

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

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from to

Commission file number: 1-07533

FEDERAL REALTY INVESTMENT TRUST

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

Maryland
(State of Organization)

52-0782497
(IRS Employer Identification No.)

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

20852
(Zip Code)

(301) 998-8100

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of Registrant's common shares outstanding on October 29, 2012 was 64,625,539.

FEDERAL REALTY INVESTMENT TRUST
QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED SEPTEMBER 30, 2012

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following balance sheet as of December 31, 2011, which has been derived from audited financial statements, and unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) have been omitted pursuant to those rules and regulations, although the company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the company's latest Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation for the periods presented have been included. The results of operations for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the full year.

Federal Realty Investment Trust
Consolidated Balance Sheets

	September 30, 2012	December 31, 2011
	(In thousands, except share data)	
	(Unaudited)	
ASSETS		
Real estate, at cost		
Operating (including \$263,664 and \$263,570 of consolidated variable interest entities, respectively)	\$ 4,276,146	\$ 4,232,608
Construction-in-progress	264,982	193,836
	4,541,128	4,426,444
Less accumulated depreciation and amortization (including \$10,253 and \$4,991 of consolidated variable interest entities, respectively)	(1,195,336)	(1,127,588)
Net real estate	3,345,792	3,298,856
Cash and cash equivalents	147,680	67,806
Accounts and notes receivable, net	82,152	75,921
Mortgage notes receivable, net	55,661	55,967
Investment in real estate partnership	33,871	34,352
Prepaid expenses and other assets	127,592	121,492
Debt issuance costs, net of accumulated amortization of \$10,052 and \$9,098, respectively	11,591	11,816
TOTAL ASSETS	\$ 3,804,339	\$ 3,666,210
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Mortgages payable (including \$205,907 and \$207,683 of consolidated variable interest entities, respectively)	\$ 730,643	\$ 747,523
Capital lease obligations	71,698	63,093
Notes payable	299,618	295,159
Senior notes and debentures	1,076,456	1,004,635
Accounts payable and accrued expenses	121,233	104,660
Dividends payable	47,556	44,229
Security deposits payable	13,009	12,221
Other liabilities and deferred credits	50,353	68,761
Total liabilities	2,410,566	2,340,281
Commitments and contingencies (Note 7)		
Redeemable noncontrolling interests	81,851	85,325
Shareholders' equity		
Preferred shares, authorized 15,000,000 shares, \$.01 par: 5.417% Series 1 Cumulative Convertible Preferred Shares, (stated at liquidation preference \$25 per share), 399,896 shares issued and outstanding	9,997	9,997
Common shares of beneficial interest, \$.01 par, 100,000,000 shares authorized, 64,620,923 and 63,544,150 shares issued and outstanding, respectively	647	636
Additional paid-in capital	1,867,494	1,764,940
Accumulated dividends in excess of net income	(577,214)	(555,541)
Accumulated other comprehensive loss	(13,227)	(3,940)
Total shareholders' equity of the Trust	1,287,697	1,216,092
Noncontrolling interests	24,225	24,512
Total shareholders' equity	1,311,922	1,240,604
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,804,339	\$ 3,666,210

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

Federal Realty Investment Trust
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
REVENUE				
Rental income	\$ 147,515	\$ 134,014	\$ 429,972	\$ 401,452
Other property income	9,008	2,341	17,848	6,577
Mortgage interest income	1,282	1,309	3,834	3,564
Total revenue	157,805	137,664	451,654	411,593
EXPENSES				
Rental expenses	29,679	26,595	82,695	81,130
Real estate taxes	17,320	15,047	49,914	46,001
General and administrative	8,751	7,197	22,894	19,643
Depreciation and amortization	34,932	32,068	106,702	94,355
Total operating expenses	90,682	80,907	262,205	241,129
OPERATING INCOME				
Other interest income	261	136	580	171
Interest expense	(28,218)	(23,795)	(85,744)	(72,744)
Early extinguishment of debt	—	—	—	296
Income from real estate partnerships	490	434	1,229	1,201
INCOME FROM CONTINUING OPERATIONS				
	39,656	33,532	105,514	99,388
DISCONTINUED OPERATIONS				
Discontinued operations - income	—	13	—	943
Discontinued operations - gain on deconsolidation of VIE	—	—	—	2,026
Discontinued operations - gain on sale of real estate	—	14,757	—	14,800
Results from discontinued operations	—	14,770	—	17,769
INCOME BEFORE GAIN ON SALE OF REAL ESTATE				
	39,656	48,302	105,514	117,157
Gain on sale of real estate in real estate partnership	—	—	11,860	—
NET INCOME				
	39,656	48,302	117,374	117,157
Net income attributable to noncontrolling interests	(1,012)	(1,249)	(3,141)	(4,161)
NET INCOME ATTRIBUTABLE TO THE TRUST				
	38,644	47,053	114,233	112,996
Dividends on preferred shares	(136)	(136)	(406)	(406)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS				
	\$ 38,508	\$ 46,917	\$ 113,827	\$ 112,590
EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	\$ 0.60	\$ 0.51	\$ 1.59	\$ 1.52
Discontinued operations	—	0.23	—	0.28
Gain on sale of real estate	—	—	0.19	—
	\$ 0.60	\$ 0.74	\$ 1.78	\$ 1.80
Weighted average number of common shares, basic	64,014	62,818	63,711	62,172
EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	\$ 0.60	\$ 0.51	\$ 1.58	\$ 1.52
Discontinued operations	—	0.23	—	0.28
Gain on sale of real estate	—	—	0.19	—
	\$ 0.60	\$ 0.74	\$ 1.77	\$ 1.80
Weighted average number of common shares, diluted	64,202	62,990	63,891	62,341
COMPREHENSIVE INCOME (Note 2)				
	\$ 36,804	\$ 48,302	\$ 108,087	\$ 117,157
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST (Note 2)				
	\$ 35,792	\$ 47,053	\$ 104,946	\$ 112,996

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

Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity
For the Nine Months Ended September 30, 2012
(Unaudited)

	Shareholders' Equity of the Trust								
	Preferred Shares		Common Shares		Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
	(In thousands, except share data)								
BALANCE AT DECEMBER 31, 2011	399,896	\$ 9,997	63,544,150	\$ 636	\$1,764,940	\$ (555,541)	\$ (3,940)	\$ 24,512	\$ 1,240,604
Net income, excluding \$1,882 attributable to redeemable noncontrolling interests	—	—	—	—	—	114,233	—	1,259	115,492
Other comprehensive loss	—	—	—	—	—	—	(9,287)	—	(9,287)
Dividends declared to common shareholders	—	—	—	—	—	(135,500)	—	—	(135,500)
Dividends declared to preferred shareholders	—	—	—	—	—	(406)	—	—	(406)
Distributions declared to noncontrolling interests	—	—	—	—	—	—	—	(1,516)	(1,516)
Common shares issued	—	—	871,629	9	88,939	—	—	—	88,948
Exercise of stock options	—	—	75,918	1	4,248	—	—	—	4,249
Shares issued under dividend reinvestment plan	—	—	17,579	—	1,688	—	—	—	1,688
Share-based compensation expense, net	—	—	111,647	1	8,001	—	—	—	8,002
Conversion and redemption of OP units	—	—	—	—	(322)	—	—	(135)	(457)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	105	105
BALANCE AT SEPTEMBER 30, 2012	399,896	\$ 9,997	64,620,923	\$ 647	\$1,867,494	\$ (577,214)	\$ (13,227)	\$ 24,225	\$ 1,311,922

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

Federal Realty Investment Trust
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
OPERATING ACTIVITIES		
Net income	\$ 117,374	\$ 117,157
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization, including discontinued operations	106,702	94,715
Gain on sale of real estate in real estate partnership	(11,860)	—
Gain on sale of real estate	—	(14,800)
Gain on deconsolidation of VIE	—	(2,026)
Early extinguishment of debt	—	(296)
Income from real estate partnerships	(1,229)	(1,201)
Other, net	4,236	2,702
Changes in assets and liabilities, net of effects of acquisitions and dispositions:		
Increase in accounts receivable	(2,419)	(6,143)
(Increase) decrease in prepaid expenses and other assets	(7,393)	1,986
Increase (decrease) in accounts payable and accrued expenses	5,217	(17,532)
Decrease in security deposits and other liabilities	(1,473)	(1,611)
Net cash provided by operating activities	209,155	172,951
INVESTING ACTIVITIES		
Acquisition of real estate	(8,927)	(26,304)
Capital expenditures - development and redevelopment	(92,316)	(57,026)
Capital expenditures - other	(33,700)	(32,316)
Proceeds from sale of real estate	—	20,669
Investment in real estate partnerships	—	(6,947)
Distribution from real estate partnership in excess of earnings	420	442
Leasing costs	(9,003)	(9,130)
Repayment of mortgage and other notes receivable, net	91	9,299
Net cash used in investing activities	(143,435)	(101,313)
FINANCING ACTIVITIES		
Net borrowings under revolving credit facility, net of costs	—	76,841
Issuance of senior notes, net of costs	244,807	—
Retirement of senior notes/debentures	(175,000)	(75,000)
Issuance of mortgages, capital leases and notes payable, net of costs	5,399	—
Repayment of mortgages, capital leases and notes payable	(16,312)	(88,955)
Issuance of common shares	95,063	153,793
Dividends paid to common and preferred shareholders	(132,567)	(125,306)
Distributions to and redemptions of noncontrolling interests	(7,236)	(6,738)
Net cash provided by (used in) financing activities	14,154	(65,365)
Increase in cash and cash equivalents	79,874	6,273
Cash and cash equivalents at beginning of year	67,806	15,797
Cash and cash equivalents at end of period	\$ 147,680	\$ 22,070

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

Federal Realty Investment Trust
Notes to Consolidated Financial Statements
September 30, 2012
(Unaudited)

NOTE 1—BUSINESS AND ORGANIZATION

Federal Realty Investment Trust (the “Trust”) is an equity real estate investment trust (“REIT”) specializing in the ownership, management, and redevelopment of retail and mixed-use properties. Our properties are located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Mid-Atlantic and Northeast regions of the United States, and California. As of September 30, 2012, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 87 predominantly retail real estate projects.

We operate in a manner intended to enable us to qualify as a 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 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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 (“VIE”). The equity interests of other investors are reflected as noncontrolling interests or redeemable noncontrolling interests. All significant intercompany transactions and balances are eliminated in consolidation. We account for our interests in joint ventures, which we do not control, using the equity method of accounting. Certain 2011 amounts have been reclassified to conform to current period presentation.

Use of Estimates

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.

Comprehensive Income

In June 2011, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of shareholders’ equity and requires the presentation of components of net income and components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB deferred the requirement to present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. We adopted the standards effective January 1, 2012 and modified the presentation in our consolidated financial statements accordingly. Other comprehensive loss in our financial statements relates to the change in valuation on our interest rate swap agreements as further discussed in Note 6.

