



FEDERAL REALTY INVESTMENT TRUST

2019 Annual Report

Form 10-K & Proxy Statement

Dear Shareholders,

THE ENVIRONMENT

As the decade of the teens comes to a close and we embark on what we hope will be the “roaring 20’s,” our company could not be better positioned to grow and create incremental real estate value in the years ahead. With a superb low levered A-rated balance sheet, 24 million square feet of great real estate, and over a billion dollars in creative and sustainable mixed-use development underway, we have more tools in our toolbox to handle the curveballs being thrown at us than ever before.

And curveballs there are; with retail tenant failure rates and store closings mounting and construction costs continuing to rise, growing cash flow in the short term is more challenging than ever. In 2019 and through the first few weeks of 2020, the household names that have (or plan to) close up shop are many and read like a retailer who’s who. Dress Barn, A.C. Moore, Forever 21, Payless ShoeSource, Pier 1 Imports, and numerous others which in total, represented over \$19 million in annual rent to Federal. Much of that rent will be gone in 2020 and not replaced until 2021 or 2022.

On top of that, many of our properties have been earmarked for repositioning and densification to assure relevance and value creation long into the future. While clearly the right strategy for long term value enhancement, the short-term casualty is the loss of current rent. A great example is the proactive agreement with Kmart to close and give us back their space at Assembly Square Marketplace. Another is the proactive agreement with Stop & Shop to close and give us back their space at Darien. All told, nearly \$9 million of annual rent lost for a couple of

years while we create far better and more sustainable destinations. The sting of the reduced current cash flow is however, real and unmistakable.

As a result, our company is growing more slowly than in the middle of last decade. Our 2019 rental income of \$933 million represented more rent than we had ever earned previously in our long 57-year history but it was only 2.2% more than 2018 primarily for the reasons discussed above. For context, our rental income grew by more than 6% annually in each of the four years prior to that. Continued growth, but slower. And so, if we are currently growing more slowly – a phenomenon that will continue in 2020 – then why would I have started this letter out to you by stating that we could not be better positioned to grow and create incremental real estate value in the years ahead?

The fact is that while growing cash flow in the short term is more challenging than ever, creating incremental real estate value over the next few years, is not.



Our real estate is uniquely positioned in places where the prospect of future job and wage growth is particularly strong. Silicon Valley, California, Somerville, Massachusetts, and

Miami, Florida to name a few and our pipeline for development, redevelopment, and releasing is stronger and deeper than ever before.

THE LARGE DEVELOPMENTS

Let's start with our large projects currently under construction. In February 2020, we completed construction and turned over the office portion of 700 Santana Row, our \$215 million, 320,000 square foot mixed-use (and architecturally significant) building anchoring the end of Santana Row to software giant Splunk, Inc. (NASDAQ:SPLK). This fast growing company's choice of Santana Row as the centerpiece of their Silicon Valley operations does so much to validate the vision of Federal's integrated approach to real estate as the blueprint for the future. More than ever before, time and service are at a premium with Americans in densely populated areas, and the close integration between where they work, where they live, where they shop, and where they are entertained are inextricably linked. We're proud to have maintained the discipline of completing this second building we have built for Splunk on time and on budget and of the reputation we've developed as a landlord of choice for

communities such as this. We have recently broken ground on the first of two more 375,000 square foot office buildings across the street from Santana Row, ultimately a \$500 million plus endeavor, and are confident based on our initial leasing feedback that our track record and a strong market will lead to success here too and ensure continued growth for us in Silicon Valley.

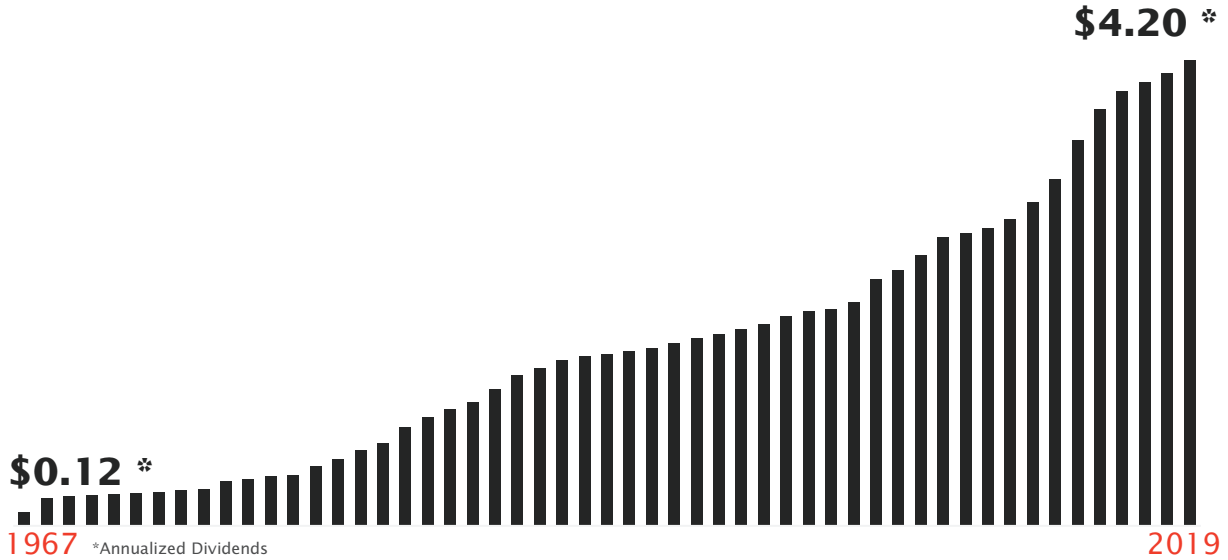
Across the country in Somerville, Massachusetts, just outside of Boston and immediately adjacent to white-hot Cambridge, the largest single phase of Assembly Row thus far is well underway. This \$475 million development (the third phase of Assembly Row comprised of additional office, residential and retail offerings), is only possible because of the success of the creation of the first two phases of Assembly Row over the last five years and its reputation as a true, fully integrated, mixed-use community. Similar to the dynamics playing out in Silicon Valley and elsewhere, the irrefutable desirability of efficiency in time and convenience, along with demands for a higher level of service than was possible even a few years back, is in full view. Before the first shovel broke ground on Phase III, athletic shoe

ASSEMBLY ROW | SOMERVILLE, MA



INDUSTRY-LEADING CONSISTENCY

52 consecutive years of increased dividends.



and sportswear manufacturer PUMA selected Assembly Row as the new home for their North American headquarters. PUMA committed to 150,000 square feet of newly constructed office space adjacent to another recent addition, The Row Hotel at Assembly Row -- which opened last year to great acclaim. Another example where recognized and well-established businesses have validated our vision for the future of real estate.

A few hundred miles south in North Bethesda, Maryland (in the affluent and densely populated suburb of Montgomery County, just north of Washington DC), our Pike & Rose mixed-use development, whose first phase opened in 2014 and second phase in 2017, has become a magnet for the community for new residents, office workers, retailers and restaurants looking for an alternative to the traffic clogged offerings further south in the county. After ten consecutive quarters of year over year visitor increases to the Pike & Rose community and mounting evidence suggesting Pike & Rose was continuing to grow into the centerpiece of the surrounding market, Federal decided to itself consolidate its headquarters at Pike & Rose from two surrounding locations. Not surprisingly, that same desire for higher levels of convenience, choice, and service that we've experienced in

every other major market in which we develop, was demanded by our own workforce and prospective recruits. The \$130 million trophy office building will become home to Federal and a number of other Montgomery County businesses later in 2020. As with the others, we are proud of the disciplined approach we take to development and construction as the project is on track to be delivered on time and on budget.

THE CORE DEVELOPMENTS

While our large projects tend to steal Federal's headlines, the effort to create better and more integrated places throughout our portfolio in smaller but equally important ways, has never been more active or intense. From new mid-sized mixed-use projects like the redevelopment of CocoWalk in Miami, Florida and Darien in Darien, Connecticut; to smaller re-imaginings of "The Delwyn" in Bala Cynwyd, Pennsylvania and "The Edge" at Plaza El Segundo in Southern California; to over three dozen other property level placemaking and merchandise-improving initiatives throughout our company that are either underway or on the drawing board; we are active, aggressive, and bullish about the growth and value creative initiatives that will continue to make Federal the standard bearer

for retail centric places in the markets that we serve. Over \$300 million in projects underway alone, with much more in the pipeline as situations change and opportunities arise.

ACQUISITIONS AND DISPOSITIONS

As much as our focus on creating a better place at each and every one of our shopping centers is at the forefront of our minds, there are always a handful of shopping centers where we simply can't see a path forward to creating long term incremental value. For those properties, we endeavor to work through the inevitable tax and other considerations to either sell or otherwise get them in the hands of others who have different investment objectives. We were able to do that in 2019 (and thus far in 2020) and raise approximately \$300 million in disposition proceeds. By the same token, there are other shopping centers and other retail centric properties that lend themselves to value creation through the skillsets that we have and accordingly, we work hard to both identify and ultimately acquire them. Ironically, we were able to do that in 2019 (and thus far in 2020) with acquisitions approximating about the same amount of capital as the sales -- approximately \$300 million.

The acquisitions were comprised of a 39-property street retail and apartment portfolio in Hoboken, New Jersey; a grocery anchored shopping center with a surface parking lot in Brooklyn, New York and an assemblage of strip retail for future redevelopment in Fairfax, Virginia. Each very different on its face but sharing one critical characteristic—great real estate in affluent and very densely populated markets where the combination of increased rent and/or increased rentable area through redevelopment provide downside protection while more probably creating significant value creation and raw material for our future pipeline. Because of the significant prices that we received for the \$300 million of assets sold, these acquisitions were made without diluting the company's current earnings.

GOVERNANCE AND CULTURE

The choice of where to invest your capital is the most important decision a board and senior management team can make and it's a decision-making process that we take extremely seriously. Frankly, we think it's the difference

between a superior long-term sustainable business plan and one that is mediocre. Those capital allocation decisions are largely based on where we believe we are most likely to create the best long-term risk-adjusted return for our shareholders. It's critical and it's hard.

But once the decision of where and on what the capital is to be deployed, it is the how it is executed that becomes most important. Our sense of pride comes from knowing that what we do each day matters to those in the communities we serve, and in the lives that we affect. Sustainable building practices, creative and comfortable placemaking for our communities and team members alike, and operating policies that endeavor to limit waste and promote efficiencies have been at the forefront of our business plan for decades. How we execute matters to all of us at Federal. We humbly think we have the best team of professionals and support staff in the industry, many of whom view what they do as a critical part of who they are. Pride stands front and center.

When it comes to oversight and transparency, our Board of Trustees shares our enthusiasm for what we do for a living, but never loses sight of the shareholders that they represent and the clarity and transparency that they deserve. It is central to why we have remained true to our business plan, the company's mission, and the belief in the future. Long term real estate value creation demands that consistency.

I could not be more proud than to have led this organization for the past 17 years with an unwavering commitment to hard work on behalf of all our constituents and of supporting a culture that is inclusive and open with the highest level of integrity. On behalf of the Board of Trustees and our entire team, I thank you for your support of Federal to date and look forward to being an important part of your investment portfolio for many years to come.

Respectfully,



Donald C. Wood

President & Chief Executive Officer

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

FORM 10-K

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

For the fiscal year ended December 31, 2019

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 20852
(Address of Principal Executive Offices) (Zip Code)

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

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

| <u>Title of Each Class</u> | <u>Trading Symbol</u> | <u>Name of Each Exchange On Which Registered</u> |
|---|-----------------------|--|
| Common Shares of Beneficial Interest \$.01 par value per share, with associated Common Share Purchase Rights | FRT | New York Stock Exchange |
| Depository Shares, each representing 1/1000 of a share of 5.00% Series C Cumulative Redeemable Preferred Stock, \$.01 par value per share | FRT-C | New York Stock Exchange |

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by checkmark if the registrant has elected not use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's common shares held by non-affiliates of the registrant, based upon the closing sales price of the registrant's common shares on June 30, 2019 was \$9.7 billion.

The number of registrant's common shares outstanding on February 5, 2020 was 75,651,842.

FEDERAL REALTY INVESTMENT TRUST

**ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2019**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission for the Registrant's 2019 annual meeting of shareholders to be held in May 2020 will be incorporated by reference into Part III hereof.

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PART I

Forward-Looking Statements

Certain statements included in this Annual Report on Form 10-K are forward-looking statements. Those statements include statements regarding the intent, belief or current expectations of Federal Realty Investment Trust (“we” “our” or “us”) and members of our management team, as well as the assumptions on which such statements are based, and generally are identified by the use of words such as “may,” “will,” “seeks,” “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” “should” or similar expressions. Actual results may differ materially from those contemplated by such forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law.

The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- 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, that new acquisitions may fail to perform as expected, that competition for acquisitions could result in increased prices for acquisitions, that costs associated with the periodic maintenance and repair or renovation of space, insurance and other operations may increase, that environmental issues may develop at our properties and result in unanticipated costs, and, because real estate is illiquid, that 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;
- 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.

In addition, we describe risks and uncertainties that could cause actual results and events to differ materially in “Risk Factors” (Part I, Item 1A of this Annual Report on Form 10-K), “Quantitative and Qualitative Disclosures about Market Risk” (Part II, Item 7A), and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” (Part II, Item 7).

ITEM 1. BUSINESS

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

General

We are an equity real estate investment trust (“REIT”) specializing in the ownership, management, and redevelopment of high quality retail and mixed-use properties located primarily in densely populated and affluent communities in strategically selected metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, as well as in California and South Florida. As of December 31, 2019, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects comprising approximately 23.7 million square

feet. In total, the real estate projects were 94.2% leased and 92.5% occupied at December 31, 2019. Our revenue is primarily generated from lease agreements with tenants. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 52 consecutive years.

We were founded in 1962 as a REIT under the laws of the District of Columbia and re-formed as a REIT in the state of Maryland in 1999. We operate in a manner intended to qualify as a REIT for tax purposes pursuant to provisions of the Internal Revenue Code of 1986, as amended (the "Code"). Our principal executive offices are located at 1626 East Jefferson Street, Rockville, Maryland 20852. Our telephone number is (301) 998-8100. Our website address is www.federalrealty.com. The information contained on our website is not a part of this report and is not incorporated herein by reference.

Business Objectives and Strategies

Our primary business objective is to own, manage, acquire and redevelop a portfolio of high quality retail focused properties that will:

- provide increasing cash flow for distribution to shareholders;
- generate higher internal growth than the shopping center industry over the long term;
- provide potential for capital appreciation; and
- protect investor capital.

Our portfolio includes, and we continue to acquire and redevelop, high quality retail in many formats ranging from regional, community and neighborhood shopping centers that often are anchored by grocery stores to mixed-use properties that are typically centered around a retail component but also include office, residential and/or hotel components.

Operating Strategies

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

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

Investing Strategies

Our investment strategy is to deploy capital at risk-adjusted rates of return that exceed our long-term weighted average cost of capital in projects that have potential for future income growth and increased value. Our investments primarily fall into one of the following four categories:

- renovating, expanding, reconfiguring and/or retenanting our existing properties to take advantage of under-utilized land or existing square footage to increase revenue;
- renovating or expanding tenant spaces for tenants capable of producing higher sales, and therefore, paying higher rents;
- acquiring quality retail and mixed-use properties located in densely populated and/or affluent areas where barriers to entry for further development are high, and that have possibilities for enhancing operating performance and creating value through renovation, expansion, reconfiguration and/or retenanting; and

- developing the retail portions of mixed-use properties and developing or otherwise investing in non-retail portions of mixed-use properties we already own in order to capitalize on the overall value created in these properties.

Investment Criteria

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

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

Financing Strategies

Our financing strategies are designed to enable us to maintain an investment grade balance sheet while retaining sufficient flexibility to fund our operating and investing activities in the most cost-efficient way possible. Our financing strategies include:

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

Employees

At February 5, 2020, we had 308 full-time employees and 5 part-time employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Tax Status

We elected to be taxed as a REIT under the federal income tax laws when we filed our 1962 tax return. As a REIT, we are generally not subject to federal income tax on taxable income that we distribute to our shareholders. Under the Code, REITs are

subject to numerous organizational and operational requirements, including the requirement to generally distribute at least 90% of taxable income each year. We will be subject to federal income tax on our taxable income (including, for our taxable years ending on or prior to December 31, 2017, any applicable alternative minimum tax) at regular corporate rates if we fail to qualify as a REIT for tax purposes in any taxable year, or to the extent we distribute less than 100% of our taxable income. We will also generally not qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Even if we qualify as a REIT for federal income tax purposes, we may be subject to certain state and local income and franchise taxes and to federal income and excise taxes on our undistributed taxable income.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Code. A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

Governmental Regulations Affecting Our Properties

We and our properties are subject to a variety of federal, state and local environmental, health, safety and similar laws, including without limitation:

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

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

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

Competition

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

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

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

Available Information

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

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

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

ITEM 1A. RISK FACTORS

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

Risk Factors Related to our Real Estate Investments and Operations

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

Revenue from our properties depends primarily on the ability of our tenants to pay the full amount of rent and other charges due under their leases on a timely basis. Some of our leases provide for the payment, in addition to base rent, of additional rent above the base amount according to a specified percentage of the gross sales generated by the tenants and generally provide for reimbursement of real estate taxes and expenses of operating the property. Economic, legal, and/or competitive conditions may impact the success of our tenants’ retail operations and therefore the amount of rent and expense reimbursements we receive from our tenants. Any reduction in our tenants’ abilities to pay base rent, percentage rent, or other charges on a timely basis, including the closing of stores prior to the end of the lease term or the filing by any of our tenants for bankruptcy protection, will adversely affect our financial condition and results of operations. In the event of default by a tenant, we may experience delays and unexpected costs in enforcing our rights as landlord under lease terms, which may also adversely affect our financial condition and results of operations.

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

Our net income could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases may permit termination or rent reduction in those circumstances or whose own operations may suffer as a result. We continue to see higher levels of anchor turnover and closings in some markets, which has caused an oversupply of larger retail spaces. Therefore, tenant demand for certain of our anchor spaces may decrease and as a result, we may see an increase in vacancy and/or a decrease in rents for those spaces that could have a negative impact to our net income. As of December 31, 2019, our anchor tenant space is 97.5% leased and 95.9% occupied.

A shift in retail shopping from brick and mortar stores to online shopping may have an adverse impact on our cash flow, financial condition and results of operations.

Many retailers operating brick and mortar stores have made online sales a vital piece of their business. The shift to online shopping may cause declines in brick and mortar sales generated by certain of our tenants and may cause certain of our tenants to reduce the size or number of their retail locations in the future. This risk is partially mitigated by our strategy of maintaining a diverse portfolio of retail properties. The trend of retailers utilizing brick and mortar locations for ‘showroom’ and on-line sales distribution purposes (particularly at shopping centers in densely populated areas like ours) may further mitigate this risk. However, there can be no assurance that our shopping centers will not be further impacted by the shift to online shopping. As a result, our cash flow, financial condition, and results of operations could be adversely affected.

We have properties that are geographically concentrated, and adverse economic or real estate market declines in these areas could have a material adverse effect on us.

As of December 31, 2019, our tenants operated in 12 states and the District of Columbia. Any adverse situation that disproportionately affects the the markets where our properties are concentrated may have a magnified adverse effect on our portfolio. Refer to “Properties” (Item 2 of this Annual Report on Form 10-K) for additional discussion of the geographic concentration. Real estate markets are subject to economic downturns, as they have been in the past, and we cannot predict how economic conditions will impact this market in both the short and long term.

Declines in the economy or a decline in the real estate market in these states could hurt our financial performance and the value of our properties. Factors that may negatively affect economic conditions in these states include:

- business layoffs or downsizing;
- industry slowdowns;
- relocations of businesses;
- changing demographics;
- increased telecommuting and use of alternative work places;
- infrastructure quality;
- any oversupply of, or reduced demand for, real estate;
- concessions or reduced rental rates under new leases for properties where tenants defaulted; and
- increased operating costs including insurance premiums and real estate taxes.

We may be unable to collect balances due from tenants that file for bankruptcy protection.

If a tenant or lease guarantor files for bankruptcy, we may not be able to collect all pre-petition amounts owed by that party. In addition, a tenant that files for bankruptcy protection may terminate our lease in which event we would have a general unsecured claim that would likely be for less than the full amount owed to us for the remainder of the lease term, which could adversely affect our financial condition and results of operations.

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

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

Our development activities have inherent risks.

The ground-up development of improvements on real property, as opposed to the renovation and redevelopment of existing improvements, presents substantial risks. We generally do not look to acquire raw land for future development; however, we do intend to complete the development and construction of future phases of projects we already own. We may undertake development of these and other projects on our own or bring in third parties if it is justifiable on a risk-adjusted return basis. We may also choose to delay completion of a project if market conditions do not allow an appropriate return. If conditions arise and we are not able or decide not to complete a project or if the expected cash flows of our project do not exceed the book value, an impairment of the project may be required. If additional phases of any of our existing projects or if any new projects are not successful, it may adversely affect our financial condition and results of operations.

During 2019, construction was substantially completed on the development of Phase II at both Assembly Row and Pike & Rose, with portions of both projects opening during 2018 and 2019. Additionally, we continued construction on Phase III at both projects, and our on-going redevelopment efforts at Santana Row. A further discussion of these projects, expected costs, and current status can be found in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the "Outlook" subsection.

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

- contractor changes may delay the completion of development projects and increase overall costs;
- significant time lag between commencement and stabilization subjects us to greater risks due to fluctuations in the general economy;
- delivery of residential product into uncertain residential environments may result in lower rents or longer time periods to reach economic stabilization;
- substantial amount of our investment is related to infrastructure and the overall value of the project may be negatively impacted if we do not complete subsequent phases;
- failure or inability to obtain construction or permanent financing on favorable terms;
- expenditure of money and time on projects that may never be completed;
- difficulty securing key anchor or other tenants may impact occupancy rates and projected revenue;
- inability to achieve projected rental rates or anticipated pace of lease-up;
- higher than estimated construction or operating costs, including labor and material costs; and

- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Redevelopments and acquisitions may fail to perform as expected.

