shall affect the rights or duties of the Agent under this Agreement shall not be effective unless signed by the Agent.

Section 14. Entire Agreement. This Agreement embodies the entire agreement between the Assignor and the Assignee with respect to the subject matter hereof and supersedes all other prior arrangements and understandings relating to the subject matter hereof.

Section 15. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 16. Definitions. Terms not otherwise defined herein are used herein with the respective meanings given them in the Credit Agreement.

[Include this Section only if Borrower's consent is required under Section 12.5.(d) Section 17. Agreements of the Borrower. The Borrower hereby agrees that the Assignee shall be a Lender under the Credit Agreement having a Loan equal to the Assigned Loan. The Borrower agrees that the Assignee shall have all of the rights and remedies of a Lender under the Credit Agreement and the other Loan Documents as if the Assignee were an original Lender under and signatory to the Credit Agreement, including, but not limited to, the right of a Lender to receive payments of principal and interest with respect to the Assigned Obligations, and to receive Fees payable to the Lenders as provided in the Credit Agreement. Further, the Assignee shall be entitled to the indemnification provisions from the Borrower in favor of the Lenders as provided in the Credit Agreement and the other Loan Documents. The Borrower further agrees, upon the execution and delivery of this Agreement, to execute in favor of the Assignee, and if applicable the Assignor, Notes as required by Section 12.5.(d) of the Credit Agreement. Upon receipt by the Assignor of the amounts due the Assignor under Section 2, the Assignor agrees to surrender to the Borrower such Assignor's Notes.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment and Acceptance Agreement as of the date and year first written above.

ASSIGNOR:

[NAME OF ASSIGNOR]

By: _____

Name: _____

Title: _____

ASSIGNEE:

[NAME OF ASSIGNEE]

By: _____

Name: _____

Title: _____

Accepted as of the date first written above.

AGENT:

WACHOVIA BANK, NATIONAL ASSOCIATION, as Agent

By: _____

Name: _____

Title: _____

[Signatures Continued on Following Page]

*[Include signature of the Borrower only if required under
Section 12.5.(d) of the Credit Agreement]*

Agreed and consented to as of the date first written above.

BORROWER:

FEDERAL REALTY INVESTMENT TRUST

By: _____
Name: _____
Title: _____

SCHEDULE 1

Information Concerning the Assignee

Notice Address:

Telephone No.: _____

Telecopy No.: _____

Lending Office:

Telephone No.: _____

Telecopy No.: _____

Payment Instructions:

FORM OF NOTICE OF BORROWING

November __, 2007

Wachovia Bank, National Association, as Agent
One Wachovia Center
301 South College Street
Mail Code: NC0172
Charlotte, North Carolina 28288
Attention: Rex E. Rudy

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), Wachovia Bank, National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

1. Pursuant to Section 2.1.(b) of the Credit Agreement, the Borrower hereby requests that the Lenders make Loans to the Borrower in an aggregate principal amount equal to \$200,000,000.
2. The Borrower requests that such Loans be made available to the Borrower on November __, 2007.
3. The Borrower hereby requests that the requested Loans all be of the following Type:

[Check one box only]

- Base Rate Loans
- LIBOR Loans, each with an initial Interest Period for a duration of:

- [Check one box only]**
- 1 week
 - 1 month
 - 2 months
 - 3 months
 - 6 months
 - 1 year

4. The proceeds of this borrowing of Loans will be used for general corporate purposes.
5. The Borrower requests that the proceeds the Loans be made available to the Borrower by wire transfer in immediately available funds to:
[insert appropriate wiring instructions]

The Borrower hereby certifies to the Agent and the Lenders that as of the date hereof and as of the date of the making of the requested Loans and after giving effect thereto, (a) no Default or Event of Default exists or shall exist, and (b) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party are and shall be true and correct in all material respects, 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 correct in all material respects on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Borrowing as of the date first written above.

FEDERAL REALTY INVESTMENT TRUST

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF NOTICE OF CONTINUATION

_____, 20__

Wachovia Bank, National Association, as Agent
One Wachovia Center
301 South College Street
Mail Code: NC0172
Charlotte, North Carolina 28288
Attention: Rex E. Rudy

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), Wachovia Bank, National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

Pursuant to Section 2.6. of the Credit Agreement, the Borrower hereby requests a Continuation of LIBOR Loans under the Credit Agreement, and in that connection sets forth below the information relating to such Continuation as required by such Section of the Credit Agreement:

1. The proposed date of such Continuation is _____, 20__.
2. The aggregate principal amount of Loans subject to the requested Continuation is \$_____.
3. The portion of such principal amount subject to such Continuation is \$_____.
4. The current Interest Period for each of the Loans subject to such Continuation ends on _____, 20__.
5. The duration of the new Interest Period for each of such Loans or portion thereof subject to such Continuation is:

[Check one box only]

- 1 week
- 1 month
- 2 months
- 3 months
- 6 months
- 1 year

The Borrower hereby certifies to the Agent and the Lenders that as of the date hereof, as of the proposed date of the requested Continuation, and after giving effect to such Continuation, no Event of Default exists or will exist.

If notice of the requested Continuation was given previously by telephone, this notice is to be considered the written confirmation of such telephone notice required by Section 2.6. of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Continuation as of the date first written above.

FEDERAL REALTY INVESTMENT TRUST

By: _____
Name: _____
Title: _____

EXHIBIT D

FORM OF NOTICE OF CONVERSION

_____, 20__

Wachovia Bank, National Association, as Agent
One Wachovia Center
301 South College Street
Mail Code: NC0172
Charlotte, North Carolina 28288
Attention: Rex E. Rudy

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), Wachovia Bank, National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

Pursuant to Section 2.7. of the Credit Agreement, the Borrower hereby requests a Conversion of a borrowing of Loans of one Type into Loans of another Type under the Credit Agreement, and in that connection sets forth below the information relating to such Conversion as required by such Section of the Credit Agreement:

1. The proposed date of such Conversion is _____, 20__.
2. The Loans to be Converted pursuant hereto are **currently**:

 [Check one box only] Base Rate Loans
 LIBOR Loans
3. The aggregate principal amount of Loans subject to the requested Conversion is \$_____.
4. The portion of such principal amount subject to such Conversion is \$_____.