The components of comprehensive income are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	\$ 39,656	\$ 48,302	\$ 117,374	\$ 117,157
Other comprehensive loss	(2,852)	—	(9,287)	—
Comprehensive income	36,804	48,302	108,087	117,157
Net income attributable to noncontrolling interests	(1,012)	(1,249)	(3,141)	(4,161)
Comprehensive income attributable to the Trust	\$ 35,792	\$ 47,053	\$ 104,946	\$ 112,996

Other Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The pronouncement was issued to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. We adopted the standard effective January 1, 2012 and it did not have a significant impact to our consolidated financial statements.

Consolidated Statements of Cash Flows—Supplemental Disclosures

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

	Nine Months Ended	
	September 30,	
	2012	2011
	(In thousands)	
SUPPLEMENTAL DISCLOSURES:		
Total interest costs incurred	\$ 93,213	\$ 78,560
Interest capitalized	(7,469)	(5,816)
Interest expense	\$ 85,744	\$ 72,744
Cash paid for interest, net of amounts capitalized	\$ 89,959	\$ 76,520
Cash (refunded) paid for income taxes	\$ (1,144)	\$ 690
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Mortgage loan assumed with acquisition	\$ —	\$ 42,938
Deconsolidation of VIE	\$ —	\$ 18,311
Capital lease obligation	\$ —	\$ 4,556

NOTE 3—REAL ESTATE

During 2012, we finalized the purchase price allocations for our December 2011 acquisitions of controlling interests in Montrose Crossing and Plaza El Segundo. The purchase price for Montrose Crossing was \$141.5 million and our 89.9% ownership interest was \$127.2 million which was funded with cash and our pro-rata share of \$80.0 million of new mortgage debt. Approximately \$2.9 million and \$3.8 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The purchase price for Plaza El Segundo was \$192.7 million and our 48.2% ownership interest was funded with \$8.5 million of cash and the assumption of our pro-rata share of the existing \$175.0 million mortgage debt. Approximately \$7.5 million and \$2.3 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The balance sheet at December 31, 2011, has been adjusted to reflect the final purchase price allocation for both properties.

In July and September 2012, we acquired three residential apartment buildings with 47 units located adjacent to Santana Row for \$9.0 million. These properties provide potential future redevelopment opportunities for Santana Row.

NOTE 4—REAL ESTATE PARTNERSHIPS
Federal/Lion Venture LP

We have a joint venture arrangement (the “Partnership”) with affiliates of a discretionary fund created and advised by ING Clarion Partners (“Clarion”). We own 30% of the equity in the Partnership and Clarion owns 70%. We hold a general partnership interest, however, Clarion also holds a general partnership interest and has substantive participating rights. We cannot make significant decisions without Clarion’s approval. Accordingly, we account for our interest in the Partnership using the equity method. As of September 30, 2012, the Partnership owned seven retail real estate properties. We are the manager of the Partnership and its properties, earning fees for acquisitions, dispositions, management, leasing, and financing. Intercompany profit generated from fees is eliminated in consolidation. We also have the opportunity to receive performance-based earnings through our Partnership interest. Accounting policies for the Partnership are similar to accounting policies followed by the Trust. The Partnership is subject to a buy-sell provision which is customary for real estate joint venture agreements and the industry. Either partner may initiate this provision at any time, which could result in either the sale of our interest or the use of available cash or borrowings to acquire Clarion’s interest.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
(In thousands)				
OPERATING RESULTS				
Revenue	\$ 4,772	\$ 4,743	\$ 14,070	\$ 14,387
Expenses				
Other operating expenses	1,242	1,276	3,809	4,260
Depreciation and amortization	1,372	1,296	4,123	3,864
Interest expense	844	846	2,533	2,542
Total expenses	3,458	3,418	10,465	10,666
Net income	\$ 1,314	\$ 1,325	\$ 3,605	\$ 3,721
Our share of net income from real estate partnership	\$ 490	\$ 452	\$ 1,286	\$ 1,253

	September 30,	December 31,
	2012	2011
	(In thousands)	
BALANCE SHEETS		
Real estate, net	\$ 175,369	\$ 178,693
Cash	4,320	3,035
Other assets	5,391	6,116
Total assets	\$ 185,080	\$ 187,844
Mortgages payable	\$ 57,212	\$ 57,376
Other liabilities	4,303	5,391
Partners’ capital	123,565	125,077
Total liabilities and partners’ capital	\$ 185,080	\$ 187,844
Our share of unconsolidated debt	\$ 17,164	\$ 17,213
Our investment in real estate partnership	\$ 33,871	\$ 34,352

Taurus Newbury Street JV II Limited Partnership

On October 31, 2011, our Newbury Street Partnership sold its entire portfolio of three buildings for \$44.0 million. As part of the sale, we received \$34.6 million of the net proceeds which included the repayment of our \$11.8 million loans. Due to the timing of receiving financial information from the general partner, our share of earnings was recorded one quarter in arrears. Therefore, we recognized the gain on sale of \$11.9 million in the first quarter 2012. The deferred gain was included in “other liabilities and deferred credits” on the balance sheet at December 31, 2011.

NOTE 5—DEBT

On July 16, 2012, we repaid our \$175.0 million 6.00% senior notes on the maturity date.

On July 19, 2012, we issued \$250.0 million of fixed rate senior notes that mature on August 1, 2022 and bear interest at 3.00%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately \$244.8 million.

During the three and nine months ended September 30, 2012, the maximum amount of borrowing outstanding under our \$400.0 million revolving credit facility was \$186.0 million for both periods, the weighted average borrowings outstanding was \$6.1 million and \$2.0 million, respectively, and the weighted average interest rate before amortization of debt fees was 1.42% for both periods. At September 30, 2012, there was no balance outstanding. Our revolving credit facility, term loan and certain notes require us to comply with various financial covenants, including the maintenance of minimum shareholders' equity and debt coverage ratios and a maximum ratio of debt to net worth. As of September 30, 2012, we were in compliance with all loan covenants.

NOTE 6—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 (Level 1) were used to estimate the fair value of our marketable senior notes and debentures and discounted cash flow analysis (Level 2) 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. 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:

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
Mortgages and notes payable	\$ 1,030,261	\$ 1,071,901	\$ 1,042,682	\$ 1,099,273
Senior notes and debentures	\$ 1,076,456	\$ 1,204,598	\$ 1,004,635	\$ 1,085,309

As of September 30, 2012, we have two interest rate swap agreements with a notional amount of \$275.0 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the variable portion of our \$275.0 million term loan at 1.72% from December 1, 2011 through November 1, 2018, and effectively fix the rate of the term loan at 3.17%. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other comprehensive income/loss and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt. Within the next 12 months, we expect to reclassify an estimated \$4.2 million as an increase to interest expense. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit-worthiness of the counterparty. When ineffectiveness exists, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. Hedge ineffectiveness has not impacted earnings as of September 30, 2012, and we do not anticipate it will have a significant effect in the future.

The fair values of the interest rate swap agreements are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and interest rate related observable inputs. The fair value of our swaps at September 30, 2012 was a liability of \$13.2 million and is included in "accounts payable and accrued expenses" on our consolidated balance sheet. The change in valuation on our interest rate swaps was \$2.9 million and \$9.3 million (including \$1.1 million and \$3.1 million, respectively, reclassified from other comprehensive loss to earnings) for the three and nine months ended September 30, 2012 and is included in "accumulated other comprehensive loss".

A summary of our financial liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

	September 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In thousands)							
Interest rate swaps	\$ —	\$ 13,227	\$ —	\$ 13,227	\$ —	\$ 3,940	\$ —	\$ 3,940

NOTE 7—COMMITMENTS AND 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.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. 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.

Under the terms of certain partnership agreements, the partners have the right to exchange their operating partnership units for cash or the same number of our common shares, at our option. A total of 324,140 operating partnership units are outstanding which have a total fair value of \$34.1 million, based on our closing stock price on September 30, 2012.

NOTE 8—SHAREHOLDERS' EQUITY

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

	Nine Months Ended September 30,			
	2012		2011	
	Declared	Paid	Declared	Paid
Common shares	\$ 2.110	\$ 2.070	\$ 2.030	\$ 2.010
5.417% Series 1 Cumulative Convertible Preferred shares	\$ 1.016	\$ 1.016	\$ 1.016	\$ 1.016

On May 8, 2012, we replaced our existing at the market ("ATM") equity program with a new ATM equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$300.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended September 30, 2012, we issued 491,094 common shares at a weighted average price per share of \$107.43 for net cash proceeds of \$52.1 million and paid \$0.7 million in commissions related to the sales of these common shares. For the nine months ended September 30, 2012, we issued 873,210 common shares at a weighted average price per share of \$103.54 for net cash proceeds of \$89.1 million and paid \$1.2 million in commissions related to the sales of these common shares.

NOTE 9—COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
(In thousands)				
Minimum rents				
Retail and commercial	\$ 106,344	\$ 98,654	\$ 313,934	\$ 293,622
Residential (1)	7,116	5,746	20,467	16,958
Cost reimbursement	29,171	25,714	82,603	80,083
Percentage rent	1,667	1,673	5,167	4,598
Other	3,217	2,227	7,801	6,191
Total rental income	\$ 147,515	\$ 134,014	\$ 429,972	\$ 401,452

(1) Residential minimum rents consist of the rental amounts for residential units at Rollingwood Apartments, The Crest at Congressional Plaza Apartments, Santana Row and Bethesda Row.

Minimum rents include the following:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
(In millions)				
Straight-line rents	\$ 1.8	\$ 1.6	\$ 3.9	\$ 3.9
Amortization of above market leases	\$ (0.8)	\$ (0.6)	\$ (2.6)	\$ (1.8)
Amortization of below market leases	\$ 1.1	\$ 0.9	\$ 3.4	\$ 2.8

NOTE 10—DISCONTINUED OPERATIONS

Results of properties disposed or held for disposal which meet certain requirements, 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:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2011	2011	2011
(in millions)				
Revenue from discontinued operations	\$ 0.2	\$	\$ 2.2	\$
Income from discontinued operations	\$ —	\$	\$ 0.9	\$

NOTE 11—SHARE-BASED COMPENSATION PLANS

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	(In thousands)			
Share-based compensation incurred				
Grants of common shares	\$ 2,754	\$ 1,847	\$ 7,644	\$ 5,433
Grants of options	77	210	358	672
	2,831	2,057	8,002	6,105
Capitalized share-based compensation	(230)	(167)	(683)	(525)
Share-based compensation expense	\$ 2,601	\$ 1,890	\$ 7,319	\$ 5,580

NOTE 12—EARNINGS PER SHARE

We have calculated earnings per share (“EPS”) under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating securities is calculated according to dividends declared and participation rights in undistributed earnings. For the three and nine months ended September 30, 2012 and 2011, we had 0.3 million weighted average unvested shares outstanding, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares; the portion of earnings allocated to the unvested shares is reflected as “earnings allocated to unvested shares” in the reconciliation below.