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

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

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

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

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

Each of these risks could result in decreases in market rental rates and increases in vacancy rates, which could adversely affect our financial condition and results of operation.

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

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

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

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

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

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

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

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

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

Our organizational documents do not limit the amount of funds that we may invest in properties and assets owned jointly with other persons or entities. As of December 31, 2019, we held 16 predominantly retail real estate projects jointly with other persons in addition to properties owned in a “downREIT” structure. Additionally, we own an interest in the joint ventures that own the hotel components of Pike & Rose and Assembly Row. We may make additional joint investments in the future. Our existing and future joint investments may subject us to special risks, including the possibility that our partners or co-investors might become bankrupt, that those partners or co-investors might have economic or other business interests or goals which are unlike or incompatible with our business interests or goals, that those partners or co-investors might be in a position to take action contrary to our suggestions or instructions, or in opposition to our policies or objectives, and that disputes may develop with our joint venture partners over decisions affecting the property or the joint venture, which may result in litigation or arbitration or some other form of dispute resolution. Although as of December 31, 2019, we held the controlling interests in all of our existing co-investments (except the hotel investments discussed above and the investment in the La Alameda shopping center acquired in 2017), we generally must obtain the consent of the co-investor or meet defined criteria to sell or to finance these properties. Joint ownership gives a third party the opportunity to influence the return we can achieve on some of our investments and may adversely affect our ability to make distributions to our shareholders. We may also be liable for the actions of our co-investors.

Our insurance coverage on our properties may be inadequate.

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

The availability of insurance coverage may decrease and the prices for insurance may increase as a consequence of significant losses incurred by the insurance industry and other factors outside our control. As a result, we may be unable to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and toxic mold, or, if offered, the expense of obtaining these types of insurance may not be justified. We therefore may cease to have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. If an uninsured loss or a loss in excess of our insured limits occurs, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property, but still remain obligated for any mortgage debt or other financial obligations related to the property. We cannot guarantee that material losses in excess of insurance proceeds will not occur in the future. If

any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Also, due to inflation, changes in codes and ordinances, environmental considerations and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed. Further, we may be unable to collect insurance proceeds if our insurers are unable to pay or contest a claim. Events such as these could adversely affect our results of operations and our ability to meet our obligations, including distributions to our shareholders.

Natural disasters and climate change could have an adverse impact on our cash flow and operating results.

Climate change may add to the unpredictability and frequency of natural disasters and severe weather conditions and create additional uncertainty as to future trends and exposures. Certain of our operations are located in areas that are subject to natural disasters and severe weather conditions such as hurricanes, earthquakes, droughts, snow storms, floods and fires. The impact of climate change or the occurrence of natural disasters can delay new development projects, increase investment costs to repair or replace damaged properties, increase operating costs, create additional investment costs to make improvements to existing properties to comply with climate change regulations, increase future property insurance costs, and negatively impact the tenant demand for space. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses from these events, our earnings, liquidity or capital resources could be adversely affected.

Risk Factors Related to our Funding Strategies and Capital Structure

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

As of December 31, 2019, all of our \$3.4 billion of debt outstanding has a fixed rate or is fixed via interest rate swap agreements. Of that outstanding debt, approximately \$547.2 million was secured by all or a portion of 13 of our real estate projects. Our organizational documents do not limit the level or amount of debt that we may incur. The amount of our debt outstanding from time to time could have important consequences to our shareholders. For example, it could:

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

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

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

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

- relating to the maintenance of property securing a mortgage;
- restricting our ability to pledge assets or create liens;

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

As of December 31, 2019, we were in compliance with all of our default related financial covenants. If we were to breach any of our default related debt covenants, including the covenants listed above, and did not cure the breach within any applicable cure period, our lenders could require us to repay the debt immediately, and, if the debt is secured, could immediately begin proceedings to take possession of the property securing the loan. Many of our debt arrangements, including our public notes and our 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.

Adverse changes in our credit rating could affect our borrowing capacity and borrowing terms.

Our credit worthiness is rated by nationally recognized credit rating agencies. The credit ratings assigned are based on our operating performance, liquidity and leverage ratios, financial condition and prospects, and other factors viewed by the credit rating agencies as relevant to our industry and the economic outlook in general. Our credit rating can affect the amount of capital we access, as well as the terms of certain existing and future financing we obtain. Since we depend on debt financing to fund the growth of our business, an adverse change in our credit rating, including actual changes in outlook, or even the initiation of review of our credit rating that could result in an adverse change, could have a material adverse effect on us.

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

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

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

Of our \$3.4 billion of debt outstanding as of December 31, 2019, approximately \$56.5 million bears interest at a variable rate of LIBOR plus 195.0 basis points and is effectively fixed through two interest rate swap agreements. We also have a \$1.0 billion revolving credit facility, on which no balance was outstanding at December 31, 2019, that bears interest at LIBOR plus 77.5 basis points. We may borrow additional funds at variable interest rates in the future. Increases in interest rates would increase the interest expense on our variable rate debt and reduce our cash flow, which could adversely affect our ability to service our debt and meet our other obligations and also could reduce the amount we are able to distribute to our shareholders. We may enter into additional hedging arrangements or other transactions for all or a portion of our variable rate debt to limit our exposure to rising interest rates. However, the amounts we are required to pay under variable rate debt to which hedging or similar arrangements relate may increase in the event of non-performance by the counterparties to any such hedging arrangements. In addition, an increase in market interest rates may lead purchasers of our debt securities and preferred shares to demand a higher annual yield, which could adversely affect the market price of our outstanding debt securities and preferred shares and the cost and/or timing of refinancing or issuing additional debt securities or preferred shares.

The phase-out of LIBOR could affect interest rates under our variable rate debt and interest rate swap arrangements.

LIBOR is used as a reference rate for our revolving credit facility, certain mortgage payables, and in our interest rate swap arrangements. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is unclear if LIBOR will cease to exist at that time, if a new method of calculating LIBOR will be established, or if an alternative reference rate will be established. The Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the

Secured Overnight Financing Rate ("SOFR") as its preferred alternative to U.S. dollar LIBOR in derivatives and other financial contracts. We are not able to predict when LIBOR will cease to be available or if SOFR, or another alternative rate reference rate, attains market traction as a LIBOR replacement. If LIBOR ceases to exist, we will need to agree upon a benchmark replacement index with the bank, and as such the interest rate on our revolving credit facility and certain mortgage payables may change. The new rate may not be as favorable as those in effect prior to any LIBOR phase-out. Furthermore, the transition process may result in delays in funding, higher interest expense, additional expenses, and increased volatility in markets for instruments that currently rely on LIBOR, all of which could negatively impact our cash flow.

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

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

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

In these circumstances, we might have to borrow funds on terms we might otherwise find unfavorable and we may have to borrow funds even if our management believes the market conditions make borrowing financially unattractive. Current tax law also allows us to pay a portion of our distributions in shares instead of cash.

Risk Factors Related to our Company and the Market Price of our Securities

The market value of our debt and equity securities is subject to various factors that may cause significant fluctuations or volatility.

As with other publicly traded securities, the market price of our debt and equity securities depends on various factors, which may change from time to time and/or may be unrelated to our financial condition, operating performance or prospects that may cause significant fluctuations or volatility in such prices. These factors include, among others:

- general economic and financial market conditions;
- level and trend of interest rates;
- our ability to access the capital markets to raise additional capital;
- the issuance of additional equity or debt securities;
- changes in our funds from operations ("FFO") or earnings estimates;
- changes in our credit or analyst ratings;
- our financial condition and performance;
- market perception of our business compared to other REITs; and
- market perception of REITs, in general, compared to other investment alternatives.

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

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

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

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

Loss of our key management could adversely affect performance and the value of our common shares.

We are dependent on the efforts of our key management. Although we believe qualified replacements could be found for any departures of key executives, the loss of their services could adversely affect our performance and the value of our common shares.

We may adjust our business policies without shareholder approval.

We may modify our approach to investment, financing, borrowing, and other operating strategies without shareholder approval. A change in the approach to any of these items could adversely affect our financial condition and results of operations, and the market price of our securities.

Our current business plan focuses on our investment in high quality retail based properties that are typically neighborhood and community shopping centers or mixed-use properties, principally through redevelopments and acquisitions. If this business plan is not successful, it could have a material adverse effect on our financial condition and results of operations.

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

We face risks relating to cyber attacks that could cause loss of confidential information and other business disruptions.

We rely extensively on information technology systems to process transactions and manage our business, and our business is at risk from and may be impacted by cyber attacks. These could include attempts to gain unauthorized access to our data and computer systems as well as attacks on third party's information technology systems that we rely on to provide important information technology services relating to key business functions, such as payroll. Attacks can be both individual and/or highly organized attempts by very sophisticated hacking organizations. We employ a number of measures to prevent, detect and mitigate these threats, which include password encryption, frequent password change events, firewall detection systems, anti-virus software in-place, frequent backups, a redundant data system for core applications and penetration testing; however, there is no guarantee such efforts will be successful in preventing a cyber attack. A cyber attack could compromise the confidential information of our employees, tenants and vendors. A successful attack could disrupt and otherwise adversely affect our business operations.

Risk Factors Related to our REIT Status and Other Laws and Regulations

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

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

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

Generally, our tenants must comply with environmental laws and meet remediation requirements. Our leases typically impose obligations on our tenants to indemnify us from any compliance costs we may incur as a result of the environmental conditions on the property caused by the tenant. If a lease does not require compliance or if a tenant fails to or cannot comply, we could be

forced to pay these costs. If not addressed, environmental conditions could impair our ability to sell or re-lease the affected properties in the future or result in lower sales prices or rent payments.

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

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

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

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

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

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

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

If we fail to qualify as a REIT:

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

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

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

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

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

U.S. federal tax reform legislation now and in the future could affect REITs, both positively and negatively, in ways that are difficult to anticipate.

The Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"), signed into law on December 22, 2017, represents sweeping tax reform legislation that makes significant changes to corporate and individual tax rates and the calculation of taxes. While we currently do not expect the 2017 Tax Act will have a significant direct impact on us, it may impact us indirectly as our tenants and the jurisdictions in which we do business as well as the overall investment thesis for REITs may be impacted both positively and negatively in ways that are difficult to predict. Additionally, the overall impact of the 2017 Tax Act depends on future interpretations and regulations that may be issued by federal tax authorities, as well as changes in state and local taxation in response to the 2017 Tax Act, and it is possible that such future interpretations, regulations and other changes could adversely impact us.

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

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

- the REIT ownership limit described above;
- authorization of the issuance of our preferred shares with powers, preferences or rights to be determined by the Board of Trustees;
- special meetings of our shareholders may be called only by the chairman of the board, the chief executive officer, the president, by one-third of the trustees or by shareholders possessing no less than 25% of all the votes entitled to be cast at the meeting;
- the Board of Trustees, without a shareholder vote, can classify or reclassify unissued shares of beneficial interest, including the reclassification of common shares into preferred shares and vice-versa;
- a two-thirds shareholder vote is required to approve some amendments to the declaration of trust; and
- advance-notice requirements for proposals to be presented at shareholder meetings.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

General

As of December 31, 2019, we owned or had a majority ownership interest in community and neighborhood shopping centers and mixed-used properties which are operated as 104 predominantly retail real estate projects comprising approximately 23.7 million square feet. These properties are located primarily in densely populated and affluent communities in strategic metropolitan markets in the Northeast and Mid-Atlantic regions of the United States, California, and South Florida. No single commercial or residential property accounted for over 10% of our 2019 total revenue. We believe that our properties are adequately covered by commercial general liability, fire, flood, earthquake, terrorism and business interruption insurance provided by reputable companies, with commercially reasonable exclusions, deductibles and limits.

Tenant Diversification

As of December 31, 2019, we had approximately 3,000 commercial leases and 2,700 residential leases, with tenants ranging from sole proprietors to major national and international retailers. No one tenant or affiliated group of tenants accounted for more than 2.6% of our annualized base rent as of December 31, 2019. As a result of our tenant diversification, we believe our exposure to any one bankruptcy filing in the retail sector has not been and will not be significant, however, multiple filings by a number of retailers could have a significant impact.

Geographic Diversification

Our 104 real estate projects are located in 12 states and the District of Columbia. The following table shows the number of projects, the gross leasable area ("GLA") of commercial space and the percentage of total portfolio gross leasable area of commercial space in each state as of December 31, 2019.

| State | Number of Projects | Gross Leasable Area (In square feet) | Percentage of Gross Leasable Area |
|----------------------|--------------------|---|-----------------------------------|
| California | 20 | 5,119,000 | 21.6 % |
| Maryland | 20 | 4,349,000 | 18.4 % |
| Virginia | 17 | 3,685,000 | 15.5 % |
| Pennsylvania(1) | 10 | 2,247,000 | 9.5 % |
| Massachusetts | 8 | 1,978,000 | 8.3 % |
| New Jersey | 7 | 1,887,000 | 8.0 % |
| New York | 7 | 1,366,000 | 5.8 % |
| Florida | 4 | 1,309,000 | 5.5 % |
| Illinois | 4 | 797,000 | 3.4 % |
| Connecticut | 3 | 394,000 | 1.7 % |
| Michigan | 1 | 217,000 | 0.9 % |
| District of Columbia | 2 | 170,000 | 0.7 % |
| North Carolina | 1 | 158,000 | 0.7 % |
| Total | 104 | 23,676,000 | 100.0% |

(1) Additionally, we own two participating mortgages totaling approximately \$30.4 million secured by multiple buildings in Manayunk, Pennsylvania.

Leases, Lease Terms and Lease Expirations

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

Commercial property leases generally range from three to ten years; however, certain leases, primarily with anchor tenants, may be longer. Many of our leases contain tenant options that enable the tenant to extend the term of the lease at expiration at pre-established rental rates that often include fixed rent increases, consumer price index adjustments or other market rate adjustments from the prior base rent. Leases on residential units are generally for a period of one year or less and, in 2019, represented approximately 9.1% of total rental income.

The following table sets forth the schedule of lease expirations for our commercial leases in place as of December 31, 2019 for each of the 10 years beginning with 2020 and after 2029 in the aggregate assuming that none of the tenants exercise future renewal options. Annualized base rents reflect in-place contractual rents as of December 31, 2019.

| Year of Lease Expiration | Leased Square Footage Expiring | Percentage of Leased Square Footage Expiring | Annualized Base Rent Represented by Expiring Leases | Percentage of Annualized Base Rent Represented by Expiring Leases |
|--------------------------|--------------------------------|--|---|---|
| 2020 | 1,786,000 | 8% | \$ 50,041,000 | 8% |
| 2021 | 2,469,000 | 11% | 72,709,000 | 11% |
| 2022 | 2,943,000 | 14% | 77,883,000 | 12% |
| 2023 | 2,453,000 | 11% | 74,976,000 | 12% |
| 2024 | 3,301,000 | 15% | 85,620,000 | 14% |
| 2025 | 2,026,000 | 9% | 58,415,000 | 9% |
| 2026 | 1,067,000 | 5% | 34,694,000 | 5% |
| 2027 | 1,299,000 | 6% | 50,746,000 | 8% |
| 2028 | 1,188,000 | 6% | 38,455,000 | 6% |
| 2029 | 1,322,000 | 6% | 41,396,000 | 7% |
| Thereafter | 2,025,000 | 9% | 50,644,000 | 8% |
| Total | 21,879,000 | 100% | \$ 635,579,000 | 100% |

During 2019, we signed leases for a total of 1,675,000 square feet of retail space including 1,557,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 8% on a cash basis. New leases for comparable spaces were signed for 793,000 square feet at an average rental increase of 11% on a cash basis. Renewals for comparable spaces were signed for 763,000 square feet at an average rental increase of 4% on a cash basis. Tenant improvements and incentives for comparable spaces were \$42.60 per square foot, of which, \$81.24 per square foot was for new leases and \$2.43 per square foot was for renewals in 2019.

During 2018, we signed leases for a total of 1,972,000 square feet of retail space including 1,874,000 square feet of comparable space leases (leases for which there was a prior tenant) at an average rental increase of 12% on a cash basis. New leases for comparable spaces were signed for 796,000 square feet at an average rental increase of 25% on a cash basis. Renewals for comparable spaces were signed for 1,078,000 square feet at an average rental increase of 4% on a cash basis. Tenant improvements and incentives for comparable spaces were \$27.09 per square foot, of which, \$61.02 per square foot was for new leases and \$2.02 per square foot was for renewals in 2018.

The rental increases associated with comparable spaces generally include all leases signed for retail space 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 atypical circumstances, management may exercise 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. Tenant improvements and incentives include the total dollars committed for the improvement (fit out) of a space as it relates to a specific lease and, except for redevelopments, may also include base building costs (i.e. expansion, escalators or new entrances) which are required to make the space leasable. Incentives include amounts paid to tenants as inducement to sign a lease that do not represent building improvements. Costs related to redevelopments require judgment by management in determining what reflects base building costs and thus, is not included in the "tenant improvements and incentives" amount.

The leases signed in 2019 generally become effective over the following two years though some may not become effective until 2022 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.

Historically, we have executed comparable space leases for 1.3 to 1.9 million square feet of retail space each year and expect the volume for 2020 will be in line with our historical averages 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.

Retail and Residential Properties

The following table sets forth information concerning all real estate projects in which we owned an equity interest, had a leasehold interest, or otherwise controlled and are consolidated as of December 31, 2019. Except as otherwise noted, we are the sole owner of our real estate projects. Principal tenants are the largest tenants in the project based on square feet leased or are tenants important to a project's success due to their ability to attract retail customers.

| Property, City, State, Zip Code | Year Completed | Year Acquired | Square Feet(1) / Apartment Units | Average Base Rent Per Square Foot(2) | Percentage Leased(3) | Principal Tenant(s) |
|--|---------------------------------------|---------------|----------------------------------|--------------------------------------|----------------------|---|
| California | | | | | | |
| Azalea South Gate, CA 90280(5)(9) | 2014 | 2017 | 223,000 | \$29.03 | 100 % | Marshalls Ross Dress for Less Ulta Michaels |
| Bell Gardens Bell Gardens, CA 90201(4)(5)(9) | 1990, 2003, 2006 | 2017/2018 | 330,000 | \$22.24 | 92 % | Food4Less Marshalls Ross Dress for Less Bob's Discount Furniture |
| Colorado Blvd Pasadena, CA 91103(4) | 1905-1988 | 1996/1998 | 61,000 12 Units | \$47.20 N/A | 100 % 100 % | Pottery Barn Banana Republic True Food Kitchen |
| Crow Canyon Commons San Ramon, CA 94583 | 1980, 1998, 2006 | 2005/2007 | 241,000 | \$29.59 | 88 % | Sprouts Total Wine & More Rite Aid |
| East Bay Bridge Emeryville & Oakland, CA 94608 | 1994-2001, 2011, 2012 | 2012 | 441,000 | \$18.53 | 100 % | Pak-N-Save Home Depot Target Nordstrom Rack |
| Escondido Promenade Escondido, CA 92029(5) | 1987 | 1996/2010 | 297,000 | \$28.98 | 98 % | TJ Maxx Dick's Sporting Goods Ross Dress For Less Bob's Discount Furniture |
| Fourth Street Berkeley, CA 94710(5) | 1948, 1975 | 2017 | 71,000 | \$30.69 | 73 % | CB2 Ingram Book Group Bellwether Coffee |
| Freedom Plaza (formerly known as Jordan Downs Plaza) Los Angeles, CA 90002(4)(5)(6) | N/A | 2018 | 21,000 | \$32.07 | 100 % | Blink Fitness |
| Hastings Ranch Plaza Pasadena, CA 91107(4) | 1958, 1984, 2006, 2007 | 2017 | 273,000 | \$7.36 | 100 % | Marshalls HomeGoods CVS Sears |
| Hollywood Blvd Hollywood, CA 90028 | 1929, 1991 | 1999 | 179,000 | \$36.71 | 93 % | Marshalls L.A. Fitness La La Land |
| Kings Court Los Gatos, CA 95032(4)(7) | 1960 | 1998 | 79,000 | \$41.27 | 100 % | Lunardi's CVS |
| La Alameda Walnut Park, CA 90255(4)(8)(9) | 2008 | 2017 | 245,000 | \$26.73 | 80% | Marshalls Ross Dress For Less CVS Petco |
| Old Town Center Los Gatos, CA 95030 | 1962, 1998 | 1997 | 97,000 | \$42.21 | 86 % | Anthropologie Banana Republic Gap |
| Olivo at Mission Hills Mission Hills, CA 91345(5) | 2018 | 2017 | 139,000 | \$31.38 | 100 % | Target 24 Hour Fitness Ross Dress for Less |
| Plaza Del Sol South El Monte, CA 91733(5)(9) | 2009 | 2017 | 48,000 | \$23.27 | 100 % | Marshalls |
| Plaza El Segundo / The Point El Segundo, CA 90245(5)(9) | 2006-2007, 2016 | 2011/2013 | 502,000 | \$44.23 | 93 % | Whole Foods Nordstrom Rack HomeGoods Dick's Sporting Goods Multiple Restaurants |
| San Antonio Center Mountain View, CA 94040(4)(7) | 1958, 1964-1965, 1974-1975, 1995-1997 | 2015/2019 | 212,000 | \$15.90 | 94 % | Trader Joe's Walmart 24 Hour Fitness |
| Santana Row San Jose, CA 95128(4)(11) | 2002, 2009, 2016 | 1997 | 895,000 | \$55.26 | 99 % | Crate & Barrel H&M Best Buy Splunk Multiple Restaurants |