5. The amount of such Loans to be so Converted is to be converted into Loans of the following Type:

[Check one box only]

- Base Rate Loans
- LIBOR Loans, each with an initial Interest Period for a duration of:

- [Check one box only]**
- 1 week
 - 1 month
 - 2 months
 - 3 months
 - 6 months
 - 1 year

Other than a conversion to Base Rate Loans, the Borrower hereby certifies to the Agent and the Lenders that as of the date hereof and as of the date of the requested Conversion and after giving effect thereto, (a) no Event of Default exists or will exist and (b) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party are and shall be true and correct in all material respects, 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 correct in all material respects on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents.

If notice of the requested Conversion was given previously by telephone, this notice is to be considered the written confirmation of such telephone notice required by Section 2.7. of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Conversion as of the date first written above.

FEDERAL REALTY INVESTMENT TRUST

By: _____
Name: _____
Title: _____

EXHIBIT E
FORM OF NOTE

\$ _____, 20 _____

FOR VALUE RECEIVED, the undersigned, FEDERAL REALTY INVESTMENT TRUST, a real estate investment trust formed under the laws of the State of Maryland (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), in care of Wachovia Bank, National Association, as Agent (the "Agent") at Wachovia Bank, National Association, One Wachovia Center, 301 South College Street, Charlotte, North Carolina 28288, or at such other address as may be specified in writing by the Agent to the Borrower, the principal sum of _____ AND ___/100 DOLLARS (\$ _____) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Loan made by the Lender to the Borrower under the Credit Agreement (as herein defined)), on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount owing hereunder, at the rates and on the dates provided in the Credit Agreement.

The date, amount of the Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the 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 under the Credit Agreement or hereunder in respect of the Loan made by the Lender.

This Note is one of the Notes referred to in the Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 12.5.(d) of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

The Borrower hereby waives presentment for payment, demand, notice of demand, notice of non-payment, protest, notice of protest and all other similar notices.

Time is of the essence for this Note.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Note under seal as of the date first written above.

FEDERAL REALTY INVESTMENT TRUST

By: _____
Name: _____
Title: _____

SCHEDULE OF LOAN

This Note evidences the Loan made under the within-described Credit Agreement to the Borrower, on the date and in the principal amount set forth below, subject to the payments and prepayments of principal set forth below:

<u>Date of Loan</u>	<u>Principal Amount of Loan</u>	<u>Amount Paid or Prepaid</u>	<u>Unpaid Principal Amount</u>	<u>Notation Made By</u>
-------------------------	---	---------------------------------------	--	-----------------------------

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EXHIBIT F

FORM OF OPINION OF COUNSEL

[to be provided]

EXHIBIT G

FORM OF COMPLIANCE CERTIFICATE

_____, 20__

Wachovia Bank, National Association, as Agent
One Wachovia Center
301 South College Street
Mail Code: NC0172
Charlotte, North Carolina 28288

Each of the Lenders Party to the Credit
Agreement referred to below

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), Wachovia Bank, National Association, as Agent (the "Agent") and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

Pursuant to Section 8.3. of the Credit Agreement, the undersigned hereby certifies to the Agent and the Lenders, in his or her capacity as an officer of the Borrower and not in his or her individual capacity, as follows:

(1) The undersigned is a Responsible Officer of the Borrower, holding the office indicated below his/her signature to this Compliance Certificate.

(2) The undersigned has examined the books and records of the Borrower and has conducted such other examinations and investigations as are reasonably necessary to provide this Compliance Certificate.

(3) To the best of the undersigned's knowledge, information and belief after due inquiry, no Default or Event of Default exists *[if such is not the case, specify 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]*.

(4) Attached hereto as Schedule 1 are reasonably detailed calculations establishing whether or not the Borrower and its Subsidiaries were in compliance with the covenants contained in Sections 9.1. and 9.4.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first above written.

Name: _____
Title: _____

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EXHIBIT H

FORM OF GUARANTY

THIS GUARANTY dated as of November 9, 2007, executed and delivered by each of the undersigned and the other Persons from time to time party hereto pursuant to the execution and delivery of an Accession Agreement in the form of Annex I hereto (all of the undersigned, together with such other Persons each a "Guarantor" and collectively, the "Guarantors") in favor of (a) WACHOVIA BANK, NATIONAL ASSOCIATION, in its capacity as Agent (the "Agent") for the Lenders under that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto, and (b) the Lenders.

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make available to the Borrower certain financial accommodations on the terms and conditions set forth in the Credit Agreement;

WHEREAS, the Borrower and each of the Guarantors, though separate legal entities, are mutually dependent on each other in the conduct of their respective businesses as an integrated operation and have determined it to be in their mutual best interests to obtain financing from the Lenders through their collective efforts;

WHEREAS, each Guarantor acknowledges that it will receive direct and indirect benefits from the Agent and the Lenders making such financial accommodations available to the Borrower under the Credit Agreement and, accordingly, each Guarantor is willing to guarantee the Borrower's obligations to the Agent and the Lenders on the terms and conditions contained herein; and

WHEREAS, each Guarantor's execution and delivery of this Guaranty is a condition to the Lenders making, and continuing to make, such financial accommodations to the Borrower.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Guarantor, each Guarantor agrees as follows:

Section 1. Guaranty. Each Guarantor hereby absolutely, irrevocably and unconditionally guaranties the due and punctual payment and performance when due, whether at stated maturity, by acceleration or otherwise, of all of the following, whether now existing or hereafter arising, (collectively referred to as the "Guarantied Obligations"): (a) all indebtedness and obligations owing by the Borrower to any Lender or the Agent under or in connection with the Credit Agreement and any other Loan Document, including without limitation, the repayment of all principal of the Loans, and the payment of all interest, Fees, charges, attorneys' fees and other amounts payable to any Lender or the Agent thereunder or in connection therewith; (b) any and all extensions, renewals, modifications, amendments or substitutions of the foregoing; (c) all

expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are incurred by the Lenders and the Agent in the enforcement of any of the foregoing or any obligation of such Guarantor hereunder; and (d) all other Obligations.