In the dilutive EPS calculation, dilutive stock options were calculated using the treasury stock method consistent with prior periods. There were no anti-dilutive stock options for the three and nine months ended September 30, 2012. Stock options of less than 0.1 million and 0.1 million have been excluded for the three and nine months ended September 30, 2011, respectively, as they were anti-dilutive. The conversions of downREIT operating partnership units and 5.417% Series 1 Cumulative Convertible Preferred Shares are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
(In thousands, except per share data)				
NUMERATOR				
Income from continuing operations	\$ 39,656	\$ 33,532	\$ 105,514	\$ 99,388
Less: Preferred share dividends	(136)	(136)	(406)	(406)
Less: Income from continuing operations attributable to noncontrolling interests	(1,012)	(1,249)	(3,141)	(3,941)
Less: Earnings allocated to unvested shares	(221)	(207)	(638)	(509)
Income from continuing operations available for common shareholders	38,287	31,940	101,329	94,532
Results from discontinued operations attributable to the Trust	—	14,770	—	17,549
Gain on sale of real estate in real estate partnership	—	—	11,860	—
Net income available for common shareholders, basic and diluted	<u>\$ 38,287</u>	<u>\$ 46,710</u>	<u>\$ 113,189</u>	<u>\$ 112,081</u>
DENOMINATOR				
Weighted average common shares outstanding—basic	64,014	62,818	63,711	62,172
Effect of dilutive securities:				
Stock options	188	172	180	169
Weighted average common shares outstanding—diluted	<u>64,202</u>	<u>62,990</u>	<u>63,891</u>	<u>62,341</u>
EARNINGS PER COMMON SHARE, BASIC				
Continuing operations	\$ 0.60	\$ 0.51	\$ 1.59	\$ 1.52
Discontinued operations	—	0.23	—	0.28
Gain on sale of real estate	—	—	0.19	—
	<u>\$ 0.60</u>	<u>\$ 0.74</u>	<u>\$ 1.78</u>	<u>\$ 1.80</u>
EARNINGS PER COMMON SHARE, DILUTED				
Continuing operations	\$ 0.60	\$ 0.51	\$ 1.58	\$ 1.52
Discontinued operations	—	0.23	—	0.28
Gain on sale of real estate	—	—	0.19	—
	<u>\$ 0.60</u>	<u>\$ 0.74</u>	<u>\$ 1.77</u>	<u>\$ 1.80</u>
Income from continuing operations attributable to the Trust	<u>\$ 38,644</u>	<u>\$ 32,283</u>	<u>\$ 102,373</u>	<u>\$ 95,447</u>

NOTE 13—SUBSEQUENT EVENT

On October 22, 2012, we repaid the mortgage loan on Mount Vernon prior to its original maturity date at par for \$10.2 million. This loan had an original maturity date of April 15, 2028; however, the loan was prepayable at any time after October 14, 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The following discussion should be read in conjunction with the consolidated interim financial statements and notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission (the "SEC") on February 16, 2012.

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. When we refer to forward-looking statements or information, sometimes we use words such as "may," "will," "could," "should," "plans," "intends," "expects," "believes," "estimates," "anticipates" and "continues." Forward-looking statements are not historical facts or guarantees of future performance and involve certain known and unknown risks, uncertainties, and other factors, many of which are outside our control, that could cause actual results to differ materially from those we describe.

Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this Quarterly Report on Form 10-Q. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2011 and under Part II, Item 1A in this Quarterly Report on Form 10-Q, before making any investments in us.

Overview

We are an equity real estate investment trust ("REIT") specializing in the ownership, management, 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, and California. As of September 30, 2012, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 87 predominantly retail real estate projects comprising approximately 19.1 million square feet (excludes unconsolidated joint venture properties). In total, the real estate projects were 95.1% leased and 94.2% occupied at September 30, 2012. 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 September 30, 2012. In total, the joint venture properties in which we own a 30% interest were 88.5% leased and 88.3% occupied at September 30, 2012.

2012 Significant Equity and Debt Transactions

On May 8, 2012, we replaced our existing at the market ("ATM") equity program with a new ATM equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$300.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts outstanding under our revolving credit facility and/or for general corporate purposes. For the three months ended September 30, 2012, we issued 491,094 common shares at a weighted average price per share of \$107.43 for net cash proceeds of \$52.1 million and paid \$0.7 million in commissions related to the sales of these common shares. For the nine months ended September 30, 2012, we issued 873,210 common shares at a weighted average price per share of \$103.54 for net cash proceeds of \$89.1 million and paid \$1.2 million in commissions related to the sales of these common shares. As of September 30, 2012, we had the capacity to issue up to \$230.9 million in common shares under our ATM equity program.

On July 16, 2012, we repaid our \$175.0 million 6.00% senior notes on the maturity date.

On July 19, 2012, we issued \$250.0 million of fixed rate senior notes that mature on August 1, 2022 and bear interest at 3.00%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately \$244.8 million.

On October 22, 2012, we repaid the mortgage loan on Mount Vernon prior to its original maturity date at par for \$10.2 million. This loan had an original maturity date of April 15, 2028; however, the loan was prepayable at any time after October 14, 2012.

Final Purchase Price Allocation of 2011 Property Acquisitions and 2012 Property Acquisitions

During 2012, we finalized the purchase price allocations for our December 2011 acquisitions of controlling interests in Montrose Crossing and Plaza El Segundo. The purchase price for Montrose Crossing was \$141.5 million and our 89.9% ownership interest was \$127.2 million which was funded with cash and our pro-rata share of \$80.0 million of new mortgage

debt. Approximately \$2.9 million and \$3.8 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The purchase price for Plaza El Segundo was \$192.7 million and our 48.2% ownership interest was funded with \$8.5 million of cash and the assumption of our pro-rata share of the existing \$175.0 million mortgage debt. Approximately \$7.5 million and \$2.3 million of net assets acquired were allocated to other assets for "above market leases" and other liabilities for "below market leases", respectively. The balance sheet at December 31, 2011, has been adjusted to reflect the final purchase price allocation for both properties.

In July and September 2012, we acquired three residential apartment buildings with 47 units located adjacent to Santana Row for \$9.0 million. These properties provide potential future redevelopment opportunities for Santana Row.

Capitalized Costs

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalized external and internal costs related to both development and redevelopment activities of \$93 million and \$3 million, respectively, for the nine months ended September 30, 2012 and \$60 million and \$3 million, respectively, for the nine months ended September 30, 2011. We capitalized external and internal costs related to other property improvements of \$33 million and \$1 million, respectively, for the nine months ended September 30, 2012 and \$30 million and \$1 million, respectively, for the nine months ended September 30, 2011. We capitalized external and internal costs related to leasing activities of \$5 million and \$4 million, respectively, for the nine months ended September 30, 2012 and \$6 million and \$4 million, respectively, for the nine months ended September 30, 2011. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were \$3 million, \$1 million, and \$4 million, respectively, for the nine months ended September 30, 2012 and \$2 million, \$1 million, and \$3 million, respectively, for the nine months ended September 30, 2011.

Chief Financial Officer Transition

On August 15, 2012, James M. Taylor, a senior managing director in the real estate investment banking group of an affiliate of Wells Fargo, succeeded Andrew Blocher as our chief financial officer. We believe that the addition of Mr. Taylor to our executive ranks will enhance our ability to source and evaluate corporate business development and strategic opportunities. For more information about Mr. Taylor's appointment, see our Current Report on Form 8-K filed with the SEC on July 11, 2012.

Outlook

We seek growth in earnings, funds from operations, and cash flows primarily through a combination of the following:

- growth in our portfolio from property development and redevelopments,
- growth in our same-center portfolio, and
- expansion of our portfolio through property acquisitions.

Our properties are predominately located in densely populated, affluent areas with high barriers to entry which allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retensing. We evaluate our properties on an ongoing basis to identify these types of opportunities. In 2012, we expect to have redevelopment projects stabilizing with projected costs of approximately \$55 million.

Additionally, we continue to invest in the development at Assembly Row which is a long-term development project we expect to be involved in over the coming years. The carrying value of the development portion of this project at September 30, 2012 is approximately \$158 million. The project currently has zoning entitlements to build 2.3 million square feet of commercial-use buildings, 2,100 residential units, and a 200 room hotel. In December 2011, we entered into agreements with AvalonBay Communities ("AvalonBay") for a portion of the first phase of residential and retail development at Assembly Row which will include 575 residential units (by AvalonBay) and approximately 323,000 square feet of retail space. The Massachusetts Bay Transit Authority (MBTA) will also construct the new orange line T-Stop at the property. Construction commenced during first quarter 2012 and we expect the first phase to be stabilized in 2015. We are also continuing our infrastructure work during 2012. We expect to invest between \$30 million and \$35 million in 2012, net of expected public funding.

We continue our predevelopment work related to the long-term redevelopment of Mid-Pike Plaza in Rockville, Maryland, which will be renamed Pike & Rose, a long-term, multi-phased, mixed-use project. The property currently has zoning entitlements to build 1.7 million square feet of commercial-use buildings and 1,583 residential units. Phase I of Pike & Rose involves demolition of roughly 25% of the existing gross leasable area at Mid-Pike Plaza (which was completed during the

second quarter 2012) and construction of 493 residential units, 151,000 square feet of retail space and 79,000 square of office space. Construction of Phase I commenced in the third quarter 2012 with stabilization expected in 2015/2016. We expect to invest between \$45 million and \$55 million in 2012.

We continue our ongoing redevelopment efforts at Santana Row and are currently under construction on a 212 unit residential building which we expect to stabilize in 2014. During 2012, we expect to invest between \$20 million and \$25 million related to this building.

As of September 30, 2012 in connection with our development projects at Assembly Row, Pike & Rose and Santana Row mentioned above, we have contractual obligations of approximately \$108 million. The development of future phases of Assembly Row, Pike & Rose and Santana Row will be pursued opportunistically based on, among other things, market conditions, our evaluation of whether those phases will generate an appropriate financial return and our ability to structure the development of those future phases, through entitlement sales, third party capital investment or otherwise, in a way that should mitigate our risk of those future phases.

Our same-center growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, the infill nature and strong demographics of our properties provide a strategic advantage allowing us to maintain relatively high occupancy and increase rental rates. We have continued to see signs of improvement for many of our tenants as well as increased interest from prospective tenants for our retail spaces. While there can be no assurance that these positive signs will continue, we remain cautiously optimistic regarding the improved trends we have seen over the past two years. While we have seen improvements over much of our portfolio, we continue to see some tenants being negatively impacted by the economic environment and some filing for bankruptcy, though at a lower rate than in previous years. We believe the locations of our centers and diverse tenant base mitigates the negative impact of the economic environment, however, any reduction in our tenants' abilities to pay base rent, percentage rent or other charges, will adversely affect our financial condition and results of operations. We expect to continue to see small changes in occupancy over the short term and expect increases in occupancy and rental rates to be a driver of our same-center growth over the long term as we are able to re-lease vacant spaces. We seek to maintain a mix of strong national, regional, and local retailers. At September 30, 2012, no single tenant accounted for more than 3.1% of annualized base rent.