| Property, City, State, Zip Code | Year Completed | Year Acquired | Square Feet(1) / Apartment Units | Average Base Rent Per Square Foot(2) | Percentage Leased(3) | Principal Tenant(s) |
|--|--------------------------|-------------------------|---|---|-----------------------------|--|
| Santana Row Residential San Jose, CA 95128 | 2003-2006, 2011, 2014 | 1997/2012 | 662 units | N/A | 94 % | |
| Sylmar Towne Center Sylmar, CA 91342(5)(9) | 1973 | 2017 | 148,000 | \$15.92 | 89 % | Food4Less CVS |
| Third Street Promenade Santa Monica, CA 90401 | 1888-2000 | 1996-2000 | 209,000 | \$90.68 | 100 % | adidas Banana Republic Old Navy J. Crew |
| Westgate Center San Jose, CA 95129 | 1960-1966 | 2004 | 653,000 | \$19.72 | 99 % | Target Nordstrom Rack Nike Factory TJ Maxx |
| <u>Connecticut</u> | | | | | | |
| Bristol Plaza Bristol, CT 06010 | 1959 | 1995 | 266,000 | \$13.94 | 87 % | Stop & Shop TJ Maxx |
| Darien Darien, CT 06820 | 1920-2009 | 2013/2018 | 92,000 | \$29.66 | 93 % | Stop & Shop Equinox |
| | | | 2 Units | N/A | 100 % | Walgreens |
| Greenwich Avenue Greenwich Avenue, CT 06830 | 1968 | 1995 | 36,000 | \$96.19 | 100 % | Saks Fifth Avenue |
| <u>District of Columbia</u> | | | | | | |
| Friendship Center Washington, DC 20015 | 1998 | 2001 | 119,000 | \$30.83 | 100 % | Marshalls Nordstrom Rack DSW Maggiano's |
| Sam's Park & Shop Washington, DC 20008 | 1930 | 1995 | 51,000 | \$39.22 | 94 % | Target |
| <u>Florida</u> | | | | | | |
| CocoWalk Coconut Grove, FL 33133(5)(12) | 1990/1994, 1922-1973 | 2015-2017 | 169,000 | \$19.84 | 77 % | Cinepolis Theaters Youfit Health Club |
| Del Mar Village Boca Raton, FL 33433 | 1982, 1994 & 2007 | 2008/2014 | 191,000 | \$19.10 | 92 % | Winn Dixie CVS L.A. Fitness |
| The Shops at Sunset Place South Miami, FL 33143(5)(9) | 1999 | 2015 | 523,000 | \$17.26 | 62 % | AMC L.A. Fitness Barnes & Noble Restoration Hardware Outlet |
| Tower Shops Davie, FL 33324 | 1989, 2017 | 2011/2014 | 426,000 | \$24.99 | 98 % | Trader Joe's TJ Maxx Ross Dress for Less Best Buy Ulta |
| <u>Illinois</u> | | | | | | |
| Crossroads Highland Park, IL 60035 | 1959 | 1993 | 168,000 | \$22.34 | 91 % | L.A. Fitness Ulta Binny's Ferguson's Bath, Kitchen, & Lighting Gallery |
| Finley Square Downers Grove, IL 60515 | 1974 | 1995 | 278,000 | \$15.73 | 98 % | Bed, Bath & Beyond Buy Buy Baby Michaels Portillo's |
| Garden Market Western Springs, IL 60558 | 1958 | 1994 | 140,000 | \$14.14 | 99 % | Mariano's Fresh Market Walgreens |
| Riverpoint Center Chicago, IL 60614 | 1989, 2012 | 2017 | 211,000 | \$21.17 | 93 % | Jewel Osco Marshalls Old Navy |
| <u>Maryland</u> | | | | | | |
| Bethesda Row Bethesda, MD 20814(4) | 1945-1991 2001, 2008 | 1993-2006/ 2008/2010 | 536,000 | \$53.39 | 97 % | Giant Food Apple Equinox Anthropologie Multiple Restaurants |
| Bethesda Row Residential Bethesda, MD 20814 | 2008 | 1993 | 180 units | N/A | 96 % | |
| Congressional Plaza Rockville, MD 20852(5) | 1965 | 1965 | 324,000 | \$38.51 | 97 % | The Fresh Market Buy Buy Baby Container Store Ulta |

| Property, City, State, Zip Code | Year Completed | Year Acquired | Square Feet(1) / Apartment Units | Average Base Rent Per Square Foot(2) | Percentage Leased(3) | Principal Tenant(s) |
|--|--------------------------|----------------------|---|---|-----------------------------|--|
| Congressional Plaza Residential Rockville, MD 20852(5) | 2003, 2016 | 1965 | 194 units | N/A | 95 % | |
| Courthouse Center Rockville, MD 20852 | 1975 | 1997 | 38,000 | \$24.26 | 81 % | |
| Federal Plaza Rockville, MD 20852 | 1970 | 1989 | 250,000 | \$38.23 | 96 % | Trader Joe's TJ Maxx Micro Center Ross Dress for Less |
| Gaithersburg Square Gaithersburg, MD 20878 | 1966 | 1993 | 207,000 | \$28.91 | 96 % | Bed, Bath & Beyond Ross Dress For Less Ashley Furniture HomeStore CVS |
| Governor Plaza Glen Burnie, MD 21961 | 1963 | 1985 | 243,000 | \$20.18 | 98 % | Aldi Dick's Sporting Goods A.C. Moore |
| Laurel Laurel, MD 20707 | 1956 | 1986 | 359,000 | \$22.75 | 97% | Giant Food Marshalls L.A. Fitness |
| Montrose Crossing Rockville, MD 20852(9) | 1960-1979, 1996, 2011 | 2011/2013 | 371,000 | \$32.35 | 100 % | Giant Food Marshalls Old Navy Barnes & Noble Bob's Discount Furniture |
| Perring Plaza Baltimore, MD 21134 | 1963 | 1985 | 396,000 | \$14.93 | 99 % | Shoppers Food Warehouse Home Depot Micro Center Burlington |
| Pike & Rose North Bethesda, MD 20852(11) | 1963, 2014, 2018 | 1982/2007/ 2012 | 469,000 | \$40.09 | 99 % | iPic Theater Porsche Uniqlo REI Pinstripes Multiple Restaurants |
| Pike & Rose Residential North Bethesda, MD 20852(11) | 2014, 2016, 2018 | 1982/2007 | 765 units | N/A | 97 % | |
| Plaza Del Mercado Silver Spring, MD 20906 | 1969 | 2004 | 117,000 | \$31.50 | 97 % | Aldi CVS L.A. Fitness |
| Quince Orchard Gaithersburg, MD 20877(4) | 1975 | 1993 | 266,000 | \$24.50 | 94 % | Aldi HomeGoods L.A. Fitness Staples |
| Rockville Town Square Rockville, MD 20852(4) | 2006-2007 | 2006/2007 | 186,000 | \$30.49 | 84 % | Dawson's Market CVS Gold's Gym Multiple Restaurants |
| Rollingwood Apartments Silver Spring, MD 20910(9) | 1960 | 1971 | 282 units | N/A | 95 % | |
| THE AVENUE at White Marsh Baltimore, MD 21236(7)(9) | 1997 | 2007 | 314,000 | \$24.23 | 96 % | AMC Ulta Old Navy Barnes & Noble |
| The Shoppes at Nottingham Square Baltimore, MD 21236 | 2005-2006 | 2007 | 32,000 | \$49.05 | 96 % | |
| Towson Residential (Flats @703) Baltimore, MD 21236 | 2017 | 2007 | 4,000 105 units | \$71.41 N/A | 100 % 91 % | |
| White Marsh Other Baltimore, MD 21236 | 1985 | 2007 | 70,000 | \$31.74 | 97 % | |
| White Marsh Plaza Baltimore, MD 21236 | 1987 | 2007 | 80,000 | \$22.64 | 96 % | Giant Food |
| Wildwood Bethesda, MD 20814 | 1958 | 1969 | 87,000 | \$102.53 | 96 % | Balducci's CVS Flower Child |
| Massachusetts | | | | | | |
| Assembly Row/ Assembly Square Marketplace Somerville, MA 02145(11) | 2005, 2014, 2018 | 2005-2011/ 2013 | 805,000 | \$32.31 | 98 % | Trader Joe's TJ Maxx AMC LEGOLAND Discovery Center Multiple Restaurants |
| Assembly Row Residential Somerville, MA 02145(11) | 2018 | 2005-2011 | 447 units | N/A | 98 % | |

| Property, City, State, Zip Code | Year Completed | Year Acquired | Square Feet(1) / Apartment Units | Average Base Rent Per Square Foot(2) | Percentage Leased(3) | Principal Tenant(s) |
|--|-----------------------|----------------------|---|---|-----------------------------|---|
| Campus Plaza Bridgewater, MA 02324 | 1970 | 2004 | 116,000 | \$16.89 | 97 % | Roche Bros. Burlington |
| Chelsea Commons Chelsea, MA 02150(9) | 1962-1969, 2008 | 2006-2008 | 222,000 | \$12.74 | 91 % | Home Depot Planet Fitness |
| Dedham Plaza Dedham, MA 02026 | 1959 | 1993/2016 | 246,000 | \$17.18 | 91 % | Star Market Planet Fitness |
| Linden Square Wellesley, MA 02481 | 1960, 2008 | 2006 | 223,000 7 Units | \$49.43 N/A | 96 % 100 % | Roche Bros. CVS |
| North Dartmouth North Dartmouth, MA 02747 | 2004 | 2006 | 48,000 | \$15.31 | 100 % | Stop & Shop |
| Queen Anne Plaza Norwell, MA 02061 | 1967 | 1994 | 149,000 | \$18.63 | 100 % | Big Y Foods TJ Maxx HomeGoods |
| Saugus Plaza Saugus, MA 01906 | 1976 | 1996 | 169,000 | \$17.18 | 100 % | Super Stop & Shop Floor & Decor |
| <u>Michigan</u> | | | | | | |
| Gratiot Plaza Roseville, MI 48066 | 1964 | 1973 | 217,000 | \$12.55 | 100 % | Kroger Bed, Bath & Beyond Best Buy DSW |
| <u>New Jersey</u> | | | | | | |
| Brick Plaza Brick Township, NJ 08723(4) | 1958 | 1989 | 409,000 | \$22.50 | 82 % | Trader Joe's AMC HomeGoods Ulta L.A. Fitness |
| Brook 35 Sea Grit, NJ 08750(5)(7)(9) | 1986, 2004 | 2014 | 99,000 | \$38.58 | 96 % | Banana Republic Gap Williams-Sonoma |
| Ellisburg Cherry Hill, NJ 08034 | 1959 | 1992 | 268,000 | \$16.70 | 90 % | Whole Foods Buy Buy Baby Stein Mart |
| Hoboken Hoboken, NJ 07030(5)(9)(13) | 1887-2006 | 2019 | 158,000 123 Units | \$54.99 N/A | 95 % 97 % | CVS New York Sports Club Sephora Multiple Restaurants |
| Mercer Mall Lawrenceville, NJ 08648(4) | 1975 | 2003/2017 | 550,000 | \$24.86 | 96 % | Shop Rite Ross Dress for Less Nordstrom Rack Bed, Bath & Beyond REI |
| The Grove at Shrewsbury Shrewsbury, NJ 07702(5)(7)(9) | 1988, 1993 & 2007 | 2014 | 192,000 | \$48.29 | 97 % | Lululemon Anthropologie Pottery Barn Williams-Sonoma |
| Troy Hills Parsippany-Troy, NJ 07054 | 1966 | 1980 | 211,000 | \$23.30 | 100 % | Target L.A. Fitness Michaels |
| <u>New York</u> | | | | | | |
| Fresh Meadows Queens, NY 11365 | 1949 | 1997 | 404,000 | \$35.40 | 99 % | Island of Gold AMC Kohl's Michaels |
| Georgetowne Shopping Center Brooklyn, NY 11234 | 1969, 2006, 2015 | 2019 | 147,000 | \$39.98 | 90 % | Fairway Market Five Below IHOP |
| Greenlawn Plaza Greenlawn, NY 11743 | 1975, 2004 | 2006 | 106,000 | \$19.02 | 96 % | Greenlawn Farms Tuesday Morning |
| Hauppauge Hauppauge, NY 11788 | 1963 | 1998 | 133,000 | \$33.60 | 80 % | Shop Rite |
| Huntington Huntington, NY 11746 | 1962 | 1988/2007/ 2015 | 263,000 | \$23.84 | 81 % | Nordstrom Rack Buy Buy Baby Michaels Ulta |
| Huntington Square East Northport, NY 11731(4) | 1980, 2007 | 2010 | 74,000 | \$29.46 | 93 % | Barnes & Noble |

| Property, City, State, Zip Code | Year Completed | Year Acquired | Square Feet(1) / Apartment Units | Average Base Rent Per Square Foot(2) | Percentage Leased(3) | Principal Tenant(s) |
|---|--------------------------------|----------------------|---|---|-----------------------------|--|
| Melville Mall Huntington, NY 11747(4) | 1974 | 2006 | 239,000 | \$26.10 | 100% | Uncle Giuseppe's Marketplace Marshalls Dick's Sporting Goods Field & Stream Macy's Backstage |
| <u>North Carolina</u> | | | | | | |
| Eastgate Crossing Chapel Hill, NC 27514 | 1963 | 1986 | 158,000 | \$28.23 | 89 % | Trader Joe's Ulta Stein Mart Petco |
| <u>Pennsylvania</u> | | | | | | |
| Andorra Philadelphia, PA 19128 | 1953 | 1988 | 266,000 | \$14.52 | 87 % | Acme Markets Kohl's L.A. Fitness Staples |
| Bala Cynwyd Bala Cynwyd, PA 19004 | 1955 | 1993 | 294,000 | \$25.03 | 98 % | Acme Markets Lord & Taylor Michaels L.A. Fitness |
| Flourtown Flourtown, PA 19031 | 1957 | 1980 | 156,000 | \$23.11 | 99 % | Giant Food Movie Tavern |
| Lancaster Lancaster, PA 17601(4) | 1958 | 1980 | 127,000 | \$19.17 | 82 % | Giant Food |
| Langhorne Square Levittown, PA 19056 | 1966 | 1985 | 227,000 | \$17.22 | 99 % | Redner's Warehouse Markets Marshalls Planet Fitness |
| Lawrence Park Broomall, PA 19008 | 1972 | 1980/2017 | 363,000 | \$22.38 | 98 % | Acme Markets TJ Maxx HomeGoods Barnes & Noble |
| Northeast Philadelphia, PA 19114 | 1959 | 1983 | 228,000 | \$20.26 | 91 % | Marshalls Ulta A.C. Moore |
| Town Center of New Britain New Britain, PA 18901 | 1969 | 2006 | 124,000 | \$9.31 | 87 % | Giant Food Rite Aid Dollar Tree |
| Willow Grove Willow Grove, PA 19090 | 1953 | 1984 | 211,000 | \$18.15 | 91 % | Marshalls HomeGoods Barnes & Noble |
| Wynnewood Wynnewood, PA 19096 | 1948 | 1996 | 251,000 9 Units | \$28.66 N/A | 100 % 67 % | Giant Food Bed, Bath & Beyond Old Navy DSW |
| <u>Virginia</u> | | | | | | |
| 29th Place Charlottesville, VA 22091(9) | 1975-2001 | 2007 | 169,000 | \$18.81 | 98 % | HomeGoods DSW Stein Mart Staples |
| Barcoft Plaza Falls Church, VA 22041 | 1963, 1972, 1990, & 2000 | 2006/2007/ 2016 | 114,000 | \$26.51 | 95 % | Harris Teeter |
| Barracks Road Charlottesville, VA 22905 | 1958 | 1985 | 500,000 | \$27.78 | 97 % | Harris Teeter Kroger Anthropologie Nike Bed, Bath & Beyond Old Navy |
| Fairfax Junction Fairfax, VA 22030 | 1981, 2000 | 2019 | 75,000 | \$21.23 | 100 % | Aldi CVS Planet Fitness |
| Falls Plaza Falls Church, VA 22046 | 1960-1962 | 1967/1972 | 144,000 | \$35.68 | 94 % | Giant Food CVS Staples |
| Graham Park Plaza Fairfax, VA 22042 | 1971 | 1983 | 132,000 | \$37.04 | 93 % | Giant Food |
| Idylwood Plaza Falls Church, VA 22030 | 1991 | 1994 | 73,000 | \$48.71 | 100 % | Whole Foods |
| Leesburg Plaza Leesburg, VA 20176 | 1967 | 1998 | 236,000 | \$23.58 | 87 % | Giant Food PetSmart Office Depot |

| Property, City, State, Zip Code | Year Completed | Year Acquired | Square Feet(1) / Apartment Units | Average Base Rent Per Square Foot(2) | Percentage Leased(3) | Principal Tenant(s) |
|---|------------------------------|---------------|----------------------------------|--------------------------------------|----------------------|---|
| Mount Vernon/South Valley/ 7770 Richmond Hwy Alexandria, VA 22306(4)(7) | 1966, 1972,1987 & 2001 | 2003/2006 | 569,000 | \$18.73 | 96 % | Shoppers Food Warehouse TJ Maxx Home Depot Bed, Bath & Beyond Results Fitness |
| Old Keene Mill Springfield, VA 22152 | 1968 | 1976 | 92,000 | \$40.27 | 97 % | Whole Foods Walgreens Planet Fitness |
| Pan Am Fairfax, VA 22031 | 1979 | 1993 | 227,000 | \$26.08 | 98 % | Safeway Micro Center CVS Michaels |
| Pentagon Row Arlington, VA 22202 | 2001-2002 | 1998/2010 | 298,000 | \$35.61 | 95 % | Harris Teeter TJ Maxx Bed, Bath & Beyond DSW |
| Pike 7 Plaza Vienna, VA 22180 | 1968 | 1997/2015 | 172,000 | \$47.78 | 91 % | TJ Maxx DSW Crunch Fitness Staples |
| Tower Shopping Center Springfield, VA 22150 | 1960 | 1998 | 112,000 | \$26.01 | 91 % | L.A. Mart Talbots Total Wine & More |
| Tyson's Station Falls Church, VA 22043 | 1954 | 1978 | 50,000 | \$46.72 | 96 % | Trader Joe's |
| Village at Shirlington Arlington, VA 22206(4) | 1940, 2006-2009 | 1995 | 258,000 | \$39.36 | 91 % | Harris Teeter AMC Carlyle Grand Café |
| Willow Lawn Richmond, VA 23230 | 1957 | 1983 | 464,000 | \$19.89 | 85 % | Kroger Old Navy Ross Dress For Less Gold's Gym Dick's Sporting Goods |
| Total All Regions—Retail(10) | | | 23,676,000 | \$29.05 | 94% | |
| Total All Regions—Residential | | | 2,788 units | | 96% | |

- (1) Represents the GLA of the commercial portion of the property. Some of our properties include office space which is included in this square footage.
- (2) Average base rent is calculated as the aggregate, annualized in-place contractual (defined as cash basis excluding rent abatements) minimum rent for all occupied spaces divided by the aggregate GLA of all occupied spaces. Average base rent is for commercial spaces only.
- (3) Percentage leased is expressed as a percentage of rentable commercial square feet occupied or subject to a lease. Residential percentage leased is expressed as a percentage of units occupied or subject to a lease.
- (4) All or a portion of this property is owned pursuant to a ground lease.
- (5) We own the controlling interest in this property.
- (6) On June 15, 2018, we formed a new joint venture to develop Freedom Plaza (formerly known as Jordan Downs Plaza), which when completed, will be an approximately 113,000 square foot grocery anchored shopping center. See Note 3 to the Consolidated Financial Statements for further discussion.
- (7) We own all or a portion of this property in a “downREIT” partnership, of which a wholly owned subsidiary of the Trust is the sole general partner, with third party partners holding operating partnership units.
- (8) We own a noncontrolling interest in this property.
- (9) All or a portion of this property is encumbered by a mortgage loan.
- (10) Aggregate information is calculated on a GLA weighted-average basis, excluding our La Alameda property, which is unconsolidated.
- (11) Portion of property is currently under development. See further discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
- (12) This property includes interests in five buildings in addition to our initial acquisition.
- (13) This property includes 37 buildings primarily along Washington Street and 14th Street in Hoboken, New Jersey.

ITEM 3. LEGAL PROCEEDINGS

We are involved from time-to-time in various legal and regulatory proceedings that arise in the ordinary course of our business, including, but not limited to, commercial disputes, environmental matters, and litigation in connection with transactions such as acquisitions and divestitures. We believe that our current proceedings will not have a material adverse effect on our financial condition, liquidity or results of operations. See Note 7 to the Consolidated Financial Statements for further discussions.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

| | Price Per Share | | Dividends Declared Per Share |
|----------------|-----------------|-----------|------------------------------------|
| | High | Low | |
| 2019 | | | |
| Fourth quarter | \$ 141.35 | \$ 126.69 | \$ 1.050 |
| Third quarter | \$ 137.14 | \$ 126.11 | \$ 1.050 |
| Second quarter | \$ 139.03 | \$ 126.29 | \$ 1.020 |
| First quarter | \$ 139.29 | \$ 115.09 | \$ 1.020 |
| 2018 | | | |
| Fourth quarter | \$ 135.68 | \$ 115.22 | \$ 1.020 |
| Third quarter | \$ 131.72 | \$ 120.00 | \$ 1.020 |
| Second quarter | \$ 128.00 | \$ 110.66 | \$ 1.000 |
| First quarter | \$ 134.20 | \$ 106.41 | \$ 1.000 |

On February 5, 2020, there were 2,378 holders of record of our common shares.

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

Future distributions will be at the discretion of our Board of Trustees and will depend on our actual net income available for common shareholders, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our regular annual dividend rate for 52 consecutive years.

Our total annual dividends paid per common share for 2019 and 2018 were \$4.11 per share and \$4.02 per share, respectively. The annual dividend amounts are different from dividends as calculated for federal income tax purposes. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder’s basis in such shareholder’s shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder’s basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder’s shares. No assurances can be given regarding what portion, if any, of distributions in 2020 or subsequent years will constitute a return of capital for federal income tax purposes. During a year in which a REIT earns a net long-term capital gain, the REIT can elect under Section 857(b)(3) of the Code to designate a portion of dividends paid to shareholders as capital gain dividends. If this election is made, then the capital gain dividends are generally taxable to the shareholder as long-term capital gains.