Section 2. Guaranty of Payment and Not of Collection. This Guaranty is a guaranty of payment, and not of collection, and a debt of each Guarantor for its own account. Accordingly, none of the Lenders or the Agent shall be obligated or required before enforcing this Guaranty against any Guarantor: (a) to pursue any right or remedy any of them may have against the Borrower, any other Guarantor or any other Person or commence any suit or other proceeding against the Borrower, any other Guarantor or any other Person in any court or other tribunal; (b) to make any claim in a liquidation or bankruptcy of the Borrower, any other Guarantor or any other Person; or (c) to make demand of the Borrower, any other Guarantor or any other Person or to enforce or seek to enforce or realize upon any collateral security held by the Lenders or the Agent which may secure any of the Guaranteed Obligations.

Section 3. Guaranty Absolute. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the documents evidencing the same, regardless of any Applicable Law now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent or the Lenders with respect thereto. The liability of each Guarantor under this Guaranty shall be absolute, irrevocable and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including without limitation, the following (whether or not such Guarantor consents thereto or has notice thereof):

(a) (i) any change in the amount, interest rate or due date or other term of any of the Guaranteed Obligations, (ii) any change in the time, place or manner of payment of all or any portion of the Guaranteed Obligations, (iii) any amendment or waiver of, or consent to the departure from or other indulgence with respect to, the Credit Agreement, any other Loan Document, or any other document or instrument evidencing or relating to any Guaranteed Obligations, or (iv) any waiver, renewal, extension, addition, or supplement to, or deletion from, or any other action or inaction under or in respect of, the Credit Agreement, any of the other Loan Documents, or any other documents, instruments or agreements relating to the Guaranteed Obligations or any other instrument or agreement referred to therein or evidencing any Guaranteed Obligations or any assignment or transfer of any of the foregoing;

(b) any lack of validity or enforceability of the Credit Agreement, any of the other Loan Documents, or any other document, instrument or agreement referred to therein or evidencing any Guaranteed Obligations or any assignment or transfer of any of the foregoing;

(c) any furnishing to the Agent or the Lenders of any security for the Guaranteed Obligations, or any sale, exchange, release or surrender of, or realization on, any collateral securing any of the Obligations;

(d) any settlement or compromise of any of the Guaranteed Obligations, any security therefor, or any liability of any other party with respect to the Guaranteed Obligations, or any subordination of the payment of the Guaranteed Obligations to the payment of any other liability of the Borrower or any other Loan Party;

(e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to such Guarantor, the Borrower, any other Loan Party or any other Person, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding;

(f) any act or failure to act by the Borrower, any other Loan Party or any other Person which may adversely affect such Guarantor's subrogation rights, if any, against the Borrower to recover payments made under this Guaranty;

(g) any nonperfection or impairment of any security interest or other Lien on any collateral, if any, securing in any way any of the Obligations;

(h) any application of sums paid by the Borrower, any other Guarantor or any other Person with respect to the liabilities of the Borrower to the Agent or the Lenders, regardless of what liabilities of the Borrower remain unpaid;

(i) any defect, limitation or insufficiency in the borrowing powers of the Borrower or in the exercise thereof; or

(j) any other circumstance which might otherwise constitute a defense available to, or a discharge of, a Guarantor hereunder (other than indefeasible payment and performance in full).

Section 4. Action with Respect to Guaranteed Obligations. The Lenders and the Agent may, at any time and from time to time, without the consent of, or notice to, any Guarantor, and without discharging any Guarantor from its obligations hereunder, take any and all actions described in Section 3 and may otherwise: (a) amend, modify, alter or supplement the terms of any of the Guaranteed Obligations, including, but not limited to, extending or shortening the time of payment of any of the Guaranteed Obligations or changing the interest rate that may accrue on any of the Guaranteed Obligations; (b) amend, modify, alter or supplement the Credit Agreement or any other Loan Document (other than this Guaranty, as to which each Guarantor's Agreement is required); (c) sell, exchange, release or otherwise deal with all, or any part, of any collateral securing any of the Obligations; (d) release any other Loan Party or other Person liable in any manner for the payment or collection of the Guaranteed Obligations; (e) exercise, or refrain from exercising, any rights against the Borrower, any other Guarantor or any other Person; and (f) apply any sum, by whomsoever paid or however realized, to the Guaranteed Obligations in such order as the Lenders shall elect.

Section 5. Representations and Warranties. Each Guarantor hereby severally with respect to itself only makes to the Agent and the Lenders all of the representations and warranties made by the Borrower with respect to or in any way relating to such Guarantor in the Credit Agreement and the other Loan Documents, as if the same were set forth herein in full.

Section 6. Covenants. Each Guarantor will comply with all covenants which the Borrower is to cause such Guarantor to comply with under the terms of the Credit Agreement or any of the other Loan Documents.

Section 7. Waiver. Each Guarantor, to the fullest extent permitted by Applicable Law, hereby waives notice of acceptance hereof or any presentment, demand, protest or notice of any kind, and any other act or thing, or omission or delay to do any other act or thing, which in any manner or to any extent might vary the risk of such Guarantor or which otherwise might operate to discharge such Guarantor from its obligations hereunder.

Section 8. Inability to Accelerate Loan. If the Agent and/or the Lenders are prevented under Applicable Law or otherwise from demanding or accelerating payment of any of the Guaranteed Obligations by reason of any automatic stay or otherwise, the Agent and/or the Lenders shall be entitled to receive from each Guarantor, upon demand therefor, the sums which otherwise would have been due had such demand or acceleration occurred.

Section 9. Reinstatement of Guaranteed Obligations. If claim is ever made on the Agent, or any Lender for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations, and the Agent or such Lender repays all or part of said amount by reason of (a) any judgment, decree or order of any court or administrative body of competent jurisdiction, or (b) any settlement or compromise of any such claim effected by the Agent or such Lender with any such claimant (including the Borrower or a trustee in bankruptcy for the Borrower), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding on it, notwithstanding any revocation hereof or the cancellation of the Credit Agreement, any of the other Loan Documents, or any other instrument evidencing any liability of the Borrower, and such Guarantor shall be and remain liable to the Agent or such Lender for the amounts so repaid or recovered to the same extent as if such amount had never originally been paid to the Agent or such Lender.