We continue to review acquisition opportunities in our primary markets that complement our portfolio and provide long-term growth opportunities. Generally, our acquisitions do not initially contribute significantly to earnings growth; however, they provide long-term re-leasing growth, redevelopment opportunities, and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance the property acquisition. Generally, our acquisitions are initially financed by available cash and/or 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 shares, preferred shares, or downREIT units as well as through new or assumed mortgages.

At September 30, 2012, the leasable square feet in our properties was 94.2% occupied and 95.1% leased. The leased rate is higher than the occupied rate due to leased spaces that are being redeveloped or improved or that are awaiting permits and, therefore, are not yet ready to be occupied. Our occupancy and leased rates are subject to variability over time due to factors including acquisitions, the timing of the start and stabilization of our redevelopment projects, lease expirations and tenant bankruptcies.

Lease Rollovers

For the third quarter 2012, we signed leases for a total of 532,000 square feet of retail space including 504,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 11% on a cash basis and 25% on a straight-line basis. New leases for comparable spaces were signed for 271,000 square feet at an average rental increase of 25% on a cash basis and 36% on a straight-line basis. Renewals for comparable spaces were signed for 233,000 square feet at an average rental decrease of 1% on a cash basis and an average rental increase of 15% on a straight-line basis.

For the nine months ended September 30, 2012, we signed leases for a total of 1,479,000 square feet of retail space including 1,321,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 13% on a cash basis and 24% on a straight-line basis. New leases for comparable spaces were signed for 690,000 square feet at an average rental increase of 24% on a cash basis and 34% on a straight-line basis. Renewals for comparable spaces were signed for 631,000 square feet at an average rental increase of 3% on a cash basis and 14% on a straight-line basis.

The rental increases associated with comparable spaces generally include all leases signed in arms-length transactions reflecting market leverage between landlords and tenants during the period. The comparison between average rent for expiring leases and new leases is determined by including minimum rent and percentage rent paid on the expiring lease and minimum rent and in some instances, projections of first lease year percentage rent, to be paid on the new lease. In some instances, management exercises judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, capital investment made in the space and the specific lease structure.

The leases signed in 2012 generally become effective over the following two years though some may not become effective until 2015 and beyond. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, these increases do provide information about the tenant/landlord relationship and the potential increase we may achieve in rental income over time.

In 2012, we expect a higher level of leasing activity compared to prior years with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

Same-Center

Throughout this section, we have provided certain information on a “same-center” basis. Information provided on a same-center basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant redevelopment or expansion occurred during either of the periods being compared and properties classified as discontinued operations. For the three and nine months ended September 30, 2012, all or a portion of 78 and 77 properties, respectively, were considered same-center and for both periods, eight properties were considered redevelopment or expansion. For the nine months ended September 30, 2012, four properties were removed from same-center and one property was added to same-center compared to the designations as of December 31, 2011. For the three months ended September 30, 2012, one additional property was moved from acquisitions to same-center designation. While there is judgment surrounding changes in designations, we typically move redevelopment properties to same-center once they have stabilized, which is typically considered 95% occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from same center when the redevelopment has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to same-center once we have owned the property for the entirety of comparable periods and the property is not under significant development or expansion.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011	Change	
			Dollars	%
(Dollar amounts in thousands)				
Rental income	\$ 147,515	\$ 134,014	\$ 13,501	10.1 %
Other property income	9,008	2,341	6,667	284.8 %
Mortgage interest income	1,282	1,309	(27)	(2.1)%
Total property revenue	157,805	137,664	20,141	14.6 %
Rental expenses	29,679	26,595	3,084	11.6 %
Real estate taxes	17,320	15,047	2,273	15.1 %
Total property expenses	46,999	41,642	5,357	12.9 %
Property operating income	110,806	96,022	14,784	15.4 %
Other interest income	261	136	125	91.9 %
Income from real estate partnerships	490	434	56	12.9 %
Interest expense	(28,218)	(23,795)	(4,423)	18.6 %
General and administrative expense	(8,751)	(7,197)	(1,554)	21.6 %
Depreciation and amortization	(34,932)	(32,068)	(2,864)	8.9 %
Total other, net	(71,150)	(62,490)	(8,660)	13.9 %
Income from continuing operations	39,656	33,532	6,124	18.3 %
Discontinued operations - income	—	13	(13)	(100.0)%
Discontinued operations - gain on sale of real estate	—	14,757	(14,757)	(100.0)%
Net income	39,656	48,302	(8,646)	(17.9)%
Net income attributable to noncontrolling interests	(1,012)	(1,249)	237	(19.0)%
Net income attributable to the Trust	\$ 38,644	\$ 47,053	\$ (8,409)	(17.9)%

Property Revenues

Total property revenue increased \$20.1 million, or 14.6%, to \$157.8 million in the three months ended September 30, 2012 compared to \$137.7 million in the three months ended September 30, 2011. The percentage occupied at our shopping centers increased to 94.2% at September 30, 2012 compared to 92.2% at September 30, 2011. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased \$13.5 million, or 10.1%, to \$147.5 million in the three months ended September 30, 2012 compared to \$134.0 million in the three months ended September 30, 2011 due primarily to the following:

- an increase of \$7.2 million attributable to properties acquired in 2011 and 2012,
- an increase of \$4.6 million at same-center properties due primarily to increased occupancy, higher rental rates on new leases, and an increase in recovery income, and
- an increase of \$1.3 million at redevelopment properties due primarily to increased occupancy at certain properties, mainly our new residential building at Santana Row and higher rental rates on new leases partially offset by lower income from Mid-Pike Plaza as the property is prepared for the development of Pike & Rose.

Other Property Income

Other property income increased \$6.7 million, or 284.8%, to \$9.0 million in the three months ended September 30, 2012 compared to \$2.3 million in the three months ended September 30, 2011. Included in other property income are items which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is primarily due to an increase in lease termination fees at same-center properties.

Property Expenses

Total property expenses increased \$5.4 million, or 12.9%, to \$47.0 million in the three months ended September 30, 2012 compared to \$41.6 million in the three months ended September 30, 2011. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$3.1 million, or 11.6%, to \$29.7 million in the three months ended September 30, 2012 compared to \$26.6 million in the three months ended September 30, 2011. This increase is primarily due to the following:

- an increase of \$1.0 million in repairs and maintenance at same-center and redevelopment properties,
- an increase of \$0.9 million related to properties acquired in 2011 and 2012,
- an increase of \$0.4 million in bad debt expense at same-center properties, and
- an increase of \$0.3 million in marketing expenses at our Assembly Row and Pike & Rose projects.

As a result of the changes in rental income, other property income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income decreased to 19.0% in the three months ended September 30, 2012 from 19.5% in the three months ended September 30, 2011.

Real Estate Taxes

Real estate tax expense increased \$2.3 million, or 15.1% to \$17.3 million in the three months ended September 30, 2012 compared to \$15.0 million in the three months ended September 30, 2011 due primarily to an increase of \$1.1 million from properties acquired in 2011 and 2012, and \$0.9 million at same-center properties.

Property Operating Income

Property operating income increased \$14.8 million, or 15.4%, to \$110.8 million in the three months ended September 30, 2012 compared to \$96.0 million in the three months ended September 30, 2011. This increase is primarily due to growth in earnings at same-center properties, properties acquired in 2011 and redevelopment properties.

Other

Interest Expense

Interest expense increased \$4.4 million, or 18.6%, to \$28.2 million in the three months ended September 30, 2012 compared to \$23.8 million in the three months ended September 30, 2011. This increase is due primarily to the following:

- an increase of \$3.3 million due to mortgage loans secured by Plaza El Segundo and Montrose Crossing both of which were acquired in 2011, and
 - an increase of \$2.2 million due to higher borrowings,
- partially offset by
- a decrease of \$0.7 million due to a lower overall weighted average borrowing rate, and
 - an increase of \$0.3 million in capitalized interest.

Gross interest costs were \$30.7 million and \$26.0 million in the three months ended September 30, 2012 and 2011, respectively. Capitalized interest was \$2.5 million and \$2.2 million in the three months ended September 30, 2012 and 2011, respectively.

General and Administrative Expense

General and administrative expense increased \$1.6 million, or 21.6%, to \$8.8 million in in the three months ended September 30, 2012 from \$7.2 million in the three months ended September 30, 2011. This increase is due primarily to personnel costs related to our CFO change.

Depreciation and Amortization

Depreciation and amortization expense increased \$2.9 million, or 8.9%, to \$34.9 million in the three months ended September 30, 2012 from \$32.1 million in the three months ended September 30, 2011. This increase is due primarily to 2011 acquisitions.

Discontinued Operations— Income

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. For the three months ended September 30, 2011, the amount primarily represents the operating income for the period during which we owned properties sold/disposed of in 2011.

Discontinued Operations— Gain on Sale of Real Estate

The \$14.8 million gain on sale of real estate from discontinued operations for the three months ended September 30, 2011 is due to the sale of Feasterville Shopping Center on July 12, 2011.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011	Change	
			Dollars	%
			(Dollar amounts in thousands)	
Rental income	\$ 429,972	\$ 401,452	\$ 28,520	7.1 %
Other property income	17,848	6,577	11,271	171.4 %
Mortgage interest income	3,834	3,564	270	7.6 %
Total property revenue	451,654	411,593	40,061	9.7 %
Rental expenses	82,695	81,130	1,565	1.9 %
Real estate taxes	49,914	46,001	3,913	8.5 %
Total property expenses	132,609	127,131	5,478	4.3 %
Property operating income	319,045	284,462	34,583	12.2 %
Other interest income	580	171	409	239.2 %
Income from real estate partnerships	1,229	1,201	28	2.3 %
Interest expense	(85,744)	(72,744)	(13,000)	17.9 %
Early extinguishment of debt	—	296	(296)	(100.0)%
General and administrative expense	(22,894)	(19,643)	(3,251)	16.6 %
Depreciation and amortization	(106,702)	(94,355)	(12,347)	13.1 %
Total other, net	(213,531)	(185,074)	(28,457)	15.4 %
Income from continuing operations	105,514	99,388	6,126	6.2 %
Discontinued operations - income	—	943	(943)	(100.0)%
Discontinued operations - gain on deconsolidation of VIE	—	2,026	(2,026)	(100.0)%
Discontinued operations - gain on sale of real estate	—	14,800	(14,800)	(100.0)%
Gain on sale of real estate in real estate partnership	11,860	—	11,860	100.0 %
Net income	117,374	117,157	217	0.2 %
Net income attributable to noncontrolling interests	(3,141)	(4,161)	1,020	(24.5)%
Net income attributable to the Trust	\$ 114,233	\$ 112,996	\$ 1,237	1.1 %

Property Revenues

Total property revenue increased \$40.1 million, or 9.7%, to \$451.7 million in the nine months ended September 30, 2012 compared to \$411.6 million in the nine months ended September 30, 2011. The percentage occupied at our shopping centers increased to 94.2% at September 30, 2012 compared to 92.2% at September 30, 2011. Changes in the components of property revenue are discussed below.