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

| | Year Ended December 31, | |
|---|----------------------------|-----------------|
| | 2019 | 2018 |
| Ordinary dividend | \$ 4.110 | \$ 3.859 |
| Ordinary dividend eligible for 15% rate | — | 0.161 |
| | <u>\$ 4.110</u> | <u>\$ 4.020</u> |

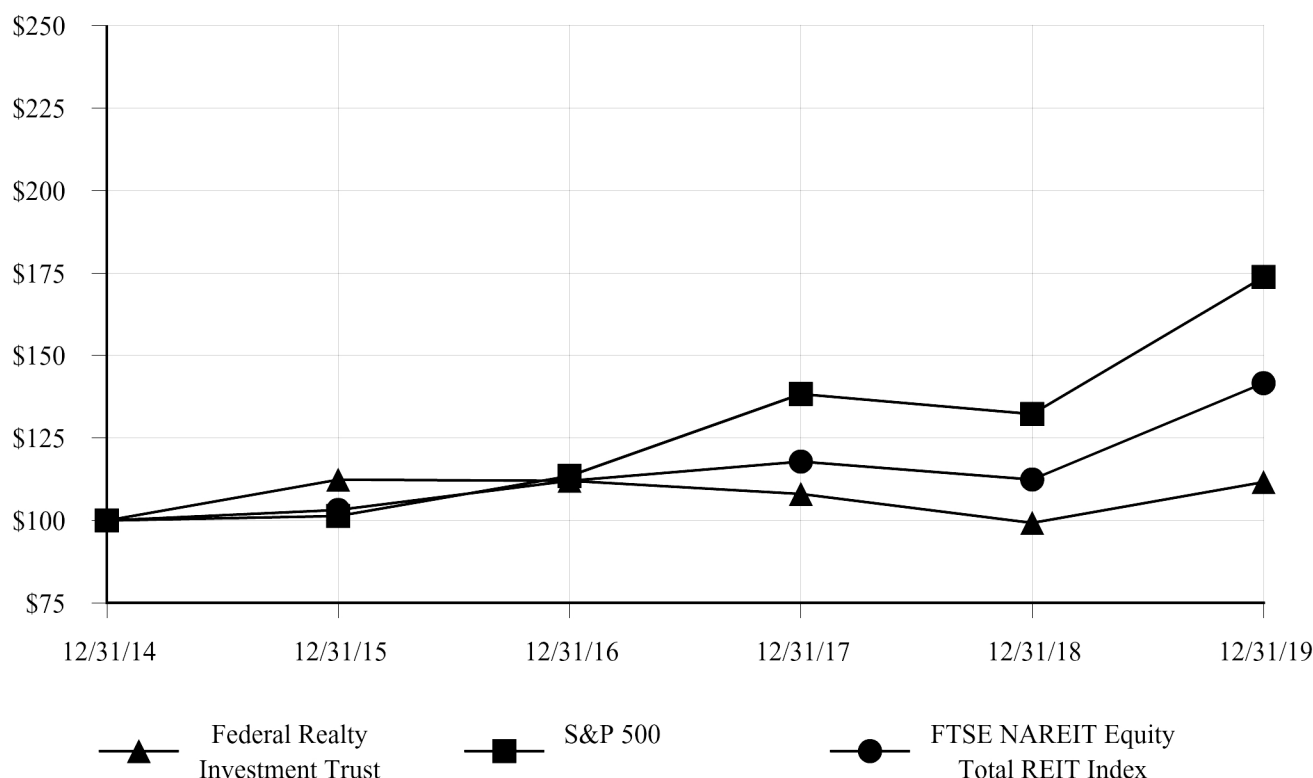
Distributions on our 5.417% Series 1 Cumulative Convertible Preferred Shares were paid at the rate of \$1.354 per share per annum commencing on the issuance date of March 8, 2007. Distributions on our 5.0% Series C Cumulative Redeemable

Preferred Shares (which were issued September 29, 2017) were declared at the rate of \$1.25 per depositary share per annum, and the first payment date was January 16, 2018. In 2018, dividends paid per depositary share were \$1.306 due to the timing of issuance. We do not believe that the preferential rights available to the holders of interest in our preferred shares or the financial covenants contained in our debt agreements had or will have an adverse effect on our ability to pay dividends in the normal course of business to our common shareholders or to distribute amounts necessary to maintain our qualification as a REIT.

Total Stockholder Return Performance

The following performance graph compares the cumulative total shareholder return on Federal Realty's common shares with the S&P 500 Index and the index of equity real estate investment trusts prepared by the National Association of Real Estate Investment Trusts ("NAREIT") for the five fiscal years commencing December 31, 2014, and ending December 31, 2019, assuming an investment of \$100 and the reinvestment of all dividends into additional common shares during the holding period. Equity real estate investment trusts are defined as those that derive more than 75% of their income from equity investments in real estate assets. The FTSE NAREIT Equity REIT Total Return Index includes all tax qualified real estate investment trusts listed on the NYSE, NYSE MKT, or the NASDAQ National Market. Stock performance for the past five years is not necessarily indicative of future results.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



Recent Sales of Unregistered Shares

Under the terms of various operating partnership agreements of certain of our affiliated limited partnerships, the interest of limited partners in those limited partnerships may be redeemed, subject to certain conditions, for cash or an equivalent number of our common shares, at our option. During the three months ended December 31, 2019, we issued 17,035 common shares in connection with the redemption of operating partnership units. Such shares of common stock were issued in reliance on Section 4(a)(2) of the Securities Act. Any other equity securities sold by us during 2019 that were not registered have been previously reported in a Quarterly Report on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During 2019, 10,501 restricted common shares were forfeited by former employees.

From time to time, we could be deemed to have repurchased shares as a result of shares withheld for tax purposes upon a stock compensation related vesting event.

ITEM 6. SELECTED FINANCIAL DATA

The following table includes certain financial information on a consolidated historical basis. You should read this section in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8. Financial Statements and Supplementary Data.”

| | Year Ended December 31, | | | | |
|---|--|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (In thousands, except per share data and ratios) | | | | |
| Operating Data: | | | | | |
| Rental income | \$ 932,738 | \$ 912,287 | \$ 854,286 | \$ 797,598 | \$ 739,622 |
| Property operating income(1) | \$ 637,030 | \$ 627,566 | \$ 584,619 | \$ 547,979 | \$ 510,595 |
| Gain on sale of real estate and change in control of interests, net | \$ 116,393 | \$ 11,915 | \$ 77,922 | \$ 32,458 | \$ 28,330 |
| Operating income | \$ 470,911 | \$ 361,636 | \$ 410,210 | \$ 353,453 | \$ 328,484 |
| Net income | \$ 360,542 | \$ 249,026 | \$ 297,870 | \$ 258,883 | \$ 218,424 |
| Net income available for common shareholders | \$ 345,824 | \$ 233,865 | \$ 287,456 | \$ 249,369 | \$ 209,678 |
| Net cash provided by operating activities | \$ 461,919 | \$ 516,688 | \$ 458,828 | \$ 427,672 | \$ 371,808 |
| Net cash used in investing activities | \$(316,532) | \$(192,247) | \$(837,922) | \$(590,221) | \$(355,353) |
| Net cash (used in) provided by financing activities | \$(100,105) | \$(241,309) | \$ 369,445 | \$ 168,838 | \$ (42,188) |
| Earnings per common share, basic: | | | | | |
| Net income available to common shareholders | \$ 4.61 | \$ 3.18 | \$ 3.97 | \$ 3.51 | \$ 3.04 |
| Weighted average number of common shares, basic | 74,766 | 73,274 | 72,117 | 70,877 | 68,797 |
| Earnings per common share, diluted: | | | | | |
| Net income available to common shareholders | \$ 4.61 | \$ 3.18 | \$ 3.97 | \$ 3.50 | \$ 3.03 |
| Weighted average number of common shares, diluted | 74,766 | 73,302 | 72,233 | 71,049 | 68,981 |
| Dividends declared per common share | \$ 4.14 | \$ 4.04 | \$ 3.96 | \$ 3.84 | \$ 3.62 |
| Other Data: | | | | | |
| Funds from operations available to common shareholders(2) | \$ 465,819 | \$ 461,777 | \$ 419,977 | \$ 406,359 | \$ 352,857 |
| EBITDAre(3) | \$ 599,567 | \$ 595,558 | \$ 549,107 | \$ 515,151 | \$ 478,734 |
| Ratio of EBITDAre to combined fixed charges and preferred share dividends(3)(4) | 4.2x | 4.2x | 3.9x | 4.5x | 3.6x |

| | As of December 31, | | | | |
|-------------------------------------|--------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| | (In thousands) | | | | |
| Balance Sheet Data: | | | | | |
| Real estate, at cost | \$ 8,298,132 | \$ 7,819,472 | \$ 7,635,061 | \$ 6,759,073 | \$ 6,064,406 |
| Total assets | \$ 6,794,992 | \$ 6,289,644 | \$ 6,275,755 | \$ 5,423,279 | \$ 4,896,559 |
| Total debt | \$ 3,356,594 | \$ 3,229,204 | \$ 3,284,766 | \$ 2,798,452 | \$ 2,627,216 |
| Total shareholders’ equity | \$ 2,636,132 | \$ 2,467,330 | \$ 2,391,514 | \$ 2,075,835 | \$ 1,781,931 |
| Number of common shares outstanding | 75,541 | 74,250 | 73,091 | 71,996 | 69,493 |

- (1) Property operating income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP.

The reconciliation of operating income to property operating income is as follows:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (In thousands) | | | | |
| Operating income | \$ 470,911 | \$ 361,636 | \$ 410,210 | \$ 353,453 | \$ 328,484 |
| General and administrative | 42,754 | 33,600 | 36,281 | 33,399 | 35,645 |
| Depreciation and amortization | 239,758 | 244,245 | 216,050 | 193,585 | 174,796 |
| Gain on sale of real estate and change in control of interests, net | (116,393) | (11,915) | (77,922) | (32,458) | (28,330) |
| Property operating income | <u>\$ 637,030</u> | <u>\$ 627,566</u> | <u>\$ 584,619</u> | <u>\$ 547,979</u> | <u>\$ 510,595</u> |

- (2) Funds from operations ("FFO") is a supplemental non-GAAP financial measure of real estate companies' operating performances. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with GAAP, plus real estate related depreciation and amortization, 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.

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

The reconciliation of net income to FFO available for common shareholders is as follows:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (In thousands) | | | | |
| Net income | \$ 360,542 | \$ 249,026 | \$ 297,870 | \$ 258,883 | \$ 218,424 |
| Net income attributable to noncontrolling interests | (6,676) | (7,119) | (7,956) | (8,973) | (8,205) |
| Gain on sale of real estate and change in control of interests, net | (116,393) | (11,915) | (77,632) | (31,133) | (28,330) |
| Depreciation and amortization of real estate assets | 215,139 | 213,098 | 188,719 | 169,198 | 154,232 |
| Amortization of initial direct costs of leases | 19,359 | 24,603 | 19,124 | 16,875 | 15,026 |
| Funds from operations | <u>471,971</u> | <u>467,693</u> | <u>420,125</u> | <u>404,850</u> | <u>351,147</u> |
| Dividends on preferred shares | (7,500) | (7,500) | (1,917) | (541) | (541) |
| Income attributable to operating partnership units | 2,703 | 3,053 | 3,143 | 3,145 | 3,398 |
| Income attributable to unvested shares | (1,355) | (1,469) | (1,374) | (1,095) | (1,147) |
| Funds from operations available for common shareholders | <u>\$ 465,819</u> | <u>\$ 461,777</u> | <u>\$ 419,977</u> | <u>\$ 406,359</u> | <u>\$ 352,857</u> |

- (3) EBITDA for Real Estate ("EBITDAre") is a non-GAAP measure that NAREIT defines as: net income computed in accordance with GAAP plus net interest expense, income tax expense, depreciation and amortization, gain or loss on sale of real estate, impairments of real estate, and adjustments to reflect the entity's share of EBITDAre of unconsolidated affiliates. We calculate EBITDAre consistent with the NAREIT definition. As EBITDA is a widely known and understood measure of performance, management believes EBITDAre represents an additional non-GAAP performance measure, independent of a company's capital structure that will provide investors with a uniform basis to measure the enterprise value of a company. EBITDAre also approximates a key performance measure in our debt covenants, but it should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP.

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | (In thousands) | | | | |
| Net income | \$ 360,542 | \$ 249,026 | \$ 297,870 | \$ 258,883 | \$ 218,424 |
| Interest expense | 109,623 | 110,154 | 100,125 | 94,994 | 92,553 |
| Other interest income | (1,266) | (942) | (475) | (374) | (149) |
| Early extinguishment of debt | — | — | 12,273 | — | 19,072 |
| Provision for income tax | 772 | 1,521 | 1,813 | — | — |
| Depreciation and amortization | 239,758 | 244,245 | 216,050 | 193,585 | 174,796 |
| Gain on sale of real estate and change in control of interests | (116,779) | (13,560) | (79,345) | (32,458) | (28,330) |
| Adjustments of EBITDAre of unconsolidated affiliates | 6,917 | 5,114 | 796 | 521 | 2,368 |
| EBITDAre | <u>\$ 599,567</u> | <u>\$ 595,558</u> | <u>\$ 549,107</u> | <u>\$ 515,151</u> | <u>\$ 478,734</u> |

- (4) Fixed charges consist of interest on borrowed funds (including capitalized interest), amortization of debt discount/premiums and debt costs, costs related to the early extinguishment of debt, and the portion of rent expense representing an interest factor. Excluding the \$11.9 million charge related to the buyout of the Kmart lease at Assembly Square Marketplace, our ratio of EBITDAre to combined fixed charges and preferred share dividends remains 4.2x in 2019. Excluding the \$12.3 million and \$19.1 million early extinguishment of debt charge from fixed charges in 2017 and 2015, respectively, the ratio of EBITDAre to combined fixed charges and preferred share dividends is 4.2x and 4.3x, for 2017 and 2015, respectively.

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

This section generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission on February 13, 2019.

Forward-Looking Statements

Certain statements in this section or elsewhere in this report may be deemed "forward-looking statements". See "Item 1A. Risk Factors" in this report for important information regarding these forward-looking statements and certain risk and uncertainties that may affect us. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing in "Item 8. Financial Statements and Supplementary Data" of this report.

Overview

We are an equity real estate investment trust ("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, California, and South Florida. As of December 31, 2019, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 predominantly retail real estate projects comprising approximately 23.7 million square feet. In total, the real estate projects were 94.2% leased and 92.5% occupied at December 31, 2019. We have paid quarterly dividends to our shareholders continuously since our founding in 1962 and have increased our dividends per common share for 52 consecutive years.

Critical Accounting Policies

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 and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may

affect these estimates is included in "Item 1A. Risk Factors" of this report. Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated results of operations or financial condition.

Our significant accounting policies are more fully described in Note 2 to the consolidated financial statements; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Policy beginning January 1, 2019, with our adoption of Accounting Standards Codification (ASC) 842, "Leases"

Our leases with our tenants are classified as operating leases. When collection of substantially all lease payments during the lease term is considered probable, the lease qualifies for accrual accounting. Lease payments are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease. Variable lease payments relating to percentage rent are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

When collection of substantially all lease payments during the lease term is not considered probable, total lease revenue is limited to the lesser of revenue recognized under accrual accounting or cash received. Determining the probability of collection of substantially all lease payments during lease term requires judgment. This determination is impacted by numerous factors including our assessment of the tenant's credit worthiness, economic conditions, our historical experience with the tenant and tenants operating in the same industry, and the length of the lease term. If leases currently classified as probable are subsequently reclassified as not probable, any outstanding lease receivables (including straight-line rent receivables) would be written-off with a corresponding decrease in rental income. For example, in the event that our collectability determinations were not accurate and we were required to write off additional receivables equaling 1% of rental income, our rental income and net income would decrease by \$9.3 million.

Policy prior to January 1, 2019

Prior to January 1, 2019, management estimates of collectability were considered when reserving for billed and accrued lease receivables and straight-line rent receivables. Full and partial reserves were recorded when determined to be appropriate with a corresponding charge to bad debt expense. The primary impact of the adoption of ASC 842, "Leases," on our recognition of lease revenue relates to the upfront and ongoing assessment of the collectability of substantially all lease payments required by the new standard.

Other revenue recognition policies

When we enter into a transaction to sell a property or a portion of a property, we evaluate the recognition of the sale under ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets." In accordance with ASC 610-20, we apply the guidance in ASC 606, "Revenue from Contracts with Customers," to determine whether and when control transfers and how to measure the associated gain or loss. We determine the transaction price based on the consideration we expect to receive. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of a gain recognized will not occur. We analyze the risk of a significant gain reversal and if necessary limit the amount of variable consideration recognized in order to mitigate this risk. The estimation of variable consideration requires us to make assumptions and apply significant judgment.

Real Estate

The nature of our business as an owner, redeveloper and operator of retail shopping centers and mixed-use properties means that we invest significant amounts of capital. Depreciation and maintenance costs relating to our properties constitute substantial costs for us as well as the industry as a whole. We capitalize real estate investments and depreciate them on a straight-line basis in accordance with GAAP and consistent with industry standards based on our best estimates of the assets' physical and economic useful lives. We periodically review the estimated lives of our assets and implement changes, as necessary, to these estimates and, therefore, to our depreciation rates. These reviews may take into account such factors as the historical retirement and replacement of our assets, expected redevelopments, and general economic and real estate factors. Certain events, such as unforeseen competition or changes in customer shopping habits, could substantially alter our assumptions regarding our ability to realize the expected return on investment in the property and therefore reduce the

economic life of the asset and affect the amount of depreciation expense to be charged against both the current and future revenues. These assessments have a direct impact on our net income. The longer the economic useful life, the lower the depreciation expense will be for that asset in a fiscal period, which in turn will increase our net income. Similarly, having a shorter economic useful life would increase the depreciation for a fiscal period and decrease our net income.

Land, buildings and real estate under development are recorded at cost. We calculate depreciation using the straight-line method with useful lives ranging generally from 35 years to a maximum of 50 years on buildings and major improvements. Maintenance and repair costs are charged to operations as incurred. Tenant work and other major improvements, which improve or extend the life of the asset, are capitalized and depreciated over the life of the lease or the estimated useful life of the improvements, whichever is shorter. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years.

Capitalized costs associated with leases are depreciated or amortized over the base term of the lease. Unamortized leasing costs are charged to expense if the applicable tenant vacates before the expiration of its lease. Undepreciated tenant work is written-off if the applicable tenant vacates and the tenant work is replaced or has no future value. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the redevelopment is no longer probable of completion, we immediately expense all capitalized costs which are not recoverable.

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

Certain external and internal costs directly related to the development, redevelopment and leasing of real estate, including pre-construction costs, real estate taxes, insurance, and 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 \$352 million and \$9 million, respectively, for 2019 and \$274 million and \$8 million, respectively, for 2018. We capitalized external and internal costs related to other property improvements of \$80 million and \$3 million, respectively, for 2019 and \$62 million and \$3 million, respectively, for 2018. We capitalized external and internal costs related to leasing activities of \$24 million and \$2 million, respectively, for 2019 and \$20 million and \$6 million, respectively, for 2018. The amount of capitalized internal costs for salaries and related benefits for development and redevelopment activities, other property improvements, and leasing activities were \$8 million, \$3 million, and \$2 million, respectively, for 2019 and \$7 million, \$3 million, and \$6 million, respectively, for 2018. Total capitalized costs were \$471 million for 2019 and \$373 million for 2018, respectively.

Real Estate Acquisitions

Upon acquisition of operating real estate properties, we estimate the fair value of assets and liabilities acquired including land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, and current assets and liabilities, if any. Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the statement of operations. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

Variable Interest Entities (VIEs) and Consolidation

We have 18 entities that meet the criteria of a VIE and are consolidated. Net real estate assets related to VIEs included in our consolidated balance were approximately \$1.5 billion for both December 31, 2019 and 2018, and mortgage payables related to VIEs included in our consolidated balance sheets were approximately \$469.2 million and \$444.4 million, as of December 31, 2019 and 2018, respectively. In addition, we hold equity method investments in two hotel joint ventures and one shopping center which are considered variable interests in a VIE. VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE has both the power to direct the activities that most significantly impact economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The

determination of the power to direct the activities that most significantly impact economic performance requires judgment and is impacted by numerous factors including the purpose of the VIE, contractual rights and obligations of variable interest holders, and mechanisms for the resolution of disputes among the variable interest holders.

Long-Lived Assets and Impairment

There are estimates and assumptions made by management in preparing the consolidated financial statements for which the actual results will be determined over long periods of time. This includes the recoverability of long-lived assets, including our properties that have been acquired or redeveloped and our investment in certain joint ventures. Management's evaluation of impairment includes review for possible indicators of impairment as well as, in certain circumstances, undiscounted and discounted cash flow analysis. Since most of our investments in real estate are wholly-owned or controlled assets which are held for use, a property with impairment indicators is first tested for impairment by comparing the undiscounted cash flows, including residual value, to the current net book value of the property. If the undiscounted cash flows are less than the net book value, the property is written down to expected fair value.

The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Because our properties typically have a long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income, because recording an impairment charge results in a negative adjustment to net income.

Contingencies

We are sometimes involved in lawsuits, warranty claims, and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters. 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. Any difference between our estimate of a potential loss and the actual outcome would result in an increase or decrease to net income.

Self-Insurance

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

Recently Adopted and Recently Issued Accounting Pronouncements

See Note 2 to the consolidated financial statements.

2019 Property Acquisitions

| Date Acquired | Property | City/State | Gross Leasable Area (GLA) (in square feet) | Purchase Price (in millions) |
|----------------------|----------------------------------|---------------------------|---|---|
| February 8, 2019 | Fairfax Junction | Fairfax, Virginia | 75,000 | \$ 22.5 |
| September 13, 2019 | San Antonio Center | Mountain View, California | 6,000 | \$ 6.5 |
| November 15, 2019 | Georgetowne Shopping Center | Brooklyn, New York | 147,000 | \$ 83.7 |
| Various 2019 | Hoboken (37 mixed-use buildings) | Hoboken, New Jersey | 158,000 | \$ 189.2 (1) |

(1) These acquisitions were completed through a newly formed joint venture, for which we own a 90% interest. This property includes 123 residential units in addition to the GLA in the table above.