Section 10. Subrogation. Upon the making by any Guarantor of any payment hereunder for the account of the Borrower, such Guarantor shall be subrogated to the rights of the payee against the Borrower; provided, however, that such Guarantor shall not enforce any right or receive any payment by way of subrogation or otherwise take any action in respect of any other claim or cause of action such Guarantor may have against the Borrower arising by reason of any payment or performance by such Guarantor pursuant to this Guaranty, unless and until all of the Guaranteed Obligations have been indefeasibly paid and performed in full. If any amount shall be paid to such Guarantor on account of or in respect of such subrogation rights or other claims or causes of action, such Guarantor shall hold such amount in trust for the benefit of the Agent and the Lenders and shall forthwith pay such amount to the Agent to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement or to be held by the Agent as collateral security for any Guaranteed Obligations existing.

Section 11. Payments Free and Clear. All sums payable by each Guarantor hereunder, whether of principal, interest, Fees, expenses, premiums or otherwise, shall be paid in full, without set-off or counterclaim or any deduction or withholding whatsoever (including any

Taxes, subject to Section 3.12. of the Credit Agreement), and if any Guarantor is required by Applicable Law or by a Governmental Authority to make any such deduction or withholding, such Guarantor shall, subject to Section 3.12. of the Credit Agreement, pay to the Agent and the Lenders such additional amount as will result in the receipt by the Agent and the Lenders of the full amount payable hereunder had such deduction or withholding not occurred or been required.

Section 12. Set-off. In addition to any rights now or hereafter granted under any of the other Loan Documents or Applicable Law and not by way of limitation of any such rights, each Guarantor hereby authorizes the Agent, each Lender and each affiliate of the Agent or any Lender, at any time during the continuance of an Event of Default, without any prior notice to such Guarantor or to any other Person, any such notice being hereby expressly waived, but in the case of a Lender or an affiliate of a Lender, subject to receipt of the prior written consent of the Agent exercised in its sole discretion, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Agent, such Lender, or any affiliate of the Agent or such Lender, to or for the credit or the account of such Guarantor against and on account of any of the Guaranteed Obligations, although such obligations shall be contingent or unmatured.

Section 13. Subordination. Each Guarantor hereby expressly covenants and agrees for the benefit of the Agent and the Lenders that all obligations and liabilities of the Borrower to such Guarantor of whatever description, including without limitation, all intercompany receivables of such Guarantor from the Borrower (collectively, the "Junior Claims") shall be subordinate and junior in right of payment to all Guaranteed Obligations. If an Event of Default shall exist, then no Guarantor shall accept any direct or indirect payment (in cash, property or securities, by setoff or otherwise) from the Borrower on account of or in any manner in respect of any Junior Claim until all of the Guaranteed Obligations have been indefeasibly paid in full.

Section 14. Avoidance Provisions. It is the intent of each Guarantor, the Agent and the Lenders that in any Proceeding, such Guarantor's maximum obligation hereunder shall equal, but not exceed, the maximum amount which would not otherwise cause the obligations of such Guarantor hereunder (or any other obligations of such Guarantor to the Agent and the Lenders) to be avoidable or unenforceable against such Guarantor in such Proceeding as a result of Applicable Law, including without limitation, (a) Section 548 of the Bankruptcy Code of 1978, as amended (the "Bankruptcy Code") and (b) any state fraudulent transfer or fraudulent conveyance act or statute applied in such Proceeding, whether by virtue of Section 544 of the Bankruptcy Code or otherwise. The Applicable Laws under which the possible avoidance or unenforceability of the obligations of such Guarantor hereunder (or any other obligations of such Guarantor to the Agent and the Lenders) shall be determined in any such Proceeding are referred to as the "Avoidance Provisions". Accordingly, to the extent that the obligations of any Guarantor hereunder would otherwise be subject to avoidance under the Avoidance Provisions, the maximum Guaranteed Obligations for which such Guarantor shall be liable hereunder shall be reduced to that amount which, as of the time any of the Guaranteed Obligations are deemed to have been incurred under the Avoidance Provisions, would not cause the obligations of such Guarantor hereunder (or any other obligations of such Guarantor to the Agent and the Lenders), to be subject to avoidance under the Avoidance Provisions. This Section is intended solely to

preserve the rights of the Agent and the Lenders hereunder to the maximum extent that would not cause the obligations of any Guarantor hereunder to be subject to avoidance under the Avoidance Provisions, and no Guarantor or any other Person shall have any right or claim under this Section as against the Agent and the Lenders that would not otherwise be available to such Person under the Avoidance Provisions.

Section 15. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of the financial condition of the Borrower and the other Guarantors, and of all other circumstances bearing upon the risk of nonpayment of any of the Guaranteed Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Agent or the Lenders shall have any duty whatsoever to advise any Guarantor of information regarding such circumstances or risks.

Section 16. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

SECTION 17. WAIVER OF JURY TRIAL, ETC.

(a) EACH PARTY HERETO ACKNOWLEDGES THAT ANY DISPUTE OR CONTROVERSY BETWEEN OR AMONG ANY GUARANTOR, THE AGENT OR ANY OF THE LENDERS WOULD BE BASED ON DIFFICULT AND COMPLEX ISSUES OF LAW AND FACT AND WOULD RESULT IN DELAY AND EXPENSE TO THE PARTIES. ACCORDINGLY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE LENDERS, THE AGENT AND THE GUARANTORS HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT OR TRIBUNAL IN WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST ANY PARTY HERETO ARISING OUT OF THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR BY REASON OF ANY OTHER SUIT, CAUSE OF ACTION OR DISPUTE WHATSOEVER BETWEEN OR AMONG THE GUARANTORS, THE AGENT OR ANY OF THE LENDERS OF ANY KIND OR NATURE RELATING TO ANY OF THE LOAN DOCUMENTS.

(b) EACH OF THE GUARANTORS, THE AGENT AND EACH LENDER HEREBY AGREES THAT THE FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY STATE COURT LOCATED IN THE BOROUGH OF MANHATTAN OF NEW YORK, NEW YORK, SHALL HAVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN OR AMONG THE GUARANTORS, THE AGENT OR ANY OF THE LENDERS PERTAINING DIRECTLY OR INDIRECTLY TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR TO ANY MATTER ARISING HEREFROM OR THEREFROM. EACH GUARANTOR AND EACH OF THE LENDERS EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN SUCH COURTS WITH RESPECT TO SUCH CLAIMS OR DISPUTES. EACH PARTY FURTHER WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF

ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT FORUM, AND EACH AGREES NOT TO PLEAD OR CLAIM THE SAME. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE BRINGING OF ANY ACTION BY THE AGENT OR ANY LENDER OR THE ENFORCEMENT BY THE AGENT OR ANY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM IN ANY OTHER APPROPRIATE JURISDICTION.