Rental Income

Rental income consists primarily of minimum rent, cost reimbursements from tenants and percentage rent. Rental income increased \$28.5 million, or 7.1%, to \$430.0 million in the nine months ended September 30, 2012 compared to \$401.5 million in the nine months ended September 30, 2011 due primarily to the following:

- an increase of \$21.4 million attributable to properties acquired in 2011 and 2012,
- an increase of \$3.4 million at same-center properties due primarily to increased occupancy and higher rental rates on new and renewal leases partially offset by lower recovery income as a result of lower recoverable expenses (primarily snow removal costs), and
- an increase of \$2.8 million at redevelopment properties due primarily to increased occupancy at certain properties, mainly our new residential building at Santana Row and higher rental rates on new leases partially offset by lower income from Mid-Pike Plaza as the property is prepared for the development of Pike & Rose.

Other Property Income

Other property income increased \$11.3 million, or 171.4%, to \$17.8 million in the nine months ended September 30, 2012 compared to \$6.6 million in the nine months ended September 30, 2011. Included in other property income are items which, although recurring, inherently tend to fluctuate more than rental income from period to period, such as lease termination fees. This increase is primarily due to an increase in lease termination fees at same-center properties.

Property Expenses

Total property expenses increased \$5.5 million, or 4.3%, to \$132.6 million in the nine months ended September 30, 2012 compared to \$127.1 million in the nine months ended September 30, 2011. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$1.6 million, or 1.9%, to \$82.7 million in the nine months ended September 30, 2012 compared to \$81.1 million in the nine months ended September 30, 2011. This increase is primarily due to the following:

- an increase of \$2.3 million related to properties acquired in 2011 and 2012,
- an increase of \$0.8 million in other operating costs due primarily to higher demolition and legal costs, and
- an increase of \$0.8 million in marketing expenses at our Assembly Row and Pike & Rose projects,

partially offset by

- a decrease of \$2.7 million in repairs and maintenance at same-center and redevelopment properties primarily due to lower snow removal costs.

As a result of the changes in rental income, other property income and rental expenses as discussed above, rental expenses as a percentage of rental income plus other property income decreased to 18.5% in the nine months ended September 30, 2012 from 19.9% in the nine months ended September 30, 2011.

Real Estate Taxes

Real estate tax expense increased \$3.9 million, or 8.5% to \$49.9 million in the nine months ended September 30, 2012 compared to \$46.0 million in the nine months ended September 30, 2011 due primarily to an increase of \$3.0 million at properties acquired in 2011 and 2012, \$0.4 million at redevelopment properties, and \$0.4 million at same-center properties.

Property Operating Income

Property operating income increased \$34.6 million, or 12.2%, to \$319.0 million in the nine months ended September 30, 2012 compared to \$284.5 million in the nine months ended September 30, 2011. This increase is primarily due to properties acquired in 2011 and growth in earnings at same-center and redevelopment properties.

Other

Interest Expense

Interest expense increased \$13.0 million, or 17.9%, to \$85.7 million in the nine months ended September 30, 2012 compared to \$72.7 million in the nine months ended September 30, 2011. This increase is due primarily to the following:

- an increase of \$9.7 million due to mortgage loans secured by Plaza El Segundo and Montrose Crossing both of which were acquired in 2011,
- an increase of \$1.9 million due to a higher overall weighted average borrowing rate, and

- an increase of \$3.0 million due to higher borrowings, partially offset by
- an increase of \$1.7 million in capitalized interest.

Gross interest costs were \$93.2 million and \$78.6 million in the nine months ended September 30, 2012 and 2011, respectively. Capitalized interest was \$7.5 million and \$5.8 million in the nine months ended September 30, 2012 and 2011, respectively.

Early Extinguishment of Debt

The \$0.3 million of income from early extinguishment of debt in the nine months ended September 30, 2011 is due to the write-off of unamortized debt premium net of a 3.0% prepayment premium and unamortized debt fees related to the payoff of our mortgage loan on Tower Shops prior to its contractual prepayment date.

General and Administrative Expense

General and administrative expense increased \$3.3 million, or 16.6%, to \$22.9 million in the nine months ended September 30, 2012 from \$19.6 million in the nine months ended September 30, 2011. This increase is due primarily to costs related to our CFO change and higher personnel related costs partially offset by lower acquisition costs resulting from costs incurred related to our 2011 acquisitions.

Depreciation and Amortization

Depreciation and amortization expense increased \$12.3 million, or 13.1%, to \$106.7 million in the nine months ended September 30, 2012 from \$94.4 million in the nine months ended September 30, 2011. This increase is due primarily to 2011 acquisitions and capital improvements at same-center and redevelopment properties.

Discontinued Operations— Income

Income from discontinued operations represents the operating income of properties that have been disposed or will be disposed, which is required to be reported separately from results of ongoing operations. The reported operating income of \$0.9 million for the nine months ended September 30, 2011 primarily represents the operating income for the period during which we owned properties sold/disposed of in 2011.

Discontinued Operations— Gain on Deconsolidation of VIE

The \$2.0 million gain on deconsolidation of VIE for the nine months ended September 30, 2011 is a result of the refinancing of a mortgage note receivable on a shopping center in Norwalk, Connecticut, resulting in us no longer being the primary beneficiary of the VIE.

Discontinued Operations—Gain on Sale of Real Estate

The \$14.8 million gain on sale of real estate from discontinued operations for the nine months ended September 30, 2011 relates to the sale of Feasterville Shopping Center on July 12, 2011.

Gain on Sale of Real Estate in Real Estate Partnership

The \$11.9 million gain on sale of real estate in real estate partnership in the nine months ended September 30, 2012 is due to the sale of our Newbury Street Partnership's entire portfolio of three buildings on October 31, 2011. Due to the timing of receiving financial information from the general partner, our share of earnings was recorded one quarter in arrears. Therefore, we recognized the gain on sale of \$11.9 million in the nine months ended September 30, 2012.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The pronouncement was issued to provide a uniform framework for fair value measurements and related disclosures between U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. We adopted the standard effective January 1, 2012 and it did not have a significant impact to our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of shareholders’ equity and requires the presentation of components of net income and components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB deferred the requirement to present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. We adopted the standards effective January 1, 2012 and modified the presentation in our consolidated financial statements accordingly.

Liquidity and Capital Resources

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

Our short-term liquidity requirements consist primarily of normal recurring operating expenses, obligations under our capital and operating leases, 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. Our long-term capital requirements consist primarily of maturities under our long-term debt agreements, development and redevelopment costs and potential acquisitions.

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. In the short and long term, we may seek to obtain funds through the issuance of additional equity, unsecured and/or secured debt financings, joint venture relationships relating to existing properties or new acquisitions, and property dispositions that are consistent with this conservative structure.

Cash and cash equivalents increased \$79.9 million to \$147.7 million at September 30, 2012; however, cash and cash equivalents are not the only indicator of our liquidity. We have a \$400.0 million unsecured revolving credit facility which matures on July 6, 2015 and had no borrowings outstanding at September 30, 2012. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$800.0 million. Our \$275.0 million unsecured term loan which matures on November 21, 2018 also has an option (subject to bank approval) to increase the term loan through an accordion feature to \$350.0 million. As of September 30, 2012, we had the capacity to issue up to \$230.9 million in common shares under our ATM equity program.

On July 16, 2012, we repaid our \$175.0 million 6.00% senior notes and have \$20.2 million of debt maturing for the remainder of 2012. On July 19, 2012, we issued \$250.0 million of fixed rate senior notes that mature on August 1, 2022 and bear interest at 3.00%. The net proceeds from this note offering after issuance discounts, underwriting fees and other costs were approximately \$244.8 million. We currently believe that cash flows from operations, cash on hand, our ATM equity program, our revolving credit facility and our general ability to access the capital markets will be sufficient to finance our operations and fund our debt service requirements (including maturities) and capital expenditures.

Our overall capital requirements for the remainder of 2012 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of Assembly Row, Pike & Rose and future phases of Santana Row. While the amount of future expenditures will depend on numerous factors, we expect to incur higher amounts in 2012 compared to those incurred in 2011 related to capital investments for development, redevelopment and existing properties as we progress with our active development pipeline. Additionally, over the next three years, we expect to incur approximately \$400 million related to the current phases of development at Assembly Row, Pike & Rose and Santana Row. These amounts will be funded on a short-term basis with cash flow from operations, cash on hand and/or our revolving credit facility, and on a long-term basis, with long-term debt or equity including proceeds from shares issued under our ATM equity program. If necessary, we may access the debt or equity capital markets to finance significant acquisitions. Given our past ability to access the capital markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may also delay the timing of certain development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy.

In addition to conditions in the capital markets which could affect our ability to access those markets, the following factors could affect our ability to meet our liquidity requirements:

- restrictions in our debt instruments or preferred shares may limit 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.

Summary of Cash Flows

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Cash provided by operating activities	\$ 209,155	\$ 172,951
Cash used in investing activities	(143,435)	(101,313)
Cash provided by (used in) financing activities	14,154	(65,365)
Increase in cash and cash equivalents	79,874	6,273
Cash and cash equivalents, beginning of year	67,806	15,797
Cash and cash equivalents, end of period	\$ 147,680	\$ 22,070

Net cash provided by operating activities increased \$36.2 million to \$209.2 million during the nine months ended September 30, 2012 from \$173.0 million during the nine months ended September 30, 2011. The increase was primarily attributable to the payment in 2011 of the \$16.2 million final judgment related to a previously disclosed lawsuit and higher net income before certain non-cash items in 2012.

Net cash used in investing activities increased \$42.1 million to \$143.4 million during the nine months ended September 30, 2012 from \$101.3 million during the nine months ended September 30, 2011. The increase was primarily attributable to:

- \$36.7 million increase in capital investments in 2012,
- \$20.7 million in proceeds from the sales of real estate in 2011, primarily due to the sale of Feasterville Shopping Center, and
- \$8.7 million payment received in June 2011 related to the refinancing of a mortgage loan receivable,

partially offset by

- \$17.4 million decrease in acquisitions of real estate due to the January 2011 Tower Shops acquisition, and
- \$6.9 million in contributions to the Newbury Street Partnership in 2011.