2019 Property Dispositions

On December 11, 2019, we received \$154.7 million in net proceeds related to the sale under the threat of condemnation of 11.7 acres of San Antonio Center to a local school district ("the condemning authority"). As part of the transaction, the condemning authority will commence condemnation proceedings in order to terminate all existing leases they assumed at closing. We have indemnified the condemning authority for all costs incurred related to the condemnation proceedings including any payments required to tenants at the property and expect the process will take several years to complete. The consideration in the transaction is considered variable because we have agreed to indemnify the condemning authority for these costs. Consequently, we have recorded a liability of \$45.5 million to reflect our estimate of the final consideration, net of estimated condemnation proceeding costs and other transaction related costs. The resulting net gain on sale is approximately \$85.1 million.

During the year ended December 31, 2019, we sold three properties and one land parcel for a net sales price of \$149.0 million, which resulted in a net gain of \$28.3 million.

During the year ended December 31, 2019, we closed on the sale of 43 condominium units at our Assembly Row and Pike & Rose properties (combined), received proceeds net of closing costs of \$20.1 million, and recognized a gain of \$2.6 million, net of income taxes. The cost basis for the remaining condominium units as of December 31, 2019 is \$1.7 million, and is included in "assets held for sale" on our consolidated balance sheets.

2019 Significant Debt and Equity Transactions

On January 31, 2019, we repaid the \$20.3 million mortgage loan on Rollingwood Apartments, at par, prior to its original maturity date.

On June 7, 2019, we issued \$300.0 million of fixed rate senior unsecured notes that mature on June 15, 2029 and bear interest at 3.20%. The notes were offered at 99.838% of the principal amount with a yield to maturity of 3.219%. On August 21, 2019, we issued an additional \$100.0 million senior notes of the same series and with the same terms. The August notes were offered at 103.813% of the principal amount, with a yield to maturity of 2.744%. The combined net proceeds from the note offerings after net issuance premium, underwriting fees, and other costs were \$399.9 million, which were primarily used to repay our \$275.0 million unsecured term loan, at par, on June 7, 2019 and for general corporate purposes.

On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity to \$1.0 billion and extend the maturity date to January 19, 2024, plus two six-month extensions at our option. Under the amended facility, the spread over LIBOR is 77.5 basis points based on our current credit rating. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$1.5 billion.

In connection with our Hoboken, New Jersey acquisitions in 2019, we assumed mortgage loans with a face amount of \$41.6 million and a fair value of \$42.9 million, and entered into a new mortgage loan with a face amount of \$56.5 million. The mortgage loans associated with our Hoboken acquisitions have the following contractual terms:

| | <u>Principal</u> <u>(in millions)</u> | <u>Stated Interest Rate</u> | <u>Maturity Date</u> |
|-------------------------------------|--|-----------------------------|----------------------|
| September 18, 2019 (date assumed) | \$ 17.0 | 3.75% | July 1, 2042 |
| November 26, 2019 (date originated) | \$ 56.5 | LIBOR + 1.95% (1) | December 15, 2029 |
| November 26, 2019 (date assumed) | \$ 5.7 | Various (2) | Various (2) |
| December 19, 2019 (date assumed) | \$ 18.9 | Various (3) | Various (3) |

(1) The interest rate is effectively fixed at 3.67% as a result of two interest rate swap agreements.

(2) The interest rates on these mortgages range from 3.91% to 5.00% and have maturity dates ranging from January 9, 2025 to May 31, 2029.

(3) The interest rates on these mortgages range from 4.00% to 4.38% and have maturity dates ranging from October 1, 2025 to July 1, 2026.

On August 2, 2019, we acquired the 10.1% redeemable noncontrolling interest in the partnership that owns our Montrose Crossing Shopping Center for \$10.0 million, bringing our ownership interest to 100%.

We have an at-the-market ("ATM") equity program in which we may from time to time offer and sell common shares having an aggregate offering price of up to \$400.0 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 year ended December 31, 2019, we sold 1,069,699 common shares at a weighted average

price per share of \$134.71 for net cash proceeds of \$142.7 million and paid \$1.2 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2019, we had the capacity to issue up to \$128.3 million in common shares under our ATM equity program.

Outlook

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

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

Our comparable property growth is primarily driven by increases in rental rates on new leases and lease renewals, changes in portfolio occupancy, and the redevelopment of those assets. 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 generally increase rental rates. We continue to see relatively strong levels of interest from prospective tenants for our retail spaces; however, the time it takes to complete new lease deals is longer, as tenants have become more selective and more deliberate in their decision-making process. We have also experienced extended periods of time for some government agencies to process permits and inspections further delaying rent commencement on newly leased spaces. Additionally, we have seen an overall decrease in the number of tenants available to fill anchor spaces, and have seen an uptick in the number of retail tenants vacating prior to the end of their lease term and/or filing for bankruptcy. We believe the locations and nature of our centers and diverse tenant base partially mitigates any potential negative changes in the economic environment. However, any significant 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 seek to maintain a mix of strong national, regional, and local retailers. At December 31, 2019, no single tenant accounted for more than 2.6% of annualized base rent.

Our properties are located primarily in densely populated and/or 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 retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities. We currently have redevelopment projects underway with a projected cost of approximately \$315 million that we expect to stabilize in the next several years.

We continue our ongoing redevelopment efforts at Santana Row and are under construction on an eight story 301,000 square foot office building which will include an additional 20,000 square feet of retail space and 1,300 parking spaces. The building is expected to cost between \$210 million and \$220 million, to be delivered in 2020, and the office portion is 100% leased. After current phases, we have approximately 4 acres remaining for further redevelopment and entitlements in place for an additional 395 residential units and 321,000 square feet of commercial space.

Additionally, we control 12 acres of land across from Santana Row, and we are proceeding with the first phase of construction on this land, which includes an eight story 376,000 square foot office building, with over 1,700 parking spaces. The building is expected to cost between \$250 million and \$270 million, with openings beginning in 2022. In addition, the land also has approximately 604,000 square feet of remaining commercial space entitlements.

Phase II of Assembly Row includes approximately 161,000 square feet of retail space, 447 residential units, and a 158 room boutique hotel (owned and operated by a joint venture in which we are a partner). As of December 31, 2019, Phase II is substantially complete with expected final costs of \$298 million to \$302 million. Phase II also included 122 for-sale condominium units, which had a total cost of \$81 million and have all have been sold as of December 31, 2019.

Additionally, we are under construction on Phase III of Assembly Row, which will include 277,000 square feet of office space (of which, 150,000 square feet is pre-leased), 56,000 square feet of retail space, 500 residential units, and over 800 additional parking spaces. The expected costs for Phase III are between \$465 million and \$485 million and is projected to open beginning in 2021.

Phase II of Pike & Rose includes approximately 219,000 square feet of retail space, 272 residential units, and a 177 room boutique hotel (owned and operated by a joint venture in which we are a partner), and is substantially complete as of December 31, 2019. The total cost for this portion of Phase II was \$208 million. As of December 31, 2019, we closed on the sale of 97 of the 99 for-sale condominium units in Phase II. The condominiums had a final cost of \$62 million.

Additionally, at Pike & Rose, we commenced construction on a 212,000 square foot office building (which includes 4,000 square feet of ground floor retail space), and will include over 600 additional parking spaces. The building is expected to cost between \$128 million and \$135 million and is projected to open beginning in 2020.

We invested \$258 million in Assembly Row, Pike & Rose, and Santana Row in 2019, net of public funding, and expect to invest between \$320 million and \$350 million in Assembly Row, Pike & Rose, and Santana Row in 2020.

The development of future phases of Assembly Row, Pike & Rose and Santana Row will be pursued opportunistically based on, among other things, market conditions, tenant demand, and our evaluation of whether those phases will generate an appropriate financial return.

We continue to review acquisition opportunities in our primary markets that complement our portfolio and provide long-term growth opportunities. Initially, some of our acquisitions do not contribute significantly to earnings growth; however, we believe 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. We may also finance our acquisitions through the issuance of common shares, preferred shares, or downREIT units as well as through assumed mortgages and property sales.

At December 31, 2019, the leasable square feet in our properties was 94.2% leased and 92.5% occupied. 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 closings and bankruptcies.

Comparable Properties

Throughout this section, we have provided certain information on a “comparable property” basis. Information provided on a comparable property basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties that are currently under development or are being repositioned for significant redevelopment and investment. For the year ended December 31, 2019 and the comparison of 2019 and 2018, all or a portion of 95 properties were considered comparable properties and eight properties were considered non-comparable properties. For the year ended December 31, 2019, seven properties were moved from acquisitions to comparable properties, two properties were removed from comparable properties as they were sold during 2019, one property was moved from acquisitions to non-comparable properties, and one portion of a property was moved from non-comparable properties to comparable properties, compared to the designations as of December 31, 2018. While there is judgment surrounding changes in designations, we typically move non-comparable properties to comparable properties once they have stabilized, which is typically considered 90% physical occupancy or when the growth expected from the redevelopment has been included in the comparable periods. We typically remove properties from comparable properties when the repositioning of the asset has commenced and has or is expected to have a significant impact to property operating income within the calendar year. Acquisitions are moved to comparable properties once we have owned the property for the entirety of comparable periods and the property is not under development or being repositioned for significant redevelopment and investment. Comparable property information replaces our previous same center designations.

YEAR ENDED DECEMBER 31, 2019 COMPARED TO YEAR ENDED DECEMBER 31, 2018

| | 2019 | 2018 | Change | |
|---|------------|------------|--------------------------------------|---------|
| | | | Dollars | % |
| | | | (Dollar amounts in thousands) | |
| Rental income | \$ 932,738 | \$ 912,287 | \$ 20,451 | 2.2 % |
| Mortgage interest income | 3,050 | 3,149 | (99) | (3.1)% |
| Total property revenue | 935,788 | 915,436 | 20,352 | 2.2 % |
| Rental expenses | 187,831 | 173,094 | 14,737 | 8.5 % |
| Real estate taxes | 110,927 | 114,776 | (3,849) | (3.4)% |
| Total property expenses | 298,758 | 287,870 | 10,888 | 3.8 % |
| Property operating income (1) | 637,030 | 627,566 | 9,464 | 1.5 % |
| General and administrative expense | (42,754) | (33,600) | (9,154) | 27.2 % |
| Depreciation and amortization | (239,758) | (244,245) | 4,487 | (1.8)% |
| Gain on sale of real estate, net | 116,393 | 11,915 | 104,478 | 876.9 % |
| Operating income | 470,911 | 361,636 | 109,275 | 30.2 % |
| Other interest income | 1,266 | 942 | 324 | 34.4 % |
| Interest expense | (109,623) | (110,154) | 531 | (0.5)% |
| Loss from partnerships | (2,012) | (3,398) | 1,386 | (40.8)% |
| Total other, net | (110,369) | (112,610) | 2,241 | (2.0)% |
| Net income | 360,542 | 249,026 | 111,516 | 44.8 % |
| Net income attributable to noncontrolling interests | (6,676) | (7,119) | 443 | (6.2)% |
| Net income attributable to the Trust | \$ 353,866 | \$ 241,907 | \$ 111,959 | 46.3 % |

(1) Property operating income is a non-GAAP financial measure. See Item 6. Selected Financial Data for further discussion.

Property Revenues

Total property revenue increased \$20.4 million, or 2.2%, to \$935.8 million in 2019 compared to \$915.4 million in 2018. The percentage occupied at our shopping centers was 92.5% at December 31, 2019 compared to 93.6% at December 31, 2018. 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 \$20.5 million, or 2.2%, to \$932.7 million in 2019 compared to \$912.3 million in 2018 due primarily to the following:

- an increase of \$14.9 million at comparable properties due primarily to higher rental rates of approximately \$11.8 million, higher lease termination fees and legal fee income of \$7.6 million, and higher average occupancy of approximately \$2.8 million, partially offset by a \$4.4 million decrease in real estate tax recoveries primarily due to the requirements of the new lease accounting standard, and \$2.5 million related to collectibility adjustments, which are now being presented as a reduction of rental income rather than rental expense (see Note 2 for additional disclosure)
- an increase of \$9.2 million at non-comparable properties due primarily to the opening of Phase II at Assembly Row and Pike & Rose partially offset by redevelopment related occupancy decreases at three properties, and
- an increase of \$3.9 million from acquisitions, primarily Fairfax Junction in February 2019, Hoboken during the second half of 2019, and Georgetowne Shopping Center in November 2019,

partially offset by

- a decrease of \$8.4 million from property sales.

Property Expenses

Total property expenses increased \$10.9 million, or 3.8%, to \$298.8 million in 2019 compared to \$287.9 million in 2018. Changes in the components of property expenses are discussed below.

Rental Expenses

Rental expenses increased \$14.7 million, or 8.5%, to \$187.8 million in 2019 compared to \$173.1 million in 2018. This increase is primarily due to the following:

- an \$11.9 million charge in 2019 related to the buyout of a lease at Assembly Square Marketplace,
- an increase of \$1.9 million from comparable properties due primarily to a \$5.2 million increase in repairs and maintenance costs partially offset by a \$4.2 million decrease in bad debt expense due to the new lease accounting standard requirement to record collectibility adjustments as a reduction to revenue rather than rental expense effective at adoption on January 1, 2019,
- an increase of \$1.2 million from non-comparable properties due primarily to the opening of Phase II at Assembly Row and Pike & Rose, partially offset by lower expenses at two of our properties, and
- an increase of \$0.8 million from acquisitions,

partially offset by

- a decrease of \$1.4 million from property sales.

As a result of the changes in rental income and rental expenses as discussed above, rental expenses as a percentage of rental income increased to 20.1% for the year ended December 31, 2019 from 19.0% for the year ended December 31, 2018.

Real Estate Taxes

Real estate tax expense decreased \$3.8 million, or 3.4% to \$110.9 million in 2019 compared to \$114.8 million in 2018 due primarily to the following:

- a decrease of \$3.2 million from comparable properties due primarily to the new lease accounting standard requirement, which no longer permits the gross up of real estate tax revenue and expense for real estate taxes that our tenants pay directly to the taxing authority (see Note 2 for additional disclosure) of \$5.0 million and a tax refund from a multi-year appeal and reassessment for three of our properties, partially offset by higher assessments, and
- a decrease of \$1.8 million from property sales,

partially offset by

- an increase of \$0.7 million from acquisitions, and
- an increase of \$0.5 million at non-comparable properties due primarily to increases in assessments as a result of our redevelopment activities.

Property Operating Income

Property operating income increased \$9.5 million, or 1.5%, to \$637.0 million in 2019 compared to \$627.6 million in 2018. This increase is primarily due to growth in earnings at comparable properties, the opening of Phase II at Assembly Row and Pike & Rose, and our 2019 acquisitions, partially offset by the charge related to the buyout of a lease at Assembly Square Marketplace, and property sales.

Other Operating

General and Administrative Expense

General and administrative expense increased \$9.2 million, or 27.2%, to \$42.8 million in 2019 from \$33.6 million in 2018. This increase is due primarily to higher leasing related costs as certain costs can no longer be capitalized as a result of the new lease accounting standard (see Note 2 for additional disclosure) and higher personnel costs.

Depreciation and Amortization

Depreciation and amortization expense decreased \$4.5 million, or 1.8%, to \$239.8 million in 2019 from \$244.2 million in 2018. This decrease is primarily due to lower accelerated depreciation related to tenants who vacated in advance of their lease expiration and property sales, partially offset by Phase II of Assembly Row and Pike & Rose being placed in service and our 2019 acquisitions.

Gain on Sale of Real Estate, Net

The \$116.4 million gain on sale of real estate, net for the year ended December 31 2019 is primarily due to the following:

- \$85.1 million related to the sale under the threat of condemnation of 11.7 acres of San Antonio Center,

- \$28.3 million related to the sale of three properties and one land parcel,
- \$2.6 million net gain related to condominium unit sales that have closed at our Assembly Row and Pike & Rose properties.

The \$11.9 million gain on sale of real estate, net for the year ended December 31, 2018 is primarily due to the following:

- \$7.2 million net gain related to condominium unit sales that have closed at our Assembly Row and Pike & Rose properties,
- \$4.7 million gain related to the sale of one property and the residential building at another one of our properties

Operating Income

Operating income increased \$109.3 million, or 30.2%, to \$470.9 million in 2019 compared to \$361.6 million in 2018. This increase is due primarily to higher gains on the sale of real estate in 2019, growth in earnings at our comparable properties, and the opening of Phase II of Assembly Row and Pike & Rose, partially offset by the charge related to the buyout of a lease at Assembly Square Marketplace, higher leasing and personnel related costs, and property sales.

Other

Interest Expense

Interest expense decreased \$0.5 million, or 0.5%, to \$109.6 million in 2019 compared to \$110.2 million in 2018. This decrease is due primarily to a \$1.6 million increase in capitalized interest partially offset by a \$1.1 million increase due to a higher weighted average borrowing rate in 2019.

Gross interest costs were \$130.1 million and \$129.0 million in 2019 and 2018, respectively. Capitalized interest was \$20.5 million and \$18.8 million in 2019 and 2018, respectively.

Loss from Partnerships

Loss from partnerships decreased to \$2.0 million in 2019 compared to \$3.4 million in 2018. This decrease is due primarily to improved operating results at our Assembly Row and Pike & Rose hotel joint ventures, which opened in August 2018 and March 2018, respectively.

Discussions of year-to-year comparisons between 2018 and 2017 can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission on February 13, 2019.

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.

At December 31, 2019, we had cash and cash equivalents of \$127.4 million and no outstanding balance on our unsecured revolving credit facility. For the year ended 2019, the maximum amount of borrowings outstanding under our revolving credit facility was \$116.5 million, the weighted average amount of borrowings outstanding was \$26.8 million, and the weighted average interest rate, before amortization of debt fees, was 3.2%.

On June 7, 2019, we issued \$300.0 million of fixed rate senior unsecured notes that mature on June 15, 2029 and bear interest at 3.20%. On August 21, 2019, we issued an additional \$100.0 million senior notes of the same series and with the same terms.

The combined net proceeds of \$399.9 million were primarily used to repay our \$275.0 million unsecured term loan, which was scheduled to mature in November 2019. During 2020, we have only \$60.6 million of debt maturing.

On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity from \$800.0 million to \$1.0 billion, lower our spread over LIBOR from 82.5 basis points to 77.5 basis points, and extend the maturity date to January 19, 2024, plus two six-month extensions at our option. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$1.5 billion.

During 2019, we raised \$142.7 million under our ATM equity program after fees and other costs, and as of December 31, 2019, we had the capacity to issue up to \$128.3 million in common shares under the ATM program. We currently believe that cash flows from operations, cash on hand, our ATM 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 and capital expenditures.

Our overall capital requirements during 2020 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 Santana Row. While the amount of future expenditures will depend on numerous factors, we expect to continue to see higher levels of capital investments in our properties under development and redevelopment, as we continue to invest in the next phase of these projects. With respect to other capital investments related to our existing properties, we expect to incur levels consistent with prior years. Our capital investments 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 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

| | Year Ended December 31, | |
|--|--------------------------------|-------------------|
| | 2019 | 2018 |
| | (In thousands) | |
| Cash provided by operating activities | \$ 461,919 | \$ 516,688 |
| Cash used in investing activities | (316,532) | (192,247) |
| Cash used in financing activities | (100,105) | (241,309) |
| Increase in cash and cash equivalents | 45,282 | 83,132 |
| Cash, cash equivalents, and restricted cash, beginning of year | 108,332 | 25,200 |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 153,614</u> | <u>\$ 108,332</u> |

Net cash provided by operating activities decreased \$54.8 million to \$461.9 million during 2019 from \$516.7 million during 2018. The decrease was primarily attributable to the \$14.5 million lease buyout payment at Assembly Square Marketplace in August 2019, \$12.4 million in net proceeds in 2018 from the Freedom Plaza new market tax credit transaction (see Note 3 to the Consolidated Financial Statements for further discussion), and the timing of cash receipts.

Net cash used in investing activities increased \$124.3 million to \$316.5 million during 2019 from \$192.2 million during 2018. The increase was primarily attributable to:

- a \$191.0 million increase in acquisitions of real estate, primarily due to the acquisitions of Georgetowne Shopping Center, 37 mixed-use buildings in Hoboken, New Jersey, and Fairfax Junction in 2019,
- a \$41.7 million increase in capital expenditures as we continue to invest in Pike & Rose, Assembly Row, Santana Row and other redevelopments, and
- \$38.0 million in proceeds from our Assembly Row hotel joint venture formation in 2018,

partially offset by

- a \$144.2 million increase in proceeds from sales of real estate, resulting from the sale under the threat of condemnation of a portion of San Antonio Center in December 2019 and the sale of three additional properties in 2019 compared to two properties in 2018, partially offset by a decrease in the sale of condominiums at our Assembly Row and Pike & Rose properties.

Net cash used in financing activities decreased \$141.2 million to \$100.1 million during 2019 from \$241.3 million during 2018. The decrease was primarily attributable to:

- \$399.9 million in net proceeds from the issuance of \$300.0 million of 3.20% senior unsecured notes in June 2019 and an additional \$100.0 million of the same series in August 2019,
- \$41.0 million of repayments on our revolving credit facility in 2018 partially offset by \$4.0 million of costs related to the July 2019 amendment, and
- a \$12.1 million increase in net proceeds from the issuance of 1.1 million common shares under our ATM program at a weighted average price of \$134.71 during 2019, as compared to 1.0 million common shares at a weighted average price of \$129.19 in 2018,

partially offset by

- a \$284.4 million increase in repayment of mortgages, finance leases, and notes payable primarily due to the payoff of our \$275.0 million unsecured term loan in June 2019 and the \$20.3 million payoff of the mortgage loan on Rollingwood Apartments in January 2019, as compared to the \$10.5 million payoff of the mortgage loan on the Grove at Shrewsbury (West) in March 2018, and
- a \$12.5 million increase in dividends paid to shareholders due to an increase in the common share dividend rate and an increase in the number of common shares outstanding.