(c) THE PROVISIONS OF THIS SECTION HAVE BEEN CONSIDERED BY EACH PARTY WITH THE ADVICE OF COUNSEL AND WITH A FULL UNDERSTANDING OF THE LEGAL CONSEQUENCES THEREOF, AND SHALL SURVIVE THE PAYMENT OF THE LOANS AND ALL OTHER AMOUNTS PAYABLE HEREUNDER OR UNDER THE OTHER LOAN DOCUMENTS AND THE TERMINATION OF THIS GUARANTY.

Section 18. Loan Accounts. The Agent and each Lender may maintain books and accounts setting forth the amounts of principal, interest and other sums paid and payable with respect to the Guaranteed Obligations, and in the case of any dispute relating to any of the outstanding amount, payment or receipt of any of the Guaranteed Obligations or otherwise, the entries in such books and accounts shall be deemed conclusive evidence of the amounts and other matters set forth herein, absent manifest error. The failure of the Agent or any Lender to maintain such books and accounts shall not in any way relieve or discharge any Guarantor of any of its obligations hereunder.

Section 19. Waiver of Remedies. No delay or failure on the part of the Agent or any Lender in the exercise of any right or remedy it may have against any Guarantor hereunder or otherwise shall operate as a waiver thereof, and no single or partial exercise by the Agent or any Lender of any such right or remedy shall preclude any other or further exercise thereof or the exercise of any other such right or remedy.

Section 20. Termination. This Guaranty shall remain in full force and effect until indefeasible payment in full of the Guaranteed Obligations and the other Obligations and the termination or cancellation of the Credit Agreement in accordance with its terms.

Section 21. Successors and Assigns. Each reference herein to the Agent or the Lenders shall be deemed to include such Person's respective successors and assigns (including, but not limited to, any holder of the Guaranteed Obligations) in whose favor the provisions of this Guaranty also shall inure, and each reference herein to each Guarantor shall be deemed to include such Guarantor's successors and assigns, upon whom this Guaranty also shall be binding. The Lenders may, in accordance with the applicable provisions of the Credit Agreement, assign, transfer or sell any Guaranteed Obligation, or grant or sell participations in any Guaranteed Obligations, to any Person without the consent of, or notice to, any Guarantor and without releasing, discharging or modifying any Guarantor's obligations hereunder. Subject to Section 12.8. of the Credit Agreement, each Guarantor hereby consents to the delivery by the Agent or any Lender to any Assignee or Participant (or any prospective Assignee or Participant) of any financial or other information regarding the Borrower or any Guarantor. No Guarantor

may assign or transfer its obligations hereunder to any Person without the prior written consent of all Lenders and any such assignment or other transfer to which all of the Lenders have not so consented shall be null and void.

Section 22. JOINT AND SEVERAL OBLIGATIONS. THE OBLIGATIONS OF THE GUARANTORS HEREUNDER SHALL BE JOINT AND SEVERAL, AND ACCORDINGLY, EACH GUARANTOR CONFIRMS THAT IT IS LIABLE FOR THE FULL AMOUNT OF THE "GUARANTIED OBLIGATIONS" AND ALL OF THE OBLIGATIONS AND LIABILITIES OF EACH OF THE OTHER GUARANTORS HEREUNDER.

Section 23. Amendments. This Guaranty may not be amended except in writing signed by the Requisite Lenders (or all of the Lenders if required under the terms of the Credit Agreement), the Agent and each Guarantor.

Section 24. Payments. All payments to be made by any Guarantor pursuant to this Guaranty shall be made in Dollars, in immediately available funds to the Agent at the Principal Office, not later than 2:00 p.m. on the date of demand therefor.

Section 25. Notices. All notices, requests and other communications hereunder shall be in writing (including facsimile transmission or similar writing) and shall be given (a) to each Guarantor at its address set forth below its signature hereto, (b) to the Agent or any Lender at its respective address for notices provided for in the Credit Agreement, or (c) as to each such party at such other address as such party shall designate in a written notice to the other parties. Each such notice, request or other communication shall be effective (i) if mailed, when received; (ii) if telecopied, when transmitted; or (iii) if hand delivered, when delivered; provided, however, that any notice of a change of address for notices shall not be effective until received.

Section 26. Severability. In case any provision of this Guaranty shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 27. Headings. Section headings used in this Guaranty are for convenience only and shall not affect the construction of this Guaranty.

Section 28. Limitation of Liability. Neither the Agent nor any Lender, nor any affiliate, officer, director, employee, attorney, or agent of the Agent or any Lender, shall have any liability with respect to, and each Guarantor 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 a Guarantor in connection with, arising out of, or in any way related to, this Guaranty or any of the other Loan Documents, or any of the transactions contemplated by this Guaranty, the Credit Agreement or any of the other Loan Documents. Each Guarantor hereby waives, releases, and agrees not to sue the Agent or any Lender or any of the 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 Guaranty, the Credit Agreement or any of the other Loan Documents, or any of the transactions contemplated by Credit Agreement or financed thereby.

Section 29. Definitions. (a) For the purposes of this Guaranty:

“Proceeding” means any of the following: (i) a voluntary or involuntary case concerning any Guarantor shall be commenced under the Bankruptcy Code of 1978, as amended; (ii) a custodian (as defined in such Bankruptcy Code or any other applicable bankruptcy laws) is appointed for, or takes charge of, all or any substantial part of the property of any Guarantor; (iii) any other proceeding under any Applicable Law, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up or composition for adjustment of debts, whether now or hereafter in effect, is commenced relating to any Guarantor; (iv) any Guarantor is adjudicated insolvent or bankrupt; (v) any order of relief or other order approving any such case or proceeding is entered by a court of competent jurisdiction; (vi) any Guarantor makes a general assignment for the benefit of creditors; (vii) any Guarantor shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; (viii) any Guarantor shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; (ix) any Guarantor shall by any act or failure to act indicate its consent to, approval of or acquiescence in any of the foregoing; or (x) any corporate action shall be taken by any Guarantor for the purpose of effecting any of the foregoing.