Net cash provided by financing activities increased \$79.5 million to \$14.2 million during the nine months ended September 30, 2012 from \$65.4 million used during the nine months ended September 30, 2011. The increase was primarily attributable to:

- \$244.8 million in net proceeds from the issuance of 3.00% senior notes in July 2012,
- \$72.6 million decrease in repayment of mortgages, capital leases and notes payable due to the payoff of three mortgages totaling \$78.4 million in 2011 compared to one mortgage of \$6.9 million in 2012, and
- \$5.4 million issuance of notes payable in June 2012,

partially offset by

- \$175.0 million repayment of 6.00% senior notes in July 2012,
- \$76.8 million decrease in net borrowings on our revolving credit facility,
- \$58.7 million decrease in net proceeds from the issuance of common shares due primarily to the sale of 1.7 million shares under our ATM equity program in the nine months ended September 30, 2011 compared to 0.9 million in the nine months ended September 30, 2012, and
- \$7.3 million increase in dividends paid to shareholders due to an increase in the dividend rate and increased number of shares outstanding.

Off-Balance Sheet Arrangements

We have a joint venture arrangement (the "Partnership") with affiliates of a discretionary fund created and advised by ING Clarion Partners ("Clarion"). We own 30% of the equity in the Partnership and Clarion owns 70%. We hold a general partnership interest, however, Clarion also holds a general partnership interest and has substantive participating rights. We cannot make significant decisions without Clarion's approval. Accordingly, we account for our interest in the Partnership using the equity method. As of September 30, 2012, the Partnership owned seven retail real estate properties. 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. The Partnership is subject to a buy-sell provision which is customary in real estate joint venture agreements and the industry. Either partner may initiate this provision at any time, which could result in either the sale of our interest or the use of available cash or borrowings to acquire Clarion's interest. Accounting policies for the Partnership are similar to accounting policies followed by the Trust. At September 30, 2012, our investment in the Partnership was \$33.9 million and the Partnership had approximately \$57.2 million of mortgages payable outstanding.

On October 31, 2011, our Newbury Street Partnership sold its entire portfolio of three buildings for \$44.0 million. As part of the sale, we received \$34.6 million of the net proceeds which included the repayment of our \$11.8 million loans. Due to the timing of receiving financial information from the general partner, our share of earnings was recorded one quarter in arrears. Therefore, we recognized the gain on sale of \$11.9 million in the first quarter 2012.

Debt Financing Arrangements

The following is a summary of our total debt outstanding as of September 30, 2012:

Description of Debt	Original Debt Issued	Principal Balance as of September 30, 2012	Stated Interest Rate as of September 30, 2012	Maturity Date
(Dollars in thousands)				
Mortgages payable (1)				
<i>Secured fixed rate</i>				
Bethesda Row	Acquired	\$ 19,992	5.37%	January 1, 2013
Bethesda Row	Acquired	3,900	5.05%	February 1, 2013
White Marsh Plaza (2)	Acquired	9,050	6.04%	April 1, 2013
Crow Canyon	Acquired	19,605	5.40%	August 11, 2013
Idylwood Plaza	16,910	16,062	7.50%	June 5, 2014
Leesburg Plaza	29,423	27,947	7.50%	June 5, 2014
Loehmann's Plaza	38,047	36,139	7.50%	June 5, 2014
Pentagon Row	54,619	51,879	7.50%	June 5, 2014
Melville Mall (3)	Acquired	21,737	5.25%	September 1, 2014
THE AVENUE at White Marsh	Acquired	55,659	5.46%	January 1, 2015
Barracks Road	44,300	38,309	7.95%	November 1, 2015
Hauppauge	16,700	14,441	7.95%	November 1, 2015
Lawrence Park	31,400	27,153	7.95%	November 1, 2015
Wildwood	27,600	23,867	7.95%	November 1, 2015
Wynnewood	32,000	27,672	7.95%	November 1, 2015
Brick Plaza	33,000	28,219	7.42%	November 1, 2015
Plaza El Segundo	Acquired	175,000	6.33%	August 5, 2017
Rollingwood Apartments	24,050	22,980	5.54%	May 1, 2019
Shoppers' World	Acquired	5,327	5.91%	January 31, 2021
Montrose Crossing	80,000	79,099	4.20%	January 10, 2022
Mount Vernon (4)	13,250	10,253	5.66%	April 15, 2028
Chelsea	Acquired	7,498	5.36%	January 15, 2031
Subtotal		721,788		
Net unamortized premium		8,855		
Total mortgages payable		730,643		
Notes payable				
<i>Unsecured fixed rate</i>				
Various (5)	18,574	15,218	5.41%	Various through 2027
Term loan (6)	275,000	275,000	LIBOR + 1.45%	November 21, 2018
<i>Unsecured variable rate</i>				
Revolving credit facility (7)	400,000	—	LIBOR + 1.15%	July 6, 2015
Escondido (municipal bonds) (8)	9,400	9,400	0.19%	October 1, 2016
Total notes payable		299,618		
Senior notes and debentures				
<i>Unsecured fixed rate</i>				
5.40% notes	135,000	135,000	5.40%	December 1, 2013
5.95% notes	150,000	150,000	5.95%	August 15, 2014
5.65% notes	125,000	125,000	5.65%	June 1, 2016
6.20% notes	200,000	200,000	6.20%	January 15, 2017
5.90% notes	150,000	150,000	5.90%	April 1, 2020
3.00% notes	250,000	250,000	3.00%	August 1, 2022
7.48% debentures	50,000	29,200	7.48%	August 15, 2026
6.82% medium term notes	40,000	40,000	6.82%	August 1, 2027
Subtotal		1,079,200		
Net unamortized discount		(2,744)		
Total senior notes and debentures		1,076,456		
Capital lease obligations				
Various		71,698	Various	Various through 2106
Total debt and capital lease obligations		\$ 2,178,415		

- 1) Mortgages payable do not include our 30% share (\$17.2 million) of the \$57.2 million debt of the partnership with a discretionary fund created and advised by ING Clarion Partners.
- 2) The interest rate of 6.04% represents the weighted average interest rate for two mortgage loans secured by this property. The loan balance represents an interest only loan of \$4.4 million at a stated rate of 6.18% and the remaining balance at a stated rate of 5.96%.
- 3) We acquired control of Melville Mall through a 20-year master lease and secondary financing. Because we control the activities that most significantly impact this property and retain 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 our legal obligation.
- 4) We repaid the loan at par on October 22, 2012.
- 5) The interest rate of 5.41% represents the weighted average interest rate for ten unsecured fixed rate notes payable. These notes mature from November 1, 2012 to June 27, 2027.
- 6) We entered into two interest rate swap agreements that effectively fix the rate on the term loan at 3.17%.
- 7) The maximum amount drawn under our revolving credit facility during the three and nine months ended September 30, 2012 was \$186.0 million, and the weighted average interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 1.42%.
- 8) 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 Escondido Promenade property is not encumbered by a lien.

Our revolving credit facility, term loan and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of September 30, 2012, 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 an 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, term loan and our revolving 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 default 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 organizational documents do not limit the level or amount of debt that we may incur.

The following is a summary of our scheduled principal repayments as of September 30, 2012:

	Unsecured	Secured	Capital Lease	Total
	(In thousands)			
2012	\$ 10,158	\$ 12,958 (1)	\$ 8	\$ 23,124
2013	135,270	63,372	22	198,664
2014	150,264	157,838	25	308,127
2015	292 (2)	204,936	27	205,255
2016	134,721	2,521	30	137,272
Thereafter	948,113	280,163	71,586	1,299,862
	<u>\$ 1,378,818</u>	<u>\$ 721,788</u>	<u>\$ 71,698</u>	<u>\$ 2,172,304 (3)</u>

- 1) Includes the repayment of the outstanding mortgage payable balance on Mount Vernon. The lender had the option to call the loan on April 15, 2013 or any time thereafter, however, we could prepay the loan at any time after October 14, 2012 at par. We repaid the loan on October 22, 2012.
- 2) Our \$400.0 million revolving credit facility matures on July 6, 2015, subject to a one-year extension at our option. As of September 30, 2012, there was \$0 drawn under this credit facility.
- 3) The total debt maturities differs from the total reported on the consolidated balance sheet due to the unamortized net premium or discount on certain mortgage loans, senior notes and debentures as of September 30, 2012.

Interest Rate Hedging

We may use derivative instruments to manage exposure to variable interest rate risk. 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 enter into derivative instruments that qualify as cash flow hedges and do not enter into derivative instruments for speculative purposes.

The interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in other comprehensive income which is included in accumulated other comprehensive loss on our consolidated balance sheet and our consolidated statement of of shareholders' equity. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit-worthiness of the counterparty which includes reviewing debt ratings and financial performance. However, management does not anticipate non-performance by the counterparty. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected.

In November 2011, we entered into two interest rate swap agreements that effectively fixed the rate on the term loan at 3.17%. Both swaps were designated and qualified as cash flow hedges and were recorded at fair value. Hedge ineffectiveness has not impacted earnings as of September 30, 2012, and we do not anticipate it will have a significant effect in the future.

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 our shareholders as long as we satisfy certain technical requirements of the Code, including the requirement to distribute at least 90% of our 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 real estate related depreciation and amortization and excluding extraordinary items, gains and losses on the sale of real estate, and impairment write-downs of depreciable real estate. We compute FFO in accordance with the NAREIT definition, and we have historically reported our FFO available for common shareholders in addition to our net income and net cash provided by operating activities. It should be noted that FFO:

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

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

An increase or decrease in FFO available for common shareholders does not necessarily result in an increase or decrease in aggregate distributions because our Board of Trustees is not required to increase distributions on a quarterly basis unless necessary for us to maintain REIT status. However, we must distribute at least 90% of our 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 FFO available for common shareholders is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
Net income	\$ 39,656	\$ 48,302	\$ 117,374	\$ 117,157
Net income attributable to noncontrolling interests	(1,012)	(1,249)	(3,141)	(4,161)
Gain on sale of real estate	—	(14,757)	—	(14,800)
Gain on sale of real estate in real estate partnership	—	—	(11,860)	—
Gain on deconsolidation of VIE	—	—	—	(2,026)
Depreciation and amortization of real estate assets	30,556	28,671	94,328	84,723
Amortization of initial direct costs of leases	2,724	2,684	8,330	7,737
Depreciation of joint venture real estate assets	377	446	1,133	1,304
Funds from operations	72,301	64,097	206,164	189,934
Dividends on preferred shares	(136)	(136)	(406)	(406)
Income attributable to operating partnership units	236	249	707	733
Income attributable to unvested shares	(340)	(285)	(970)	(793)
Funds from operations available for common shareholders	\$ 72,061	\$ 63,925	\$ 205,495	\$ 189,468
Weighted average number of common shares, diluted (1)	64,526	63,350	64,227	62,702
Funds from operations available for common shareholders, per diluted share	\$ 1.12	\$ 1.01	\$ 3.20	\$ 3.02

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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. As of September 30, 2012, we were party to two interest rate swap agreements that effectively fixed the rate on the term loan at 3.17%.