Contractual Commitments

The following table provides a summary of our fixed, noncancelable obligations as of December 31, 2019:

| | Commitments Due by Period | | | | |
|--|----------------------------------|-----------------------------|---------------------|-------------------|--------------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | After 5 Years |
| | (In thousands) | | | | |
| Fixed rate debt (principal and interest) (1) | \$ 4,747,178 | \$ 189,669 | \$ 875,132 | \$ 764,264 | \$ 2,918,113 |
| Fixed and variable rate debt - our share of unconsolidated real estate partnerships (principal and interest) | 60,492 | 28,453 | 12,356 | 19,683 | — |
| Finance lease obligations (principal and interest) | 160,285 | 5,800 | 11,610 | 61,026 | 81,849 |
| Variable rate debt (principal only)(2) | — | — | — | — | — |
| Operating leases | 204,439 | 4,824 | 9,780 | 9,939 | 179,896 |
| Real estate commitments | 67,500 | — | — | 5,000 | 62,500 |
| Development, redevelopment, and capital improvement obligations | 572,422 | 300,520 | 271,880 | 22 | — |
| Contractual operating obligations | 59,081 | 29,026 | 24,809 | 5,126 | 120 |
| Total contractual obligations | \$ 5,871,397 | \$ 558,292 | \$ 1,205,567 | \$ 865,060 | \$ 3,242,478 |

(1) Fixed rate debt includes a \$56.5 million mortgage loan that has a rate that is effectively fixed by two interest rate swap agreements.

(2) Variable rate debt includes our revolving credit facility, which bears interest at LIBOR + 0.775% and had no balance outstanding at December 31, 2019.

In addition to the amounts set forth in the table above and other liquidity requirements previously discussed, the following potential commitments exist:

(a) Under the terms of the Congressional Plaza partnership agreement, a minority partner has the right to require us and the other minority partner to purchase its 26.63% interest in Congressional Plaza at the interest's then-current fair market value. If the other minority partner defaults in their obligation, we must purchase the full interest. Based on management's current

estimate of fair market value as of December 31, 2019, our estimated liability upon exercise of the put option would range from approximately \$79 million to \$84 million.

(b) Under the terms of various other 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. As of December 31, 2019, a total of 609,584 operating partnership units are outstanding.

(c) Two of the members in Plaza El Segundo have the right to require us to purchase their 10.0% and 11.8% ownership interests at the interests' then-current fair market value. If the members fail to exercise their put options, we have the right to purchase each of their interests on or after December 30, 2026 at fair market value. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from approximately \$30 million to \$33 million.

(d) The other member in The Grove at Shrewsbury and Brook 35 has the right to require us to purchase all of its approximately 4.1% interest in The Grove at Shrewsbury and approximately 6.5% interest in Brook 35 at the interests' then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from \$7 million to \$8 million.

(e) Effective September 18, 2023, the other member in Hoboken has the right to require us to purchase all of its 10% ownership interest at the interest's then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from \$9 million to \$10 million.

(f) At December 31, 2019, we had letters of credit outstanding of approximately \$4.3 million.

(g) In connection with our sale under the threat of condemnation of a portion of San Antonio Center, we agreed to indemnify the condemning authority for costs including any payments required to be paid to tenants at the property, in connection with the actual condemnation. We expect the condemnation process to take several years and estimate these costs to be approximately \$45.5 million.

Off-Balance Sheet Arrangements

At December 31, 2019, we have three real estate related equity method investments with total debt outstanding of \$111.1 million, of which our share is \$54.0 million. Our investment in these ventures at December 31, 2019 was \$23.4 million.

Other than the items disclosed in the Contractual Commitments Table, we have no off-balance sheet arrangements as of December 31, 2019 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Debt Financing Arrangements

The following is a summary of our total debt outstanding as of December 31, 2019:

| Description of Debt | Original Debt Issued | Principal Balance as of December 31, 2019 | Stated Interest Rate as of December 31, 2019 | Maturity Date |
|--|----------------------|---|--|----------------------|
| (Dollars in thousands) | | | | |
| Mortgages payable | | | | |
| <i>Secured fixed rate</i> | | | | |
| The Shops at Sunset Place | Acquired | \$ 61,987 | 5.62% | September 1, 2020 |
| 29th Place | Acquired | 3,878 | 5.91% | January 31, 2021 |
| Sylmar Towne Center | Acquired | 16,630 | 5.39% | June 6, 2021 |
| Plaza Del Sol | Acquired | 8,230 | 5.23% | December 1, 2021 |
| THE AVENUE at White Marsh | 52,705 | 52,705 | 3.35% | January 1, 2022 |
| Montrose Crossing | 80,000 | 67,492 | 4.20% | January 10, 2022 |
| Azalea | Acquired | 40,000 | 3.73% | November 1, 2025 |
| Bell Gardens | Acquired | 12,677 | 4.06% | August 1, 2026 |
| Plaza El Segundo | 125,000 | 125,000 | 3.83% | June 5, 2027 |
| The Grove at Shrewsbury (East) | 43,600 | 43,600 | 3.77% | September 1, 2027 |
| Brook 35 | 11,500 | 11,500 | 4.65% | July 1, 2029 |
| Hoboken (24 Buildings) (1) | 56,450 | 56,450 | LIBOR + 1.95% | December 15, 2029 |
| Various Hoboken (12 Buildings) | Acquired | 24,627 | Various (3) | Various through 2029 |
| Chelsea | Acquired | 5,597 | 5.36% | January 15, 2031 |
| Hoboken (1 Building) (2) | Acquired | 16,874 | 3.75% | July 1, 2042 |
| Subtotal | | 547,247 | | |
| Net unamortized premium and debt issuance costs | | (1,568) | | |
| Total mortgages payable | | 545,679 | | |
| Notes payable | | | | |
| Revolving credit facility (4) | 1,000,000 | — | LIBOR + 0.775% | January 19, 2024 |
| Various | 7,239 | 3,843 | 11.31% | Various through 2028 |
| Subtotal | | 3,843 | | |
| Net unamortized debt issuance costs | | (62) | | |
| Total notes payable | | 3,781 | | |
| Senior notes and debentures | | | | |
| <i>Unsecured fixed rate</i> | | | | |
| 2.55% notes | 250,000 | 250,000 | 2.55% | January 15, 2021 |
| 3.00% notes | 250,000 | 250,000 | 3.00% | August 1, 2022 |
| 2.75% notes | 275,000 | 275,000 | 2.75% | June 1, 2023 |
| 3.95% notes | 300,000 | 300,000 | 3.95% | January 15, 2024 |
| 7.48% debentures | 50,000 | 29,200 | 7.48% | August 15, 2026 |
| 3.25% notes | 475,000 | 475,000 | 3.25% | July 15, 2027 |
| 6.82% medium term notes | 40,000 | 40,000 | 6.82% | August 1, 2027 |
| 3.20% notes | 400,000 | 400,000 | 3.20% | June 15, 2029 |
| 4.50% notes | 550,000 | 550,000 | 4.50% | December 1, 2044 |
| 3.625% notes | 250,000 | 250,000 | 3.625% | August 1, 2046 |
| Subtotal | | 2,819,200 | | |
| Net unamortized discount and debt issuance costs | | (12,066) | | |
| Total senior notes and debentures | | 2,807,134 | | |
| Total debt, net | | \$ 3,356,594 | | |

- 1) On November 26, 2019, we entered into two interest rate swap agreements that fix the interest rate on the mortgage loan at 3.67%.
- 2) This mortgage loan has a fixed interest rate, however, the rate resets every five years until maturity. The current interest rate is fixed until July 1, 2022, and the loan is prepayable at par anytime after this date.
- 3) The interest rates on these mortgages range from 3.91% to 5.00%.
- 4) The maximum amount drawn under our revolving credit facility during 2019 was \$116.5 million and the weighted average effective interest rate on borrowings under our revolving credit facility, before amortization of debt fees, was 3.2%.

Our revolving credit facility and other debt agreements include financial and other covenants that may limit our operating activities in the future. As of December 31, 2019, we were in compliance with all of the financial and other covenants related to our revolving credit facility and senior notes. Additionally, as of December 31, 2019, we were in compliance with all of the financial and other covenants that could trigger loan default on our mortgage loans. If we were to breach any of these financial and other 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 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 December 31, 2019:

| | <u>Unsecured</u> | <u>Secured</u> | <u>Total</u> |
|------------|---------------------|-------------------|-------------------------|
| | | (In thousands) | |
| 2020 | \$ 613 | \$ 66,252 | \$ 66,865 |
| 2021 | 250,680 | 31,519 | 282,199 |
| 2022 | 250,756 | 119,460 | 370,216 |
| 2023 | 275,775 | 3,293 | 279,068 |
| 2024 | 300,665 (1) | 3,421 | 304,086 |
| Thereafter | 1,744,554 | 323,302 | 2,067,856 |
| | <u>\$ 2,823,043</u> | <u>\$ 547,247</u> | <u>\$ 3,370,290 (2)</u> |

- 1) Our \$1.0 billion revolving credit facility matures on January 19, 2024, plus two six-month extensions at our option. As of December 31, 2019, there was no outstanding balance under this credit facility.
- 2) The total debt maturities differ from the total reported on the consolidated balance sheet due to the unamortized net premium/discount and debt issuance costs on mortgage loans, notes payable, and senior notes as of December 31, 2019.

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.

Interest rate swaps associated with cash flow hedges are recorded at fair value on a recurring basis. Effectiveness of cash flow hedges is assessed both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recorded in other comprehensive income (loss) which is included in accumulated other comprehensive income (loss) on the balance sheet and statement of shareholders' equity. 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, the default risk of the counterparty is evaluated by monitoring the credit worthiness of the counterparty which includes reviewing debt ratings and financial performance. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recognized in earnings in the period affected.

During 2019, we entered into two interest rate swap agreements that effectively fix the interest rate on a mortgage payable associated with our Hoboken acquisition at 3.67%. Our Assembly Row hotel joint venture is also a party to two interest rate swap agreements that effectively fix the interest rate on the joint venture's mortgage debt at 5.206%. All swaps were designated and qualify as cash flow hedges. Hedge ineffectiveness has not impacted our earnings in 2019, 2018 and 2017.

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 U.S. GAAP, plus real estate related depreciation and amortization, 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:

| | Year Ended December 31, | | |
|--|---------------------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| | (In thousands, except per share data) | | |
| Net income | \$ 360,542 | \$ 249,026 | \$ 297,870 |
| Net income attributable to noncontrolling interests | (6,676) | (7,119) | (7,956) |
| Gain on sale of real estate and change in control of interests, net | (116,393) | (11,915) | (77,632) |
| Depreciation and amortization of real estate assets | 215,139 | 213,098 | 188,719 |
| Amortization of initial direct costs of leases | 19,359 | 24,603 | 19,124 |
| Funds from operations | 471,971 | 467,693 | 420,125 |
| Dividends on preferred shares | (7,500) | (7,500) | (1,917) |
| Income attributable to operating partnership units | 2,703 | 3,053 | 3,143 |
| Income attributable to unvested shares | (1,355) | (1,469) | (1,374) |
| Funds from operations available for common shareholders (1) | <u>\$ 465,819</u> | <u>\$ 461,777</u> | <u>\$ 419,977</u> |
| Weighted average number of common shares, diluted (2) | <u>75,514</u> | <u>74,153</u> | <u>73,122</u> |
| Funds from operations available for common shareholders, per diluted share (1) | <u>\$ 6.17</u> | <u>\$ 6.23</u> | <u>\$ 5.74</u> |

- (1) For the year ended December 31, 2019, FFO available for common shareholders includes an \$11.9 million charge relating to the buyout of a lease at Assembly Square Marketplace. If this charge was excluded, our FFO available for common shareholders for 2019 would have been \$477.7 million, and FFO available for common shareholders, per diluted share would have been \$6.33. For the year ended December 31, 2017, FFO available for common shareholders includes a \$12.3 million charge related to early extinguishment of debt. If this charge was excluded, our FFO available for common shareholders for 2017 would have been \$432.2 million, and FFO available for common shareholders, per diluted share would have been \$5.91.

- (2) The weighted average common shares used to compute FFO per diluted common share also 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Interest Rate Risk

The following discusses the effect of hypothetical changes in market rates of interest on interest expense for our variable rate debt and on the fair value of our total outstanding debt, including our fixed-rate debt. Interest 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 2046 or, with respect to finance 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 December 31, 2019, we had \$3.4 billion of fixed-rate debt outstanding, including \$56.5 million in mortgage payables that are effectively fixed by two interest rate swap agreements. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at December 31, 2019 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately \$250.5 million. If market interest rates used to calculate the fair value on our fixed-rate debt instruments at December 31, 2019 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately \$288.1 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 December 31, 2019, we had no variable rate debt outstanding.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The Trust maintains disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Trust's

management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of the Trust's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of December 31, 2019. Based on that evaluation, the Trust's Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2019, the Trust's disclosure controls and procedures were effective at a reasonable assurance level.

Internal Control over Financial Reporting

The Trust's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Trust's principal executive and principal financial officers and effected by our Board of Trustees, management and other personnel, 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 in the United States of America (GAAP) and includes those policies and procedures that:

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

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

We assessed the effectiveness of the Trust's internal control over financial reporting as of December 31, 2019. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. Based on that assessment and criteria, management concluded that the Trust's internal control over financial reporting was effective as of December 31, 2019.

Grant Thornton LLP, the independent registered public accounting firm that audited the Trust's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Trust's internal control over financial reporting, which appears on page F-2 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our fourth fiscal quarter of 2019 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required in Part III is omitted from this Report but is incorporated herein by reference from our Proxy Statement for the 2020 Annual Meeting of Shareholders (as amended or supplemented, the "Proxy Statement").

ITEM 10. TRUSTEES, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The tables and narrative in the Proxy Statement identifying our Trustees and Board committees under the caption "Election of Trustees" and "Corporate Governance", the sections of the Proxy Statement entitled "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" and other information included in the Proxy Statement required by this Item 10 are incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION

The sections of the Proxy Statement entitled "Summary Compensation Table," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," "Trustee Compensation" and "Compensation Discussion and Analysis" and other information included in the Proxy Statement required by this Item 11 are incorporated herein by reference.

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

The sections of the Proxy Statement entitled "Share Ownership" and "Equity Compensation Plan Information" and other information included in the Proxy Statement required by this Item 12 are incorporated herein by reference.

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

The sections of the Proxy Statement entitled "Certain Relationship and Related Transactions" and "Independence of Trustees" and other information included in the Proxy Statement required by this Item 13 are incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The sections of the Proxy Statement entitled "Ratification of Independent Registered Public Accounting Firm" and "Relationship with Independent Registered Public Accounting Firm" and other information included in the Proxy Statement required by this Item 14 are incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

Our consolidated financial statements and notes thereto, together with Reports of Independent Registered Public Accounting Firm are included as a separate section of this Annual Report on Form 10-K commencing on page F-1.

(2) Financial Statement Schedules

Our financial statement schedules are included in a separate section of this Annual Report on Form 10-K commencing on page F-31.

(3) Exhibits

(b) The following documents are filed as exhibits are filed as part of, or incorporated by reference into, this report:

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, May 6, 2009, November 2, 2016, and February 5, 2019 (previously filed as Exhibit 3.2 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (File No. 1-07533) 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 3.00% Notes due 2022; 2.75% Notes due 2023; 3.95% Notes due 2024; 4.50% Notes due 2044; 2.55% Notes due 2021; 3.625% Notes due 2046; 3.25% Notes due 2027; 3.20% Notes due 2029 (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 | Articles Supplementary relating to the 5.000% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest (previously filed as Exhibit 3.2 to the Trust's Registration Statement on Form 8-A (File No. 1-07533), filed on September 29, 2017 and incorporated herein by reference) |
| 4.6 | Deposit Agreement, dated as of September 29, 2017, by and among Federal Realty Investment Trust, American Stock Transfer and Trust Company, LLC, as Depository, and all holders from time to time of Receipt (previously filed as Exhibit 4.1 to the Trust's Registration Statement on Form 8-A (File No. 1-07533), filed on September 29, 2017 and incorporated herein by reference) |
| 4.7 | Specimen certificate relating to the 5.000% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest (previously filed as Exhibit 4.3 to the Trust's Registration Statement on Form 8-A (File No. 1-07533), filed on September 29, 2017 and incorporated herein by reference) |
| 4.8 | Description of Securities (filed herewith) |
| 10.1 | * 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) |
| 10.2 | * 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) |
| 10.3 | * 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) |
| 10.4 | 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) |
| 10.5 | * 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) |
| 10.6 | * 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) |
| 10.7 | * 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 No. | Description |
|----------------|--|
| 10.8 | 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) |
| 10.9 | Form of Restricted Share Award Agreement for long term vesting and retention awards for shares issued out of the 2010 Plan (previously filed as Exhibit 10.35 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) |
| 10.10 | 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) |
| 10.11 | Amended and Restated 2001 Long-Term Incentive Plan (previously filed as Exhibit 10.34 to the Trust's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-07533) and incorporated herein by reference) |
| 10.12 | * 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) |
| 10.13 | * 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) |
| 10.14 | * 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) |
| 10.15 | * 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) |
| 10.16 | 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) |
| 10.17 | Amendment to 2010 Performance Incentive Plan ("the 2010 Plan") (previously filed as Appendix A to the Trust's Proxy Statement for the 2010 Annual Meeting of Shareholders (File No. 01-07533) and incorporated herein by reference) |
| 10.18 | * 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) |
| 10.19 | 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 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.20 | 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) |
| 10.21 | 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) |
| 10.22 | 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) |
| 10.23 | Form of Restricted Share Award Agreement, dated as of February 10, 2011, between the Trust and Dawn M. Becker (previously filed as Exhibit 10.41 to the Trust's 2010 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.24 | 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) |

| Exhibit No. | Description |
|----------------|---|
| 10.25 | Term Loan 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., 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) |
| 10.26 | Revised 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 10.35 to the Trust's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 1-07533) (the "2012 Form 10-K") and incorporated herein by reference) |
| 10.27 | Revised 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 10.36 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.28 | Revised Form of Performance Share Award Agreement for shares awarded out of the 2010 Plan (previously filed as Exhibit 10.37 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.29 | Revised 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 10.38 to the Trust's 2012 Form 10-K (File No. 1-07533) and incorporated herein by reference) |
| 10.30 | First Amendment to the Credit Agreement, dated as of April 22, 2013, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2013 and incorporated herein by reference) |
| 10.31 | First Amendment to the Term Loan Agreement, dated as of April 22, 2013, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.40 to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 1-07533) and incorporated herein by reference) |
| 10.32 | Second Amendment to Term Loan Agreement, dated as of August 28, 2014, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on September 2, 2014 and incorporated herein by reference) |
| 10.33 | Second Amendment to Credit Agreement, dated as of April 20, 2016, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference) |
| 10.34 | Third Amendment to Term Loan Agreement, dated as of April 20, 2016, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on April 26, 2016 and incorporated herein by reference) |
| 10.35 | Severance Agreement between the Trust and Daniel Guglielmono dated August 15, 2016 (previously filed as Exhibit 10.36 to the Trust's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 1-07533 and incorporated herein by reference) |
| 10.36 | Amended and Restated Credit Agreement, dated as of July 25, 2019, by and among Federal Realty Investment Trust, each of the Lenders party thereto, and PNC Bank, National Association, as Administrative Agent (previously filed as Exhibit 10.1 to the Trust's Current Report on Form 8-K (File No. 1-07533), filed on July 29, 2019 and incorporated herein by reference) |
| 21.1 | Subsidiaries of Federal Realty Investment Trust (filed herewith) |
| 23.1 | Consent of Grant Thornton LLP (filed herewith) |
| 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 Annual Report on Form 10-K for the year ended December 31, 2019, 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.
- 104 Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

* Management contract or compensatory plan required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

** 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.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized this February 10, 2020.

Federal Realty Investment Trust

By: /s/ DONALD C. WOOD
Donald C. Wood
President, Chief Executive Officer and Trustee

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated. Each person whose signature appears below hereby constitutes and appoints each of Donald C. Wood and Dawn M. Becker as his or her attorney-in-fact and agent, with full power of substitution and resubstitution for him or her in any and all capacities, to sign any or all amendments to this Report and to file same, with exhibits thereto and other documents in connection therewith, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his or her substitutes may do or cause to be done by virtue hereof.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|--|---|-------------------|
| <u> /s/ DONALD C. WOOD </u> Donald C. Wood | President, Chief Executive Officer and Trustee (Principal Executive Officer) | February 10, 2020 |
| <u> /s/ DANIEL GUGLIELMONE </u> Daniel Guglielmon | Executive Vice President-Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) | February 10, 2020 |
| <u> /s/ JOSEPH S. VASSALLUZZO </u> Joseph S. Vassalluzzo | Non-Executive Chairman | February 10, 2020 |
| <u> /s/ JON E. BORTZ </u> Jon E. Bortz | Trustee | February 10, 2020 |
| <u> /s/ DAVID W. FAEDER </u> David W. Faeder | Trustee | February 10, 2020 |
| <u> /s/ ELIZABETH I. HOLLAND </u> Elizabeth I. Holland | Trustee | February 10, 2020 |
| <u> /s/ MARK S. ORDAN </u> Mark S. Ordan | Trustee | February 10, 2020 |
| <u> /s/ GAIL P. STEINEL </u> Gail P. Steinel | Trustee | February 10, 2020 |

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

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|--|-----------------|
| Report of Independent Registered Public Accounting Firm | F-2 |
| Report of Independent Registered Public Accounting Firm | F-3 |
| Consolidated Balance Sheets | F-5 |
| Consolidated Statements of Comprehensive Income | F-6 |
| Consolidated Statement of Shareholders' Equity | F-7 |
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| Schedule III—Summary of Real Estate and Accumulated Depreciation | F-31 |
| Schedule IV—Mortgage Loans on Real Estate | F-39 |

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

Report of Independent Registered Public Accounting Firm

Trustees and Shareholders
Federal Realty Investment Trust

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Federal Realty Investment Trust (a Maryland real estate investment trust) and Subsidiaries (collectively, the "Trust") as of December 31, 2019, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Trust as of and for the year ended December 31, 2019, and our report dated February 10, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Evaluation of Disclosure Controls and Procedures. Our responsibility is to express an opinion on the Trust's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and limitations of internal control over financial reporting

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

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

/s/ GRANT THORNTON LLP

Charlotte, North Carolina
February 10, 2020

Report of Independent Registered Public Accounting Firm

Trustees and Shareholders
Federal Realty Investment Trust

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Federal Realty Investment Trust (a Maryland real estate investment trust) and Subsidiaries (collectively, the "Trust") as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Trust's internal control over financial reporting as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 10, 2020 expressed an unqualified opinion.