(b) Terms not otherwise defined herein are used herein with the respective meanings given them in the Credit Agreement.

[Signature on Next Page]

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IN WITNESS WHEREOF, each Guarantor has duly executed and delivered this Guaranty as of the date and year first written above.

[GUARANTORS]

By: _____

Name: _____

Title: _____

Address for Notices:

c/o Federal Realty Investment Trust

1626 East Jefferson Street

Rockville, Maryland 20852-4041

Attn: General Counsel

Telephone: (301) 998-8100

Telecopy: (301) 998-3715

FORM OF ACCESSION AGREEMENT

THIS ACCESSION AGREEMENT dated as of _____, 20__, executed and delivered by _____, a _____ (the "New Guarantor"), in favor of (a) WACHOVIA BANK, NATIONAL ASSOCIATION, in its capacity as Agent (the "Agent") for the Lenders under that certain Credit Agreement dated as of November 9, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Federal Realty Investment Trust (the "Borrower"), the financial institutions party thereto and their permitted assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto, and (b) the Lenders.

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make available to the Borrower certain financial accommodations on the terms and conditions set forth in the Credit Agreement;

WHEREAS, the Borrower, the New Guarantor, and the existing Guarantors, though separate legal entities, are mutually dependent on each other in the conduct of their respective businesses as an integrated operation and have determined it to be in their mutual best interests to obtain financing from the Lenders through their collective efforts;

WHEREAS, the New Guarantor acknowledges that it will receive direct and indirect benefits from the Lenders making such financial accommodations available to the Borrower under the Credit Agreement and, accordingly, the New Guarantor is willing to guarantee the Borrower's obligations to the Agent and the Lenders on the terms and conditions contained herein; and

WHEREAS, the New Guarantor's execution and delivery of this Agreement is a condition to the Lenders continuing to make such financial accommodations to the Borrower.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the New Guarantor, the New Guarantor agrees as follows:

Section 1. Accession to Guaranty. The New Guarantor hereby agrees that it is a "Guarantor" under that certain Guaranty dated as of November 9, 2007 (as amended, supplemented, restated or otherwise modified from time to time, the "Guaranty"), made by each Subsidiary of the Borrower a party thereto in favor of the Agent and the Lenders and assumes all obligations of a "Guarantor" thereunder and agrees to be bound thereby, all as if the New Guarantor had been an original signatory to the Guaranty. Without limiting the generality of the foregoing, the New Guarantor hereby:

(a) irrevocably and unconditionally guarantees the due and punctual payment and performance when due, whether at stated maturity, by acceleration or otherwise, of all Guaranteed Obligations (as defined in the Guaranty);

(b) makes to the Agent and the Lenders as of the date hereof each of the representations and warranties contained in Section 5 of the Guaranty with respect to itself and agrees to be bound by each of the covenants contained in Section 6 of the Guaranty; and

(c) consents and agrees to each provision set forth in the Guaranty.

SECTION 2. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 3. Definitions. Capitalized terms used herein and not otherwise defined herein shall have their respective defined meanings given them in the Credit Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the New Guarantor has caused this Accession Agreement to be duly executed and delivered under seal by its duly authorized officers as of the date first written above.

[NEW GUARANTOR]

By: _____
Name: _____
Title: _____

Address for Notices:
c/o Federal Realty Investment Trust
1626 East Jefferson Street
Rockville, Maryland 20852-4041
Attn: General Counsel
Telephone: (301) 998-8100
Telecopy: (301) 998-3715

Accepted:

WACHOVIA BANK, NATIONAL ASSOCIATION, as Agent

By: _____
Name: _____
Title: _____

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT ("Agreement") is made effective as of the 1st day of January, 2008, by and between FEDERAL REALTY INVESTMENT TRUST (the "Trust") and LARRY E. FINGER ("Consultant").

RECITALS

The Trust desires to engage Consultant to serve as a consultant to the Trust and Consultant desires to so serve as a consultant to the Trust.

NOW THEREFORE, in consideration of the covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Trust and Consultant hereby agree as follows:

1. Appointment as Independent Consultant. The Trust agrees to engage Consultant as an independent consultant, for the purposes set forth in Section 3 of this Agreement. The parties acknowledge and agree that nothing in this Agreement shall constitute or be construed as constituting, creating or extending an agency, partnership, master-servant or employer-employee relationship between the Trust and Consultant for the period covered by this Agreement. Consultant acknowledges that he will not be authorized to bind the Trust during the Term of this Agreement and hereby agrees that he will not hold himself out to third parties during the Term of this Agreement as having the authority to bind the Trust.

2. Term. Unless earlier terminated as provided in Section 6, the term of this Agreement shall commence on January 1, 2008, and shall continue through and including February 29, 2008 ("Term"). Consultant shall return to the Trust any and all records, reports, documents and other materials relating to the Services that are in his possession or control, by overnight courier within twenty-four (24) hours after the first to occur of: (a) a request by the Trust; or (b) March 1, 2008. The Trust shall promptly reimburse Consultant for actual charges incurred to deliver such materials.

3. Services by Consultant. During the term of this Agreement, Consultant shall provide support for the accounting, capital markets and asset management functions at the Trust. Consultant shall also perform such services as may be assigned to him from time to time by Donald C. Wood, the Trust's Chief Executive Officer, or Joseph M. Squeri, the Trust's Chief Financial Officer as of January 1, 2008, or any other individual designated by the Trust's Chief Executive Officer ("Services"). Consultant shall devote such time as he and the Trust's Chief Executive Officer deem reasonably necessary for Consultant to perform the Services consistent with the compensation being paid.

4. Payments/Support Services.

(a) Consulting Fee. The Trust agrees to pay Consultant a consulting fee ("Consulting Fee") equal to the sum of: (i) a weekly fee in the amount of Six Thousand Seven Hundred Thirty and 77/100 Dollars (\$6,730.77) ("Base Fee"). In no event shall the total Base Fee for the nine (9) week term of this Agreement exceed Sixty Thousand Five Hundred Seventy-Six and 92/100 Dollars (\$60,576.92); plus (ii) an amount equal to the FICA taxes that would have been paid by the Trust on the Base Fee if Consultant had been an employee of the Trust for the period covered by this Agreement. The Trust shall pay the Consulting Fee to Consultant on a bi-weekly basis.