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 rate 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, with respect to capital lease obligations, through 2106) 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 September 30, 2012, we had \$2.2 billion of fixed-rate debt outstanding, including our \$275.0 million term loan as the rate is effectively fixed by two interest rate swap agreements, and \$71.7 million of capital lease obligations. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2012 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$82.0 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at September 30, 2012 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$87.3 million.

Variable Interest Rate Debt

Generally, we believe that our primary interest rate risk is due to fluctuations in interest rates on our variable rate debt. At September 30, 2012, we had \$9.4 million of variable rate debt outstanding which consisted of municipal bonds. Our revolving credit facility had no outstanding balance as of September 30, 2012. Based upon this amount of variable rate debt and the specific terms, if market interest rates increased 1.0%, our annual interest expense would increase by approximately \$0.1 million, and our net income and cash flows for the year would decrease by approximately \$0.1 million. Conversely, if market interest rates decreased 1.0%, our annual interest expense would decrease by less than \$0.1 million with a corresponding increase in our net income and cash flows for the year.

ITEM 4. CONTROLS AND PROCEDURES

Periodic Evaluation and Conclusion of Disclosure Controls and Procedures

An evaluation has been performed, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2012. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2012 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report for the year ended December 31, 2011 filed with the SEC on February 16, 2012. These factors include, but are not limited to, the following:

- risks that our tenants will not pay rent, may vacate early or may file for bankruptcy or that we may be unable to renew leases or re-let space at favorable rents as leases expire;
- risks that we may not be able to proceed with or obtain necessary approvals for any redevelopment or renovation project, and that completion of anticipated or ongoing property redevelopment or renovation projects that we do pursue may cost more, take more time to complete or fail to perform as expected;
- risk that we are investing a significant amount in ground-up development projects that may be dependent on third parties to deliver critical aspects of certain projects, requires spending a substantial

amount upfront in infrastructure, and assumes receipt of public funding which has been committed but not entirely funded;

- risks normally associated with the real estate industry, including risks that:
 - occupancy levels at our properties and the amount of rent that we receive from our properties may be lower than expected,
 - new acquisitions may fail to perform as expected,
 - competition for acquisitions could result in increased prices for acquisitions,
 - environmental issues may develop at our properties and result in unanticipated costs, and
 - because real estate is illiquid, we may not be able to sell properties when appropriate;
- risks that our growth will be limited if we cannot obtain additional capital;
- risks associated with general economic conditions, including local economic conditions in our geographic markets;
- risks of financing, such as our ability to consummate additional financings or obtain replacement financing on terms which are acceptable to us, our ability to meet existing financial covenants and the limitations imposed on our operations by those covenants, and the possibility of increases in interest rates that would result in increased interest expense; and
- risks related to our status as a real estate investment trust, commonly referred to as a REIT, for federal income tax purposes, such as the existence of complex tax regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation, and the adverse consequences of the failure to qualify as a REIT.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

SIGNATURES

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

FEDERAL REALTY INVESTMENT TRUST

November 1, 2012

/s/ Donald C. Wood

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

November 1, 2012

/s/ James M. Taylor

James M. Taylor,
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Declaration of Trust of Federal Realty Investment Trust dated May 5, 1999 as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2004, as corrected by the Certificate of Correction of Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated June 17, 2004, as amended by the Articles of Amendment of Declaration of Trust of Federal Realty Investment Trust dated May 6, 2009 (previously filed as Exhibit 3.1 to the Trust's Registration Statement on Form S-3 (File No. 333-160009) 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, February 17, 2006 and May 6, 2009 (previously filed as Exhibit 3.2 to the Trust's Registration Statement on Form S-3 (File No. 333-160009) 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) 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	Indenture dated December 1, 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)
4.4	Indenture dated September 1, 1998 related to the Trust's 5.65% Notes due 2016; 6.00% Notes due 2012; 6.20% Notes due 2017; 5.40% Notes due 2013; 5.95% Notes due 2014 and the 5.90% Notes due 2020 (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)
4.5	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	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)
10.3	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)
10.4	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)
10.5	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)
10.6	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)
10.7	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)
10.8	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)
10.9	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)

EXHIBIT INDEX

Exhibit No.	Description
10.10	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)
10.11	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)
10.12	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)
10.13	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, 2008 (File No. 1-07533) and incorporated herein by reference)
10.14	Change in Control Agreement between the Trust and Andrew P. Blocher dated February 12, 2007 (previously filed as Exhibit 10.27 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 1-07533) and incorporated herein by reference)
10.15	Amendment to Severance Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.26 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-07533) ("the 2008 Form 10-K") and incorporated herein by reference)
10.16	Second Amendment to Executive Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.27 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.17	Amendment to Health Coverage Continuation Agreement between the Trust and Donald C. Wood dated January 1, 2009 (previously filed as Exhibit 10.28 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.18	Second Amendment to Severance Agreement between the Trust and Dawn M. Becker dated January 1, 2009 (previously filed as Exhibit 10.30 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.19	Amendment to Change in Control Agreement between the Trust and Andrew P. Blocher dated January 1, 2009 (previously filed as Exhibit 10.31 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.20	Amendment to Stock Option Agreements between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.32 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.21	Restricted Share Award Agreement between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.33 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.22	Combined Incentive and Non-Qualified Stock Option Agreement between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.34 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.23	Severance Agreement between the Trust and Andrew P. Blocher dated February 17, 2009 (previously filed as Exhibit 10.35 to the Trust's 2008 Form 10-K and incorporated herein by reference)
10.24	2010 Performance Incentive Plan (previously filed as Appendix A to the Trust's Definitive Proxy Statement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference)
10.25	Amendment to 2010 Performance Incentive Plan ("the 2010 Plan") (previously filed as Appendix A to the Trust's Proxy Supplement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference)
10.26	Restricted Share Award Agreement between the Trust and Donald C. Wood dated October 12, 2010 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 (File No. 01-07533) and incorporated herein by reference)
10.27	Form of Restricted Share Award Agreement for awards made under the Trust's Long-Term Incentive Award Program and the Trust's Annual Incentive Bonus Program and basic awards with annual vesting for shares issued out of the 2010 Plan (previously filed as Exhibit 10.34 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 1-07533) (the "2010 Form 10-K") and incorporated herein by reference)

EXHIBIT INDEX

Exhibit No.	Description
10.28	Form of Restricted Share Award Agreement for long-term vesting and retention awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.29	Form of Restricted Share Award Agreement for front loaded awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.36 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.30	Form of Performance Share Award Agreement for shares awarded out of the 2010 Plan (previously filed as Exhibit 10.37 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.31	Form of Option Award Agreement for awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.38 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.32	Form of Option Award Agreement for front loaded awards made under the Trust's Long-Term Incentive Award Program for shares issued out of the 2010 Plan (previously filed as Exhibit 10.39 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.33	Form of Option Award Agreement for basic options awarded out of the 2010 Plan (previously filed as Exhibit 10.40 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.34	Form of Restricted Share Award Agreement, dated as of February 10, 2011, between the Trust and each of Dawn M. Becker and Andrew P. Blocher (previously filed as Exhibit 10.41 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference)
10.35	Severance Agreement between the Trust and James M. Taylor dated July 30, 2012 (filed herewith)
10.36	Credit Agreement dated as of July 7, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, Wells Fargo Bank, National Association, as Administrative Agent, PNC Bank, National Association, as Syndication Agent, Wells Fargo Securities, LLC, as a Lead Arranger and Book Manager, and PNC Capital Markets LLC, as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 11, 2011 and incorporated herein by reference)
10.37	Credit Agreement dated as of November 22, 2011, by and among the Trust, as Borrower, the financial institutions party thereto and their permitted assignees under Section 12.6., as Lenders, PNC Bank, National Association, as Administrative Agent, Capital One, N.A., as Syndication Agent, PNC Capital Markets, LLC, as a Lead Arranger and Book Manager, and Capital One, N.A., as a Lead Arranger and Book Manager (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on November 28, 2011 and incorporated herein by reference)
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)
101	The following materials from Federal Realty Investment Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (1) the Consolidated Balance Sheets, (2) the Consolidated Statements of Comprehensive Income, (3) the Consolidated Statement of Shareholders' Equity, (4) the Consolidated Statements of Cash Flows, and (5) Notes to Consolidated Financial Statements that have been detail tagged.

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Severance Agreement"), made and entered into as of this 30th day of July, 2012 by and between FEDERAL REALTY INVESTMENT TRUST, a Maryland real estate investment trust ("Employer"), and JAMES TAYLOR ("Employee").

WHEREAS, Employee currently serves as Employer's Executive Vice President and on August 15, 2012, 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. In the event that Employee's employment with Employer is terminated under any of the circumstances in Sections 1(a) or 1(b) that constitute a Separation from Service (as defined herein), 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 for "Good Reason" within six (6) months following the occurrence of one or more of the following events which has continued uncured for a period of not less than thirty (30) days following written notice given by Employee to the Employer within ninety (90) days after such event occurs, unless in any case Employee specifically agrees in writing that such event shall not be Good Reason:

(i) the nature of Employee's duties or the scope of Employee's responsibilities or authority as of August 15, 2012 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 2012, 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. In the event of Termination Without Cause prior to January 1, 2014 other than under circumstances described in Section 6 below, Employee will receive as severance pay an amount in cash equal to two (2) years' salary which amount shall be paid as soon as possible and in any event, within two and one-half (2½) months following the end of the year in which the Termination Date occurs. In the event of a Termination Without Cause on or after January 1, 2014, 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 which amount shall be paid as soon as possible and in any event, within two and one-half (2½) months following the end of the year in which the Termination Date occurs. 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 or 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, with payment to be made within 60 days after the Employee's Termination Date.

(e) Benefits. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employee shall receive "Full Benefits" for nine (9) months. Employer shall have satisfied its obligation to provide Full Benefits to Employee if it (i) pays premiums due in connection with COBRA continuation coverage to continue Employee's medical and dental insurance coverage at not less than the levels of coverage immediately prior to termination of Employee's employment; (ii) maintains at not less than Employee's highest levels of coverage prior to Termination Without Cause individual life insurance policies and accidental death and dismemberment policies for the benefit of Employee and pays the annual premiums associated therewith, subject to any maximum portable limitation that may exist from time to time; (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 to the extent available under Employer's policy and 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 to the extent available under Employer's policy and subject to the limitations of the policy. Notwithstanding the foregoing, Employee shall be required to pay the premiums and any other costs of such Full Benefits in the same dollar amount that Employee was required to pay for such costs immediately prior to Termination Without Cause.

(f) Stock Options. Notwithstanding any agreement to the contrary, in the event of any Termination Without Cause other than under circumstances described in Section 6 below, the vesting of options to purchase shares of Employer's common stock granted to Employee and outstanding as of the date of Employee's termination and scheduled to vest during the twelve (12) months thereafter shall be accelerated such that all such options will be vested as of the date of Employee's termination of employment with Employer. The terms of the stock option agreements shall determine the period during which any vested options may be exercisable.