Change in accounting principle

As discussed in Note 2 to the consolidated financial statements, the Trust has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification (ASC) Topic 842, Leases.

Basis for opinion

These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on the Trust's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Adoption of ASC 842 (Lessee) - Refer to Note 2 to the Financial Statements

The Trust adopted ASC Topic 842, Leases (ASC 842) as of January 1, 2019, which, from a lessee perspective, resulted in the recognition of a right-of-use asset ("ROU asset") and a lease liability for operating leases (other than leases that meet the definition of a short-term lease). The liability is equal to the present value of future lease payments and the asset is based on the liability, subject to certain adjustments, including initial direct costs.

We identified the adoption of ASC 842, from a lessee perspective, as a critical audit matter because it is a substantial change in accounting for leases and as such requires significant auditor judgment in obtaining sufficient appropriate audit evidence

related to management's determination of the lease liability and ROU asset and their selection of a discount rate to be applied to future lease payments.

Our audit procedures related to the adoption of ASC 842 included the following:

- We assessed the design and tested the operating effectiveness of internal controls relating to the initial adoption of ASC 842.
- We verified the completeness of the population of leases that management evaluated as part of the initial adoption and ongoing accounting for leases in future periods.
- We inspected a sample of lease contracts, compared the relevant inputs in management's calculation to underlying lease documents, and recalculated the related ROU asset and lease liability.
- We utilized a specialist to evaluate the discount rate used in the initial measurement of the lease liability upon adoption, including the appropriateness of the methodology employed to determine the discount rate and the final conclusion reached.
- We tested the completeness and accuracy of the cumulative catch up adjustment recognized upon adoption.
- We evaluated the new accounting policy for leases where the Trust is the lessee.

Adoption of ASC 842 (Lessor) - Refer to Note 2 to the Financial Statements

The Trust adopted ASC 842 as of January 1, 2019, which, from a lessor perspective, resulted in a change to the Trust's revenue recognition policy for revenue earned under operating leases with their tenants.

We identified the adoption of ASC 842, from a lessor perspective, as a critical audit matter because significant auditor judgment was required in evaluating whether management had appropriately interpreted and implemented this new accounting standard for leases that were in place on the adoption date and for new leases entered into subsequent to the adoption date.

Our audit procedures related to the adoption of ASC 842 included the following:

- We assessed the design and tested the operating effectiveness of internal controls relating to the initial adoption of ASC 842.
- We evaluated the transition method implemented for leases that were in place at the adoption date and the new accounting policy for revenue earned under operating leases with their tenants. We utilized specialists in these evaluations.
- We tested the completeness and accuracy of the cumulative catch up adjustment recognized upon adoption.

/s/ GRANT THORNTON LLP

We have served as the Trust's auditor since 2002.

Charlotte, North Carolina
February 10, 2020

Federal Realty Investment Trust
Consolidated Balance Sheets

| | December 31, | |
|---|---|---------------------|
| | 2019 | 2018 |
| | (In thousands, except share and per share data) | |
| ASSETS | | |
| Real estate, at cost | | |
| Operating (including \$1,676,866 and \$1,701,804 of consolidated variable interest entities, respectively) | \$ 7,535,983 | \$ 7,307,622 |
| Construction-in-progress (including \$102,583 and \$51,313 of consolidated variable interest entities, respectively) | 760,420 | 495,274 |
| Assets held for sale | 1,729 | 16,576 |
| | 8,298,132 | 7,819,472 |
| Less accumulated depreciation and amortization (including \$296,165 and \$292,374 of consolidated variable interest entities, respectively) | (2,215,413) | (2,059,143) |
| Net real estate | 6,082,719 | 5,760,329 |
| Cash and cash equivalents | 127,432 | 64,087 |
| Accounts and notes receivable | 152,572 | 142,237 |
| Mortgage notes receivable, net | 30,429 | 30,429 |
| Investment in partnerships | 28,604 | 26,859 |
| Operating lease right of use assets | 93,774 | — |
| Finance lease right of use assets | 52,402 | — |
| Prepaid expenses and other assets | 227,060 | 265,703 |
| TOTAL ASSETS | \$ 6,794,992 | \$ 6,289,644 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Mortgages payable, net (including \$469,184 and \$444,388 of consolidated variable interest entities, respectively) | \$ 545,679 | \$ 474,379 |
| Capital lease obligations | — | 71,519 |
| Notes payable, net | 3,781 | 279,027 |
| Senior notes and debentures, net | 2,807,134 | 2,404,279 |
| Accounts payable and accrued expenses | 255,503 | 177,922 |
| Dividends payable | 81,676 | 78,207 |
| Security deposits payable | 21,701 | 17,875 |
| Operating lease liabilities | 73,628 | — |
| Finance lease liabilities | 72,062 | — |
| Other liabilities and deferred credits | 157,938 | 182,898 |
| Total liabilities | 4,019,102 | 3,686,106 |
| Commitments and contingencies (Note 7) | | |
| Redeemable noncontrolling interests | 139,758 | 136,208 |
| Shareholders' equity | | |
| Preferred shares, authorized 15,000,000 shares, \$.01 par: | | |
| 5.0% Series C Cumulative Redeemable Preferred Shares, (stated at liquidation preference \$25,000 per share), 6,000 shares issued and outstanding | 150,000 | 150,000 |
| 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, 75,540,804 and 74,249,633 shares issued and outstanding, respectively | 759 | 745 |
| Additional paid-in capital | 3,166,522 | 3,004,442 |
| Accumulated dividends in excess of net income | (791,124) | (818,877) |
| Accumulated other comprehensive loss | (813) | (416) |
| Total shareholders' equity of the Trust | 2,535,341 | 2,345,891 |
| Noncontrolling interests | 100,791 | 121,439 |
| Total shareholders' equity | 2,636,132 | 2,467,330 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 6,794,992 | \$ 6,289,644 |

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

Federal Realty Investment Trust
Consolidated Statements of Comprehensive Income

| | Year Ended December 31, | | |
|--|---------------------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| | (In thousands, except per share data) | | |
| REVENUE | | | |
| Rental income | \$ 932,738 | \$ 912,287 | \$ 854,286 |
| Mortgage interest income | 3,050 | 3,149 | 3,062 |
| Total revenue | <u>935,788</u> | <u>915,436</u> | <u>857,348</u> |
| EXPENSES | | | |
| Rental expenses | 187,831 | 173,094 | 164,890 |
| Real estate taxes | 110,927 | 114,776 | 107,839 |
| General and administrative | 42,754 | 33,600 | 36,281 |
| Depreciation and amortization | 239,758 | 244,245 | 216,050 |
| Total operating expenses | <u>581,270</u> | <u>565,715</u> | <u>525,060</u> |
| Gain on sale of real estate, net | <u>116,393</u> | <u>11,915</u> | <u>77,922</u> |
| OPERATING INCOME | 470,911 | 361,636 | 410,210 |
| OTHER INCOME/(EXPENSE) | | | |
| Other interest income | 1,266 | 942 | 475 |
| Interest expense | (109,623) | (110,154) | (100,125) |
| Early extinguishment of debt | — | — | (12,273) |
| Loss from partnerships | (2,012) | (3,398) | (417) |
| NET INCOME | <u>360,542</u> | <u>249,026</u> | <u>297,870</u> |
| Net income attributable to noncontrolling interests | (6,676) | (7,119) | (7,956) |
| NET INCOME ATTRIBUTABLE TO THE TRUST | <u>353,866</u> | <u>241,907</u> | <u>289,914</u> |
| Dividends on preferred shares | (8,042) | (8,042) | (2,458) |
| NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS | <u>\$ 345,824</u> | <u>\$ 233,865</u> | <u>\$ 287,456</u> |
| EARNINGS PER COMMON SHARE, BASIC | | | |
| Net income available for common shareholders | <u>\$ 4.61</u> | <u>\$ 3.18</u> | <u>\$ 3.97</u> |
| Weighted average number of common shares | <u>74,766</u> | <u>73,274</u> | <u>72,117</u> |
| EARNINGS PER COMMON SHARE, DILUTED | | | |
| Net income available for common shareholders | <u>\$ 4.61</u> | <u>\$ 3.18</u> | <u>\$ 3.97</u> |
| Weighted average number of common shares | <u>74,766</u> | <u>73,302</u> | <u>72,233</u> |
| NET INCOME | \$ 360,542 | \$ 249,026 | \$ 297,870 |
| Other comprehensive (loss) income - change in value of interest rate swaps | (397) | (438) | 2,599 |
| COMPREHENSIVE INCOME | <u>360,145</u> | <u>248,588</u> | <u>300,469</u> |
| Comprehensive income attributable to noncontrolling interests | (6,676) | (7,119) | (7,956) |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO THE TRUST | <u>\$ 353,469</u> | <u>\$ 241,469</u> | <u>\$ 292,513</u> |

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

Federal Realty Investment Trust
Consolidated Statement of Shareholders' Equity

| | Shareholders' Equity of the Trust | | | | | | | Total Shareholders' Equity | |
|---|-----------------------------------|------------|---------------|--------|---|---|---|----------------------------|--------------------------|
| | Preferred Shares | | Common Shares | | Additional Paid-in Capital (In thousands, except share data) | Accumulated Dividends in Excess of Net Income | Accumulated Other Comprehensive Income/(Loss) | | Noncontrolling Interests |
| | Shares | Amount | Shares | Amount | | | | | |
| BALANCE AT DECEMBER 31, 2016 | 399,896 | 9,997 | 71,995,897 | 722 | 2,718,325 | (749,734) | (2,577) | 99,102 | 2,075,835 |
| January 1, 2017 adoption of new accounting standard | — | — | — | — | 83 | (83) | — | — | — |
| Net income, excluding \$3,874 attributable to redeemable noncontrolling interests | — | — | — | — | — | 289,914 | — | 4,082 | 293,996 |
| Other comprehensive income - change in value of interest rate swaps | — | — | — | — | — | — | 2,599 | — | 2,599 |
| Dividends declared to common shareholders | — | — | — | — | — | (287,006) | — | — | (287,006) |
| Dividends declared to preferred shareholders | — | — | — | — | — | (2,458) | — | — | (2,458) |
| Distributions declared to noncontrolling interests | — | — | — | — | — | — | — | (5,560) | (5,560) |
| Common shares issued, net | — | — | 826,592 | 8 | 108,240 | — | — | — | 108,248 |
| Preferred shares issued, net | 6,000 | 150,000 | — | — | (5,035) | — | — | — | 144,965 |
| Exercise of stock options | — | — | 152,634 | 2 | 9,977 | — | — | — | 9,979 |
| Shares issued under dividend reinvestment plan | — | — | 17,911 | — | 2,373 | — | — | — | 2,373 |
| Share-based compensation expense, net of forfeitures | — | — | 107,522 | 1 | 12,370 | — | — | — | 12,371 |
| Shares withheld for employee taxes | — | — | (29,709) | — | (4,229) | — | — | — | (4,229) |
| Conversion and redemption of OP units | — | — | 20,030 | — | 2,569 | — | — | (2,569) | — |
| Contributions from noncontrolling interests | — | — | — | — | 42 | — | — | 35,331 | 35,331 |
| Purchase of noncontrolling interests | — | — | — | — | — | — | — | (5,578) | (5,536) |
| Adjustment to redeemable noncontrolling interests | — | — | — | — | 10,606 | — | — | — | 10,606 |
| BALANCE AT DECEMBER 31, 2017 | 405,896 | \$ 159,997 | 73,090,877 | \$ 733 | \$ 2,855,321 | \$ (749,367) | \$ 22 | \$ 124,808 | \$ 2,391,514 |
| January 1, 2018 adoption of new accounting standard - See Note 2 | — | — | — | — | — | (6,028) | — | — | (6,028) |
| Net income, excluding \$3,865 attributable to redeemable noncontrolling interests | — | — | — | — | — | 241,907 | — | 3,254 | 245,161 |
| Other comprehensive loss - change in value of interest rate swaps | — | — | — | — | — | — | (438) | — | (438) |
| Dividends declared to common shareholders | — | — | — | — | — | (297,347) | — | — | (297,347) |
| Dividends declared to preferred shareholders | — | — | — | — | — | (8,042) | — | — | (8,042) |
| Distributions declared to noncontrolling interests | — | — | — | — | — | — | — | (5,175) | (5,175) |
| Common shares issued, net | — | — | 987,461 | 10 | 126,061 | — | — | — | 126,071 |
| Exercise of stock options | — | — | 105,803 | 1 | 4,571 | — | — | — | 4,572 |
| Shares issued under dividend reinvestment plan | — | — | 17,952 | — | 2,159 | — | — | — | 2,159 |
| Share-based compensation expense, net of forfeitures | — | — | 55,223 | 1 | 12,735 | — | — | — | 12,736 |
| Shares withheld for employee taxes | — | — | (8,432) | — | (958) | — | — | — | (958) |
| Conversion and redemption of OP units | — | — | 749 | — | (544) | — | — | (5,468) | (6,012) |
| Contributions from noncontrolling interests | — | — | — | — | 5,097 | — | — | 4,020 | 4,020 |
| Adjustment to redeemable noncontrolling interests | — | — | — | — | — | — | — | — | 5,097 |
| BALANCE AT DECEMBER 31, 2018 | 405,896 | \$ 159,997 | 74,249,633 | \$ 745 | \$ 3,004,442 | \$ (818,877) | \$ (416) | \$ 121,439 | \$ 2,467,330 |
| January 1, 2019 adoption of new accounting standard - See Note 2 | — | — | — | — | — | (7,098) | — | — | (7,098) |
| Net income, excluding \$3,430 attributable to redeemable noncontrolling interests | — | — | — | — | — | 353,866 | — | 3,246 | 357,112 |
| Other comprehensive loss - change in value of interest rate swaps | — | — | — | — | — | — | (397) | — | (397) |
| Dividends declared to common shareholders | — | — | — | — | — | (310,973) | — | — | (310,973) |
| Dividends declared to preferred shareholders | — | — | — | — | — | (8,042) | — | — | (8,042) |
| Distributions declared to noncontrolling interests | — | — | — | — | — | — | — | (9,961) | (9,961) |
| Common shares issued, net | — | — | 1,069,740 | 11 | 142,705 | — | — | — | 142,716 |
| Shares issued under dividend reinvestment plan | — | — | 15,909 | — | 2,095 | — | — | — | 2,095 |
| Share-based compensation expense, net of forfeitures | — | — | 111,555 | 1 | 13,329 | — | — | — | 13,330 |
| Shares withheld for employee taxes | — | — | (34,320) | — | (4,626) | — | — | — | (4,626) |
| Conversion and redemption of OP units | — | — | 128,287 | 2 | 14,102 | — | — | (14,176) | (72) |
| Contributions from noncontrolling interests | — | — | — | — | (5,525) | — | — | 243 | 243 |
| Adjustment to redeemable noncontrolling interests | — | — | — | — | — | — | — | — | (5,525) |
| BALANCE AT DECEMBER 31, 2019 | 405,896 | \$ 159,997 | 75,540,804 | 759 | \$ 3,166,522 | \$ (791,124) | \$ (813) | \$ 100,791 | \$ 2,636,132 |

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

Federal Realty Investment Trust
Consolidated Statements of Cash Flows

| | Year Ended December 31, | | |
|---|-------------------------|-------------------|------------------|
| | 2019 | 2018 | 2017 |
| | (In thousands) | | |
| OPERATING ACTIVITIES | | | |
| Net income | \$ 360,542 | \$ 249,026 | \$ 297,870 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 239,758 | 244,245 | 216,050 |
| Gain on sale of real estate, net | (116,393) | (11,915) | (77,922) |
| Early extinguishment of debt | — | — | 12,273 |
| Loss from partnerships | 2,012 | 3,398 | 417 |
| Other, net | 169 | 4,147 | (2,674) |
| Changes in assets and liabilities, net of effects of acquisitions and dispositions: | | | |
| Proceeds from new market tax credit transaction, net of deferred costs | — | 12,353 | — |
| (Increase) decrease in accounts receivable, net | (16,128) | 917 | 2,059 |
| Increase in prepaid expenses and other assets | (10,253) | (2,070) | (3,695) |
| Increase in accounts payable and accrued expenses | 2,327 | 2,650 | 14,242 |
| (Decrease) increase in security deposits and other liabilities | (115) | 13,937 | 208 |
| Net cash provided by operating activities | <u>461,919</u> | <u>516,688</u> | <u>458,828</u> |
| INVESTING ACTIVITIES | | | |
| Acquisition of real estate | (204,516) | (13,503) | (437,772) |
| Capital expenditures - development and redevelopment | (327,074) | (302,120) | (441,984) |
| Capital expenditures - other | (82,836) | (66,138) | (76,952) |
| Proceeds from sale of real estate | 321,997 | 177,775 | 136,055 |
| Proceeds from partnership formation | — | 37,998 | — |
| Investment in partnerships | (1,052) | (1,037) | (696) |
| Distribution from partnerships in excess of earnings | 2,765 | 275 | 1,729 |
| Leasing costs | (25,459) | (25,430) | (16,656) |
| Issuance of mortgage and other notes receivable, net | (357) | (67) | (1,646) |
| Net cash used in investing activities | <u>(316,532)</u> | <u>(192,247)</u> | <u>(837,922)</u> |
| FINANCING ACTIVITIES | | | |
| Net (repayments) borrowings under revolving credit facility, including costs | (4,012) | (41,000) | 41,000 |
| Issuance of senior notes, net of costs | 399,913 | — | 572,134 |
| Redemption and retirement of senior notes | — | — | (161,930) |
| Repayment of mortgages, finance leases, and notes payable | (301,029) | (16,620) | (56,328) |
| Issuance of common shares, net of costs | 143,027 | 130,918 | 118,583 |
| Issuance of preferred shares, net of costs | — | — | 144,991 |
| Dividends paid to common and preferred shareholders | (313,649) | (301,194) | (282,995) |
| Shares withheld for employee taxes | (4,626) | (958) | (4,229) |
| Contributions from noncontrolling interests | 404 | 2,838 | 13,449 |
| Distributions to and redemptions of noncontrolling interests | (20,133) | (15,293) | (15,230) |
| Net cash (used in) provided by financing activities | <u>(100,105)</u> | <u>(241,309)</u> | <u>369,445</u> |
| Increase (decrease) in cash, cash equivalents, and restricted cash | 45,282 | 83,132 | (9,649) |
| Cash, cash equivalents, and restricted cash at beginning of year | 108,332 | 25,200 | 34,849 |
| Cash, cash equivalents, and restricted cash at end of year | <u>\$ 153,614</u> | <u>\$ 108,332</u> | <u>\$ 25,200</u> |

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

Federal Realty Investment Trust
Notes to Consolidated Financial Statements
December 31, 2019, 2018 and 2017

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, California, and South Florida. As of December 31, 2019, we owned or had a majority interest in community and neighborhood shopping centers and mixed-use properties which are operated as 104 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.

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 2018 and 2017 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.

Revenue Recognition and Accounts Receivable

Policy beginning January 1, 2019, with our adoption of Accounting Standards Codification (ASC) 842, “Leases”

Our leases with our tenants are classified as operating leases. When collection of substantially all lease payments during the lease term is considered probable, the lease qualifies for accrual accounting. Lease payments are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease. Variable lease payments relating to percentage rent are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

When collection of substantially all lease payments during the lease term is not considered probable, total lease revenue is limited to the lesser of revenue recognized under accrual accounting or cash received. Determining the probability of collection of substantially all lease payments during lease term requires judgment. This determination is impacted by numerous factors including our assessment of the tenant’s credit worthiness, economic conditions, our historical experience with the tenant and tenants operating in the same industry, and the length of the lease term. If leases currently classified as probable are subsequently reclassified as not probable, any outstanding lease receivables (including straight-line rent receivables) would be written-off with a corresponding decrease in rental income.

Policy prior to January 1, 2019

Prior to January 1, 2019, management estimates of collectability were considered when reserving for billed and accrued lease receivables and straight-line rent receivables. Full and partial reserves were recorded when determined to be appropriate with a

corresponding charge to bad debt expense. The primary impact of the adoption of ASC 842, "Leases," on our recognition of lease revenue relates to the upfront and ongoing assessment of the collectability of substantially all lease payments required by the new standard.

Other revenue recognition policies

In 2018, we completed construction on 221 condominium units at our Assembly Row and Pike & Rose properties. Beginning on January 1, 2018, with the adoption of ASU 2014-09, "Revenue from Contracts with Customers," gains or losses on the sale of these condominium units are recognized as the condominium units are legally sold. In 2017, we accounted for contracted condominium sales under the percentage-of completion method, based on an evaluation of the criteria specified in ASC Topic 360-20, "Property, Plant and Equipment – Real Estate Sales," including: the legal commitment of the purchaser in the real estate contract, whether the construction of the project was beyond a preliminary phase, whether sufficient units had been contracted to ensure the project would not revert to a rental project, the ability to reasonably estimate the aggregate project sale proceeds and aggregate project costs, and the determination that the buyer had made an adequate initial and continuing cash investment under the contract. When the percentage-of-completion criteria had not been met, no profit was recognized. The application of these criteria can be complex and required us to make assumptions.