(b) Support Services. During the Term of this Agreement, the Trust will provide Consultant with his current office space in the Trust's Rockville, Maryland office, as well as the same administrative support

(which may be shared), computer services (with a connection to the Trust's network), a phone, fax, blackberry and other items and services that Consultant had available to him prior to January 1, 2008 and which the Trust deems necessary to enable Consultant to perform the Services. The Trust will reimburse Consultant or pay directly in accordance with the Trust's Travel and Entertainment Policy, all reasonable costs and expenses necessary in connection with the performance of the Services hereunder, such as out of town travel and related expenses. For all air travel, Consultant shall be permitted to travel First Class and the Trust will reimburse for the amounts of such travel.

(c) Change in Control Payment. In the event there occurs a Change in Control (defined below) during the term of this Agreement, the Trust shall pay to Consultant the amount Consultant would have been entitled to receive if Consultant were still the executive Vice president-Chief Financial Officer and Treasurer of the Trust upon a Change in Control pursuant to that certain Severance Agreement dated as of March 1, 2002 between the Trust and Consultant, as amended ("Severance Agreement"), the provisions of which are incorporated herein by reference. For purposes of this Agreement, "Change in Control" shall have the meaning set forth in the Severance Agreement.

5. Confidentiality and Nondisclosure/Ownership of Intellectual Property. Consultant hereby acknowledges and agrees that he will keep the Trust's records and information confidential on the same terms and conditions as set forth in the confidentiality agreement dated March 1, 2002 ("Confidentiality Agreement"). The terms and conditions of the Confidentiality Agreement are incorporated herein in their entirety by reference.

6. Termination. Either the Trust or Consultant may terminate this Agreement for any reason or no reason on ten (10) business days prior written notice. Upon any such termination, the Trust shall pay to Consultant the Consulting Fee due and owing through the effective date of termination together with the Non-Compete Payment (defined below).

7. Non-Compete/Non-Solicitation.

(a) Payment and Term. Consultant hereby agrees to be bound by and comply with the non-compete and non-solicitation provisions set forth in this Paragraph 7 for the period from January 1, 2008 through and including February 28, 2011 ("Non-Compete Term"). In consideration for Consultant's agreement to be bound by and comply with the provisions of this Paragraph 7 during the Non-Compete Term, the Trust shall pay to Consultant on or before February 29, 2008 a cash payment in the amount of Once Hundred Thousand Dollars (\$100,000) ("Non-Compete Payment").

(b) Non-Compete Terms and Provisions.

(i) Consultant agrees to comply with the following limitations and restrictions during the Non-Compete Term:

(A) Consultant shall not, without the prior written consent of the Trust, for himself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work on or participate in the acquisition, leasing, financing, pre-development or development of any project or property which was considered and actively pursued by the Trust or its affiliates for acquisition, leasing, financing, pre-development or development during the term of this Agreement.

(B) Consultant shall not, without the prior written consent of the Trust, serve as an employee of, consultant to or serve on the Board of Directors or similar body of, any company that satisfies either of the following criteria ("Peer Group Company"): (A) any public shopping center company that is considered by the Trust from time to time to be a competitive business; or (B) any private real estate company

that would be considered from time to time to be a competitive business if it were a public company. The foregoing shall not prohibit Consultant from serving as an employee of, consultant to, or serving on the Board of Directors or similar body of, any company that does not qualify as a Peer Group Company. Notwithstanding the foregoing, Consultant acknowledges that companies that may be considered a Peer Group Company of the Trust may change from time to time and that if during the term of this Agreement Consultant serves as an employee of, consultant to, or serves on the Board of Directors or similar body of, a company that becomes a Peer Group Company at any time during the Non-Compete Term, Consultant shall be required immediately to resign as an employee of or consultant to such company and from the Board of Directors or similar body of such company. As of the date of this Agreement, the public company Peer Group Companies of the Trust are Developers Diversified Realty Corporation, Equity One, Inc., Kimco Realty Corporation, Regency Centers Corporation and Weingarten Realty Investors.

(C) Consultant shall not, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other Person:

(1) so that the Trust may maintain an uninterrupted workforce, solicit and/or hire any person who is at the time of termination of this Agreement, or has been within six (6) months prior to the time of termination of this Agreement an employee of the Trust or its affiliates, for the purpose or with the intent of enticing such employee away from or out of the employ of the Trust or its affiliates, provided that you shall be permitted to call upon and hire any member of your immediate family;

(2) in order to protect the confidential information and proprietary rights of the Trust, solicit, induce or attempt to induce any Person who or that is, at the time of termination of this Agreement, or has been within six (6) months prior to the time of termination of this Agreement, an actual customer, client, business partner, property owner, developer or tenant or a prospective customer, client, business partner, property owner, developer or tenant (i.e., a customer, client, business partner, property owner, developer or tenant who is party to a written proposal or letter of intent with the Trust, in each case written less than six (6) months prior to termination of this Agreement) of the Trust, for the purpose or with the intent of (a) inducing or attempting to induce such Person to cease doing business with the Trust or its affiliates, or (b) in any way interfering with the relationship between such Person and the Trust or its affiliates; or

(3) solicit, induce or attempt to induce any Person who is or that is, at the time of termination of this Agreement, or has been within six (6) months prior to the time of termination of this Agreement, a tenant, supplier, licensee or consultant of, or provider of goods or services to the Trust or its affiliates, for the purpose or with the intent of (a) inducing or attempting to induce such Person to cease doing business with the Trust or its affiliates or (b) in any way interfering with the relationship between such Person and the Trust or its affiliates.

(ii) If Consultant breaches the terms of this Paragraph 7 during the Non-Complete Term then, in addition to all other rights and remedies available to the Trust under this Agreement, at law or in equity, Consultant shall be liable to return to the Trust the amount of the Non-Compete Payment. In addition, because of the difficulty of measuring economic losses to the Trust as a result of a breach of the provisions of Section 7(a), and because of the immediate and irreparable damage that could be caused to the Trust for which it would have no other adequate remedy, Consultant agrees that the provisions of Section 7(a), in addition to and not in limitation of any other rights, remedies or damages available to the Trust at law, in equity or under this Agreement, may be enforced by the Trust in the event of the breach or threatened breach by Consultant, by injunctions and/or restraining orders. If the Trust is involved in court or other legal proceedings to enforce the covenants contained in this Section 7, then in the event the Trust prevails in such proceedings, Consultant shall be liable for the payment of reasonable attorneys' fees, costs and ancillary expenses incurred by the Trust in enforcing its rights hereunder.