(g) Outplacement Services. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employer shall make available at Employer's expense to Employee at Employee's option the services of an employment search/outplacement agency selected by Employer for a period not to exceed six (6) months from the date of Employee's termination, subject to any limitations and restrictions that are required to exempt such outplacement services from Code Section 409A. If Employee chooses not to use such outplacement services, Employee shall not be entitled to receive the cash value of these services.

(h) Provision of Telephone/Secretary. In the event of Termination Without Cause other than under circumstances described in Section 6 below, Employer shall provide Employee for a period not to exceed six (6) months from Employee's date of termination with a telephone number assigned to Employee at Employer's offices, telephone mail and a secretary to answer the telephone. Such benefits shall not include an office or physical access to Employer's offices and will cease upon commencement by Employee of employment with another employer. If Employee chooses not to use such telephone/secretarial services, Employee shall not be entitled to receive the cash value of these services.

(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 Severance 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 Severance Agreement to the affiliate as contemplated in Section 15 and the affiliate has assumed the obligations hereunder.

(k) Certain Definitions. For purposes of this Severance Agreement, in addition to the capitalized terms defined elsewhere, the following capitalized terms have the meanings indicated unless the context clearly requires otherwise:

- (i) "Separation from Service" means the termination of services provided by Employee to the Employer, whether voluntarily or involuntarily, as determined by the Board in accordance with Treasury Regulation Section 1.409A-1(h), as amended from time to time; and
- (ii) "Termination Date" means the date upon which the Employee incurs a Separation from Service from the 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, 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 which amount shall be paid as soon as possible and in any event within two and one-half (2½) months following the end of the year in which the Termination Date occurs. 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.

- (i) Other Cause Termination. In the event that Employee's employment is terminated with Cause pursuant to Section 3(b), (c) or (d), Employee shall receive all base salary due and payable as of the date of Employee's termination of employment. No payment shall be made for bonus or other compensation. Payment also will be made for accrued, but unused vacation time.

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

- (a) Benefits. Employee shall receive Full Benefits (as defined above) for one (1) year following termination due to Disability.

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

5. Severance Benefits Upon Termination Upon Death. If Employee dies, Employee's estate shall be entitled to receive an amount in cash equal to Employee's then-current base salary through the last day of the month in which Employee's death occurs plus any bonus previously awarded but unpaid and any accrued vacation pay through the last day of the month in which Employee's death occurs. The terms of the stock option agreements between Employer and Employee shall determine the vesting of any options held by Employee as of the date of his or her death and the exercise period for any vested option.

6. Severance Benefits Upon Termination Upon Change in Control.

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

- (i) An acquisition in one or more transactions (other than directly from Employer or pursuant to options granted by Employer) of any voting securities of Employer (the "Voting Securities") by any "Person" (as the term is used for purposes of Section 13(d) or 14(d) of the Securities Act of 1934, as amended (the "Exchange Act"))

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

- (ii) The individuals who, as of the date of this Severance Agreement, are members of the Board of Trustees (the “Incumbent Trustees”), cease for any reason to constitute at least two-thirds of the Board; *provided, however*, that if the election, or nomination for election by Employer's shareholders, of any new member was approved by a vote of at least two-thirds of the Incumbent Trustees, such new member shall, for purposes of this Severance Agreement, be considered as a member of the Incumbent Trustees; *provided, further, however*, that no individual shall be considered a member of the Incumbent Trustees if such individual initially assumed office as a result of either an actual or threatened “Election Contest” (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Trustees (a “Proxy Contest”) including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or
- (iii) Approval by shareholders of Employer of
 - (A) A merger, consolidation or reorganization involving Employer, unless:
 - (1) the shareholders of Employer, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least a majority of the combined voting power of the outstanding voting securities of the Person resulting from such merger or consolidation or reorganization (the “Surviving Person”) in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization,
 - (2) the individuals who were members of the Incumbent Trustees immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Person,
 - (3) no Person (other than Employer or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by Employer, or any Subsidiary, or any Person which, immediately prior to such merger, consolidation or reorganization had Beneficial Ownership of 20% or more of the then outstanding Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities,

and

- (4) a transaction described in clauses (1) through (3) shall herein be referred to as a “Non-Control Transaction;”
 - (B) A complete liquidation or dissolution of Employer; or
 - (C) An agreement for the sale or other disposition of all or substantially all of the assets of Employer to any Person (other than a transfer to a Subsidiary).
- (iv) Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (A) solely because any Person (the “Subject Person”) acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by Employer which, by reducing the number of Voting Securities outstanding, increases the proportional number of Voting Securities Beneficially Owned by the Subject Person; *provided, however*, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by Employer, and after such share acquisition by Employer, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur; or (B) if Employer (1) establishes a wholly-owned subsidiary (“Holding Company”), (2) causes the Holding Company to establish a wholly-owned subsidiary (“Merger Sub”), and (3) merges with Merger Sub, with Employer as the surviving entity (such transactions collectively are referred as the “Reorganization”). Immediately following the completion of the Reorganization, all references to the Voting Securities shall be deemed to refer to the voting securities of the Holding Company.
- (v) Notwithstanding anything contained in this Severance Agreement to the contrary, if Employee's employment is terminated while this Severance Agreement is in effect and Employee reasonably demonstrates that such termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control and who effectuates a Change in Control (a “Third Party”) or (B) otherwise occurred in connection with, or in anticipation of, a Change in Control which actually occurs, then for all purposes of this Severance Agreement, the date of a Change in Control with respect to Employee shall mean the date immediately prior to the date of such termination of Employee's employment.
- (b) Termination of Employment Following Change in Control. Employee shall be entitled to the benefits provided in this Section 6 if a Change in Control occurs and Employee incurs a Separation of Service (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 Separation from Service shall occur by written notice delivered by either Employer or Employee to the other party. The date of Employee's Separation from Service 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.

- (c) Payment of Benefits upon Separation from Service. If, after a Change in Control has occurred, Employee incurs a Separation from Service 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 which amount shall be paid as soon as possible and in any event within two and one-half (2½) months following the end of the year of Employee's Separation from Service. 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 (and according to the same timing for payment and taxation) 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 subject to any limitations and restrictions that are required to exempt such outplacement services from Code Section 409A.
 - (v) Upon the occurrence of a Change in Control, all restrictions on the receipt of any option to acquire or grant of Voting Securities to Employee shall lapse and such option shall become immediately and fully exercisable. Notwithstanding any applicable

restrictions or any agreement to the contrary, Employee may exercise any options to acquire Voting Securities as of the Change in Control by delivery to Employer of a written notice dated on or prior to the expiration of the stated term of the option.

(d) 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. Release Condition for Payments. Notwithstanding anything in this Severance Agreement to the contrary, as a condition of receiving any payments or benefits under this Severance Agreement, Employee shall be required to sign, within thirty (30) days after his or her Termination Date, a release and waiver acceptable to Employee and Employer pursuant to which Employee waives and releases Employer from any and all claims arising out of or otherwise relating to Employee's employment by Employer and/or the termination of Employee's employment with Employer.

10. Tax; Withholding; Code Section 409A. Notwithstanding anything herein to the contrary, the Employee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with this Severance Agreement (including any taxes arising under Section 409A of the Code). 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.

- (a) This Severance Agreement is intended to comply with (or be exempt from) Code Section 409A, and the Employer shall have complete discretion to interpret and construe this Severance Agreement and any associated documents in any manner that establishes an exemption from (or otherwise conforms them to) the requirements of Code Section 409A. If, for any reason including imprecision in drafting, the Severance Agreement does not accurately reflect its intended establishment of an exemption from (or compliance with) Code Section 409A, as demonstrated by consistent interpretations or other evidence of intent, the provision shall be considered ambiguous and shall be interpreted by the Employer in a fashion consistent herewith, as determined in the sole and absolute discretion of the Employer. Notwithstanding anything to the contrary contained herein, the Employer reserves the right to unilaterally amend this Severance Agreement without the consent of Employee in order to accurately reflect its correct interpretation and operation to maintain an exemption from or compliance with Code Section 409A.
- (b) Neither the Employer, nor their affiliates, nor any of their directors, agents, or employees shall have any obligation to indemnify or otherwise hold the Employee harmless from any or all of such taxes. Notwithstanding anything herein to the contrary, if the Employer determines that any amounts that become due under this Severance Agreement as a result of Employee's termination of employment constitute "nonqualified deferred compensation" within the meaning of Section 409A, payment of such amounts shall not commence until the Employee incurs a Separation from Service. If, at the time of Employee's Separation from Service, Employee is a "specified employee" (under Code Section 409A), any amount that the Employer determines constitutes "nonqualified deferred compensation" within the meaning of Code Section 409A that becomes payable to Employee on account of the Employee's Separation from Service will not be paid until after the earlier of: (i) the expiration of the six (6) month period measured from the date of the Employee's Separation from Service with the Employer; or (ii) the date of the Employee's death (the "409A Suspension Period"). Within fourteen (14) calendar days after the end of the 409A Suspension Period, the Employee shall be paid a lump sum payment in cash equal to any payments delayed because of the preceding sentence, without interest. Thereafter, the Employee shall receive any remaining benefits as if there had not been an earlier delay. For the purposes of this Severance Agreement, each payment that is part of a series of installment payments shall be treated as a right to a series of separate payments within the meaning of Code Section 409A.

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.
- (i) 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 Severance 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 Severance 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 Severance 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 Severance Agreement, and the existence of any claim or cause of action of Employee against Employer whether predicated on this Severance 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/ James Taylor

James Taylor

Employee's Permanent Address:

1726 Hoban Road, N.W.

Washington, DC 20007

FEDERAL REALTY INVESTMENT TRUST

By: /s/ Dawn M. Becker

Dawn M. Becker

Executive Vice President-Chief Operating Officer

1626 East Jefferson Street

Rockville, Maryland 20852

CERTIFICATION

I, *Donald C. Wood*, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment Trust;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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.

November 1, 2012

/s/ Donald C. Wood

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

CERTIFICATION

I, *James M. Taylor*, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Federal Realty Investment Trust;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - 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.

November 1, 2012

/s/ James M. Taylor

James M. Taylor,
Executive Vice President -
Chief Financial Officer and Treasurer
(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 Quarterly Report on Form 10-Q for the period ended September 30, 2012 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, 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.

November 1, 2012

/s/ Donald C. Wood

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

CERTIFICATION

**PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, James M. Taylor, the Executive Vice President and Chief Financial Officer and Treasurer of Federal Realty Investment Trust (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012 (the "Report"). The undersigned hereby certifies, to the best of his knowledge, 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.

November 1, 2012

/s/ James M. Taylor

James M. Taylor,
Executive Vice President -
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)