(iii) It is agreed by the parties that the covenants contained in this Section 7(a) impose a fair and reasonable restraint on you in light of the activities and business of the Trust on the date of the execution of this Agreement and the current plans of the Trust; but it is also the intent of the Trust and you that such covenants be construed and enforced in accordance with the changing activities, business and locations of the Trust and its affiliates throughout the term of these covenants.

(iv) It is further agreed by the parties hereto that, in the event that Consultant enters into a business or pursues other activities that, at such time, are not in competition with the Trust or its affiliates or with any business or activity which the Trust or its affiliates contemplated pursuing, as of the date of termination of the Non-Compete Term, or similar activities or business in locations the operation of which, under such circumstances, does not violate this Section 7 or any of your obligations under this Section 7, you shall not be chargeable with a violation of this Section 7 if the Trust or its affiliates subsequently enter the same (or a similar) competitive business, course of activities or location, as applicable.

(v) The covenants in this Section 7 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.

(vi) All of the covenants in this Section 7 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action by Consultant against the Trust whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by the Trust of such covenants.

(vii) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Consultant shall be prohibited from engaging in any competitive activity described in Section 7 hereof, the period of time for which Consultant shall be prohibited pursuant to Section 7 hereof shall be the maximum time permitted by law.

(viii) The terms of this Section 7 shall survive the expiration or earlier termination of this Agreement for the duration of the Non-Compete Term.

8. Miscellaneous.

(a) **Assignment/Successors.** Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either the Trust or Consultant without the prior written consent of the other party; *provided, however*, that this provision shall not preclude Consultant from designating one or more beneficiaries to receive any amount that may be payable after Consultant's death and shall not preclude Consultant's executor or administrator from assigning any right hereunder to the person or persons entitled thereto. 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.

(b) **Amendment.** This Agreement may be terminated, amended, modified or supplemented only by a written instrument executed by the Trust and Consultant.

(c) **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 Agreement; (ii) waive compliance with any of the conditions or covenants of the other party contained in this Agreement; or (iii) waive or modify performance of any of the obligations of the other party under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this 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 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. 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.

(d) **Severability.** In case any one or more of the provisions of this Agreement shall, for any reason, be held or found 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 Consultant's detriment, reduce or eliminate any compensation, reimbursement, payment, allowance or other benefit to Consultant intended by the Trust and Consultant in entering into this Agreement, the Trust shall promptly negotiate and enter into an agreement with Consultant containing alternative provisions (reasonably acceptable to Consultant), that will restore to Consultant (to the extent legally permissible) substantially the same economic, substantive and income tax benefits Consultant would have enjoyed had any such provision of this Agreement been upheld as legal, valid and enforceable.

(e) **Governing Law.** This 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 the State of Maryland, excluding conflicts of law principles.

(f) **No Attachment.** 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 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.

(g) **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.

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

(i) **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, when delivered by a reputable overnight delivery service or when deposited in the U.S. mail, registered or certified, postage prepaid, and mailed to Consultant's addresses set forth herein and the business address of the Trust, 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.

(j) **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.

(k) **Entire Agreement.** This Agreement contains the entire agreement among the parties with respect to the subject matter hereof.

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

/s/ Larry E. Finger

Larry E. Finger

Consultant's Permanent Address:

1490 Lily Loch Way

Great Falls, Virginia 22066

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Donald C. Wood

Donald C. Wood

President and Chief Executive Officer

Address: 1626 East Jefferson Street

Rockville, Maryland 20852

FEDERAL REALTY INVESTMENT TRUST AND SUBSIDIARIES

NAME OF SUBSIDIARY	STATE OF INCORPORATION OF ORGANIZATION
Street Retail, Inc FRIT San Jose Town and Country Village, LLC	Maryland California

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated February 25, 2008 accompanying the consolidated financial statements and schedules, which report expresses an unqualified opinion and contains an explanatory paragraph relating to the adoption of SFAS 123R: "Share Based Payment", effective January 1, 2006, and management's assessment of the effectiveness of internal control over financial reporting, included in the Annual Report of Federal Realty Investment Trust on Form 10-K for the year ended December 31, 2007. We hereby consent to the incorporation by reference of said report in the Registration Statements of Federal Realty Investment Trust on Forms S-3 (File No. 333-100819, File No. 333-84210, File No. 333-97945, File No. 333-63619, File No. 033-63687, File No. 033-63955, File No. 33-15264, File No. 333-142231, File No. 333-120498, File No. 333-124195, File No. 333-125467 and File No. 333-135159) and on Forms S-8 (File No. 333-60364, File No. 333-63617, File No. 333-147080 and File No. 333-147081).

/s/ GRANT THORNTON LLP

McLean, Virginia
February 25, 2008

CERTIFICATION

I, Donald C. Wood, certify that:

- 1) I have reviewed this annual report on Form 10-K of Federal Realty Investment Trust;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Donald C. Wood

February 26, 2008

NAME: Donald C. Wood

TITLE: President, Chief Executive Officer and
Trustee (Principal Executive Officer)

CERTIFICATION

I, Joseph M. Squeri, certify that:

- 1) I have reviewed this annual report on Form 10-K of Federal Realty Investment Trust;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph M. Squeri

February 26, 2008

NAME: Joseph M. Squeri

TITLE: Executive Vice President and Chief Financial Officer (Principal
Financial and Accounting Officer)

CERTIFICATION

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

The undersigned, Donald C. Wood, the President and Chief Executive Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the period ended December 31, 2007 (the "Report"). The undersigned hereby certifies that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 26, 2008

/s/ Donald C. Wood

NAME: Donald C. Wood

TITLE: President, Chief Executive Officer and
Trustee (Principal Executive Officer)

CERTIFICATION

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

The undersigned, Joseph M. Squeri, the Executive Vice President and Chief Financial Officer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Annual Report on Form 10-K for the period ended December 31, 2007 (the "Report"). The undersigned hereby certifies that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 26, 2008

/s/ Joseph M. Squeri

NAME: Joseph M. Squeri

TITLE: Executive Vice President and Chief Financial Officer (Principal
Financial and Accounting Officer)