When we enter into a transaction to sell a property or a portion of a property, we evaluate the recognition of the sale under ASC 610-20, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets." In accordance with ASC 610-20, we apply the guidance in ASC 606, "Revenue from Contracts with Customers," to determine whether and when control transfers and how to measure the associated gain or loss. We determine the transaction price based on the consideration we expect to receive. Variable consideration is included in the transaction price to the extent it is probable that a significant reversal of a gain recognized will not occur. We analyze the risk of a significant gain reversal and if necessary limit the amount of variable consideration recognized in order to mitigate this risk. The estimation of variable consideration requires us to make assumptions and apply significant judgment.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 35 years to a maximum of 50 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 2 to 20 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. In 2019, 2018 and 2017, real estate depreciation expense was \$215.4 million, \$216.0 million and \$193.3 million, respectively, including amounts from real estate sold.

Effective January 1, 2018, (upon the adoption of ASU 2014-09, "Revenue from Contracts with Customers," as amended and interpreted) sales of real estate are recognized generally upon the transfer of control, which usually occurs when the real estate is legally sold. Prior to January 1, 2018, sales of real estate were recognized only when sufficient down payments had been obtained, possession and other attributes of ownership had been transferred to the buyer and we had no significant continuing involvement. The application of these criteria can be complex and required us to make assumptions. We believe the relevant criteria were met for all real estate sold during the periods presented.

Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and/or appraised values. When we acquire operating real estate properties, the purchase price is allocated to land, building, improvements, leasing costs, intangibles such as in-place leases, assumed debt, if any, and to current assets and liabilities acquired, if any. The value allocated to in-place leases is amortized over the related lease term and reflected as rental income in the consolidated statements of comprehensive income. We consider qualitative and quantitative factors in evaluating the likelihood of a tenant exercising a below market renewal option and include such renewal options in the calculation of in-place lease value when we consider these to be bargain renewal options. If the value of below market lease intangibles includes renewal option periods, we include such renewal periods in the amortization period utilized. If a tenant vacates its space prior to contractual termination of its lease, the unamortized balance of any in-place lease value is written off to rental income.

Transaction costs related to asset acquisitions, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, are capitalized as part of the acquisition cost. The acquisition of an operating shopping center typically qualifies as an asset acquisition.

Prior to the adoption of ASU 2016-02, "Leases," when applicable, as lessee, we classify our leases of land and building as operating or capital leases. We are required to use judgment and make estimates in determining the lease term, the estimated economic life of the property and the interest rate to be used in determining whether or not the lease meets the qualification of a capital lease. Subsequently, capital leases are now considered "finance leases," see "Recent Accounting Pronouncements," for an explanation of the impact to our consolidated balance sheet.

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance, construction costs and salaries and related costs of personnel directly involved, are capitalized. Additionally, we capitalize interest costs related to development and redevelopment activities. Capitalization of these costs begin when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine the development or redevelopment is no longer probable of completion, we expense all capitalized costs which are not recoverable.

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount, at which time, the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity, when purchased, under three months. Cash balances in individual banks may exceed the federally insured limit by the Federal Deposit Insurance Corporation (the "FDIC"). At December 31, 2019, we had \$131.5 million in excess of the FDIC insured limit.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, prepaid property taxes and acquired above market leases. Capitalized lease costs are incremental direct costs incurred which were essential to originate a successful leasing arrangement and would not have been incurred had the leasing transaction not taken place. Capitalized lease costs are amortized over the life of the related lease. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any previously capitalized lease costs are written off.

Debt Issuance Costs

Costs related to the issuance of debt instruments are deferred and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in "early extinguishment of debt." Debt issuance costs related to our revolving credit facility are classified as an asset and are included in "prepaid expenses and other assets" in our consolidated balance sheets. All other debt issuance costs are presented as a direct deduction from the carrying amount of the debt liability.

Derivative Instruments

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.

Interest rate swaps associated with cash flow hedges are recorded at fair value on a recurring basis. Effectiveness of cash flow hedges is assessed both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recorded in other comprehensive income (loss) which is included in accumulated other comprehensive income (loss) on the balance sheet and statement of shareholders' equity. 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, the default risk of the counterparty is evaluated by monitoring the credit worthiness of the counterparty which includes reviewing debt ratings and financial performance. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with cash flow hedges is recognized in earnings in the period affected.

During 2019, we entered into two interest rate swap agreements that effectively fix the interest rate on a mortgage payable associated with our Hoboken acquisition at 3.67%. Both swaps were designated and qualify for cash flow hedge accounting. As of December 31, 2019, our Assembly Row hotel joint venture is a party to two interest rate swap agreements that effectively fix the interest rate on the joint venture's mortgage debt at 5.206%. Both swaps were designated and qualify as cash flow hedges. Hedge ineffectiveness has not impacted earnings in 2019, 2018 and 2017.

Mortgage Notes Receivable

We have made certain mortgage loans that, because of their nature, qualify as loan receivables. At the time the loans were made, we did not intend for the arrangement to be anything other than a financing and did not contemplate a real estate investment. We evaluate each investment to determine whether the loan arrangement qualifies as a loan, joint venture or real estate investment and the appropriate accounting thereon. Such determination affects our balance sheet classification of these investments and the recognition of interest income derived therefrom. We receive additional interest, however, we never receive in excess of 50% of the residual profit in the project, and because the borrower has either a substantial investment in the project or has guaranteed all or a portion of our loan (or a combination thereof), the loans qualify for loan accounting. The amounts under these arrangements are presented as mortgage notes receivable at December 31, 2019 and 2018.

Mortgage notes receivable are recorded at cost, net of any valuation adjustments. Interest income is accrued as earned. Mortgage notes receivable are considered past due based on the contractual terms of the note agreement. On a quarterly basis, we evaluate the collectability of each mortgage note receivable based on various factors which may include payment history, expected fair value of the collateral securing the loan, internal and external credit information and/or economic trends. A loan is considered impaired when, based upon current information and events, it is probable that we will be unable to collect all amounts due under the existing contractual terms. When a loan is considered impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the mortgage note receivable to the present value of expected future cash flows. Since our loans are collateralized by a first mortgage, the loans have risk characteristics similar to the risks in owning commercial real estate.

At December 31, 2019 and 2018, we had two mortgage notes receivable, with aggregate carrying amounts of \$30.4 million, and weighted average interest rates of 10.0% and 10.3%, respectively, which were secured by first mortgages on retail buildings.

Share Based Compensation

We grant share based compensation awards to employees and trustees typically in the form of restricted common shares, common shares, and options. We measure share based compensation expense based on the grant date fair value of the award and recognize the expense ratably over the requisite service period, which is typically the vesting period. See Note 12 for further discussion regarding our share based compensation plans and policies.

Variable Interest Entities

Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as VIEs. VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE has both the power to direct the activities that most significantly impact economic performance of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

Our equity method investments in the Pike & Rose hotel joint venture, the Assembly Row hotel joint venture, and the La Alameda shopping center are also considered variable interests in a VIE. As we do not control the activities that most significantly impact the economic performance of the joint ventures, we are not the primary beneficiary and do not consolidate. As of December 31, 2019 and 2018, our investment in these joint ventures and maximum exposure to loss was \$23.4 million and \$26.9 million, respectively.

In addition, we have 18 entities that meet the criteria of a VIE in which we hold a variable interest. For each of these entities, we control the significant operating decisions and consequently have the power to direct the activities that most significantly impact the economic performance of the entities. As we also have the obligation to absorb the majority of the losses and/or the right to receive a majority of the benefits for each of these entities, all are consolidated in our financial statements. Net real estate assets related to VIEs included in our consolidated balance sheets were approximately \$1.5 billion for both December 31, 2019 and 2018, and mortgages related to VIEs included in our consolidated balance sheets were approximately \$469.2 million and \$444.4 million, as of December 31, 2019 and 2018, respectively.

We have also evaluated our mortgage notes receivable investments and determined that the entities obligated under the mortgage notes are not VIEs. Our equity method investments and mortgage notes receivable balances are presented separately in our consolidated balance sheets.

Redeemable Noncontrolling Interests

We have certain noncontrolling interests that are redeemable for cash upon the occurrence of an event that is not solely in our control and therefore are classified outside of permanent equity. We adjust the carrying amounts of these noncontrolling interests that are currently redeemable to redemption value at the balance sheet date. Adjustments to the carrying amount to reflect changes in redemption value are recorded as adjustments to additional paid-in capital in shareholders' equity. These amounts are classified within the mezzanine section of the consolidated balance sheets.

The following table provides a rollforward of the redeemable noncontrolling interests:

| | Year Ended | |
|-----------------------------|-------------------|-------------------|
| | December 31, | |
| | 2019 | 2018 |
| | (In thousands) | |
| Beginning balance | \$ 136,208 | \$ 141,157 |
| Contributions | 9,961 | 354 |
| Net Income | 3,430 | 3,865 |
| Distributions & Redemptions | (15,366) | (4,071) |
| Change in redemption value | 5,525 | (5,097) |
| Ending balance | <u>\$ 139,758</u> | <u>\$ 136,208</u> |

On August 2, 2019, we acquired the 10.1% redeemable noncontrolling interest in the partnership that owns our Montrose Crossing Shopping Center for \$10.0 million, bringing our ownership interest to 100%.

Income Taxes

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.

We have elected to treat certain of our subsidiaries as taxable REIT subsidiaries, which we refer to as a TRS. In general, a TRS may engage in any real estate business and certain non-real estate businesses, subject to certain limitations under the Internal Revenue Code of 1986, as amended (the "Code"). A TRS is subject to federal and state income taxes. Our TRS activities have not been material.

With few exceptions, we are no longer subject to U.S. federal, state, and local tax examinations by tax authorities for years before 2016. As of December 31, 2019 and 2018, we had no material unrecognized tax benefits. While we currently have no material unrecognized tax benefits, as a policy, we recognize penalties and interest accrued related to unrecognized tax benefits as income tax expense.

Segment Information

Our primary business is the ownership, management, and redevelopment of retail and mixed-use properties. We review operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. We evaluate financial performance using property operating income, which consists of rental income, other property income and mortgage interest income, less rental expenses and real estate taxes. No individual commercial or residential property constitutes more than 10% of our revenues or property operating income and we have no operations outside of the United States of America. Therefore, we have aggregated our properties into one reportable segment as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in major metropolitan areas, and have similar tenant mixes.

Recent Accounting Pronouncements

| Standard | Description | Date of Adoption | Effect on the financial statements or significant matters |
|---|--|------------------|--|
| <u>Recently adopted:</u> | | | |
| Leases (Topic 842) and related updates: ASU 2016-02, February 2016, Leases (Topic 842) ASU 2018-10, July 2018, Codification improvements to Topic 842, Leases ASU 2018-11, July 2018, Leases (Topic 842) ASU 2018-20, December 2018, Leases (Topic 842) Narrow Scope Improvements for Lessors ASU 2019-01, March 2019, Leases (Topic 842), Codification Improvements | ASC 842 significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The larger changes to the lessor model include: a change to the definition of initial direct costs of leases (resulting in the upfront expensing of more leasing related costs), the requirement to make an upfront and ongoing assessment of whether collection of substantially all of the lease payments required for the term of the lease is probable (if not probable, lease revenue is effectively recongnized when cash is collected), certain presentation changes, and the elimination of real estate specific guidance. ASU 2018-10, ASU 2018-20, and ASU 2019-01 provide narrow amendments that clarify how to apply certain aspects of the guidance in ASU 2016-02. ASU 2018-11 provides the option of an additional transition method, by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. It also provides lessors an option to not separate lease and non-lease components when certain criteria are met. | January 2019 | <p>We have elected to apply the transition provisions of ASC Topic 842 at the beginning of the period of adoption (i.e., January 1, 2019), and therefore, did not retrospectively adjust prior periods presented. We have also elected to apply certain adoption related practical expedients for all leases that commenced prior to the effective date. These practical expedients include not reassessing whether any expired or existing contracts are or contain leases; not reassessing the lease classification for any expired or existing leases; and not reassessing initial direct costs for any existing leases. We have also elected the practical expedient allowing lessors to combine non-lease and lease components (primarily impacts common area maintenance recoveries).</p> <p>From a lessee perspective, the primary impact of adoption on January 1, 2019 was to record a lease obligation liability and right of use asset for operating leases where we are the lessee. The most significant of these operating leases are ground leases at 14 properties. The operating lease right of use assets and related liabilities are shown separately on the face of our consolidated balance sheet and reflect the present value of the minimum lease payments. A key input in the calculation is the discount rate. As the rate implied in the lease agreements is not readily determinable, we utilized our incremental borrowing rate, which takes into account estimates including interest rates that correspond to the remaining term of the lease, our credit spread, and an adjustment to reflect the collateralized payment terms present in the lease. Additionally, amounts previously recorded as capital lease assets and included in real estate have been reclassified in the December 31, 2019 balance sheet as finance lease right of use assets and the related capital lease obligations have been reclassified in the December 31, 2019 balance sheet as finance lease liabilities. Income statement presentation is not impacted for our existing operating and finance leases.</p> <p>From a lessor perspective, adoption of ASC 842 results in a charge to opening accumulated dividends in excess of net income of \$7.1 million. This charge is attributable to the write off of certain direct leasing costs recorded as of December 31, 2018 under the previous lease accounting rules for leases which had not commenced and the write off of December 31, 2018 unreserved receivables (including straight-line receivables) for leases where we have determined that the collection of substantially all of the lease payments required for the term of the lease is not probable. Income statement presentation changes incorporated into our December 31, 2019 financial statements include: no longer recording a gross up of revenue and expense for costs (such as real estate taxes) paid directly by lessees on our behalf and recording collectability adjustments against revenue rather than as bad debt within rental expenses.</p> <p>As a result of the change in the definition of initial direct costs of leases, capitalized leasing costs excluding external commissions decreased to \$2.2 million for the year ended December 31, 2019 from \$7.5 million for the year ended December 31, 2018.</p> |

| Standard | Description | Date of Adoption | Effect on the financial statements or significant matters |
|---|---|-------------------------|--|
| <u>Adopted subsequent to December 31, 2019:</u> | | | |
| Financial Instruments - Credit Losses (Topic 326) and related updates: | This ASU changes the impairment model for most financial assets and certain other instruments, requiring the use of an "expected credit loss" model and adding more disclosure requirements. | January 2020 | While our mortgage notes receivable and certain other accounts receivables are impacted by this standard, the adoption of this standard will not have a significant impact to our consolidated financial statements. |
| ASU 2016-13, June 2016, <i>Financial Instruments - Credit Losses (Topic 326)</i> | ASU 2018-19 clarifies that impairment of of receivables arising from operating leases should accounted for in accordance with Topic 842, Leases. | | |
| ASU 2018-19, November 2018, <i>Codification improvements to Topic 326, Financial Instruments - Credit Losses</i> | | | |
| ASU 2018-15, August 2018, <i>Intangibles - Goodwill and Other Internal Use Software: Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract</i> | This ASU requires a customer in a cloud computing arrangement (i.e. hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement. Entities will expense costs during the preliminary project and post-implementation stages as they are incurred. The guidance can be applied prospectively to all implementation costs incurred after the date of adoption or retrospectively in accordance with ASC 250-10-45-5 through ASC 250-10-45-10. | January 2020 | The adoption of this standard will not have a significant impact to our consolidated financial statements. |

The following table provides additional information on our operating and finance leases where we are the lessee:

| | <u>Year Ended December 31, 2019</u> (In thousands) |
|--|---|
| LEASE COST: | |
| Finance lease cost: | |
| Amortization of right-of-use assets | \$ 1,284 |
| Interest on lease liabilities | 5,824 |
| Operating lease cost | 6,063 |
| Variable lease cost | 487 |
| Total lease cost | <u>\$ 13,658</u> |
| OTHER INFORMATION: | |
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows for finance leases | 5,759 |
| Operating cash flows for operating leases | 5,561 |
| Financing cash flows for finance leases | 47 |
| | <u>December 31, 2019</u> |
| Weighted-average remaining term - finance leases | 18.2 years |
| Weighted-average remaining term - operating leases | 53.7 years |
| Weighted-average discount rate - finance leases | 8.0% |
| Weighted-average discount rate - operating leases | 4.5% |

Consolidated Statements of Cash Flows—Supplemental Disclosures

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

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|-------------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| | (In thousands) | | |
| SUPPLEMENTAL DISCLOSURES: | | | |
| Total interest costs incurred | \$ 130,110 | \$ 129,001 | \$ 125,684 |
| Interest capitalized | (20,487) | (18,847) | (25,559) |
| Interest expense | <u>\$ 109,623</u> | <u>\$ 110,154</u> | <u>\$ 100,125</u> |
| Cash paid for interest, net of amounts capitalized | <u>\$ 106,180</u> | <u>\$ 107,494</u> | <u>\$ 105,201</u> |
| Cash paid for income taxes | <u>\$ 483</u> | <u>\$ 675</u> | <u>\$ 352</u> |
| NON-CASH INVESTING AND FINANCING TRANSACTIONS (1): | | | |
| Mortgage loans refinanced | \$ — | \$ — | \$ 166,823 |
| Mortgage loans assumed/entered into with acquisition | \$ 98,041 | \$ — | \$ 79,401 |
| DownREIT operating partnership units issued with acquisition | \$ — | \$ — | \$ 5,918 |
| DownREIT operating partnership units redeemed for common shares | \$ 14,105 | \$ 101 | \$ 2,569 |
| Settlement of partner loan receivable via dilution of partner interests | \$ 5,379 | \$ — | \$ — |
| Shares issued under dividend reinvestment plan | \$ 1,784 | \$ 1,884 | \$ 2,017 |
| Contribution from noncontrolling interest | \$ — | \$ 1,435 | \$ — |

(1) See Note 5 for additional disclosures relating to the mortgages entered into and assumed as a result of the Hoboken acquisition in 2019. In addition, see Note 3 for additional disclosures relating to our investment in the Assembly Row hotel joint venture in 2018.

Capitalized lease costs are incremental direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place. These costs include third party commissions related to obtaining a lease. Capitalized lease costs are amortized over the initial term of the related lease which generally ranges from three to ten years. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow

and therefore, we classify cash outflows related to leasing costs as an investing activity in our consolidated statements of cash flows. See the "Recent Accounting Pronouncements" section in this note for further discussion regarding the change in accounting for lease costs as well as the operating lease right of use assets and lease liabilities recorded in connection with our adoption of ASC Topic 842.

| | December 31, | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| (In thousands) | | |
| RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: | | |
| Cash and cash equivalents | \$ 127,432 | \$ 64,087 |
| Restricted cash (1) | 26,182 | 44,245 |
| Total cash, cash equivalents, and restricted cash | <u>\$ 153,614</u> | <u>\$ 108,332</u> |

(1) Restricted cash balances are included in "prepaid expenses and other assets" on our consolidated balance sheets.

NOTE 3—REAL ESTATE

2019 Property Acquisitions

| Date Acquired | Property | City/State | Gross | Purchase Price |
|--------------------|----------------------------------|---------------------------|------------------|----------------|
| | | | Leasable | (in millions) |
| | | | Area (GLA) | |
| | | | (in square feet) | |
| February 8, 2019 | Fairfax Junction | Fairfax, Virginia | 75,000 | \$ 22.5 (1) |
| September 13, 2019 | San Antonio Center | Mountain View, California | 6,000 | \$ 6.5 |
| November 15, 2019 | Georgetowne Shopping Center | Brooklyn, New York | 147,000 | \$ 83.7 (2) |
| Various 2019 | Hoboken (37 mixed-use buildings) | Hoboken, New Jersey | 158,000 | \$ 189.2 (3) |

(1) Approximately \$0.6 million and \$0.4 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

(2) Approximately \$2.0 million and \$0.4 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

(3) These acquisitions were completed through a newly formed joint venture, for which we own a 90% interest. The purchase price includes new and assumptions of mortgage debt totaling approximately \$98.0 million. This property includes 123 residential units in addition to the GLA in the table above. Approximately \$3.6 million and \$8.1 million of net assets acquired were allocated to other assets for "above market leases," and other liabilities for "below market leases," respectively.

2019 Property Dispositions

On December 11, 2019, we received \$154.7 million in net proceeds related to the sale under the threat of condemnation of 11.7 acres of San Antonio Center to a local school district ("the condemning authority"). As part of the transaction, the condemning authority will commence condemnation proceedings in order to terminate all existing leases they assumed at closing. We have indemnified the condemning authority for all costs incurred related to the condemnation proceedings including any payments required to tenants at the property and expect the process will take several years to complete. The consideration in the transaction is considered variable because we have agreed to indemnify the condemning authority for these costs. Consequently, we have recorded a liability of \$45.5 million to reflect our estimate of the final consideration, net of estimated condemnation proceeding costs and other transaction related costs. The resulting net gain on sale is approximately \$85.1 million.

During the year ended December 31, 2019, we sold three properties and one land parcel for a net sales price of \$149.0 million, which resulted in a net gain of \$28.3 million.

During the year ended December 31, 2019, we closed on the sale of 43 condominium units at our Assembly Row and Pike & Rose properties (combined), received proceeds net of closing costs of \$20.1 million, and recognized a gain of \$2.6 million, net of income taxes. The cost basis for the remaining condominium units as of December 31, 2019 is \$1.7 million, and is included in "assets held for sale" on our consolidated balance sheet.

2018 Property Acquisitions and Dispositions

On June 15, 2018, we formed a new joint venture to develop Freedom Plaza (formerly known as Jordan Downs Plaza) which, when completed, will be an approximately 113,000 square foot grocery anchored shopping center located in Los Angeles County, California. We initially invested \$34.4 million as a result of a pre-funding requirement for equity to be advanced prior to the start of construction. We own approximately 91% of the venture, and control the 9.4 acre land parcel on which the shopping center will be constructed under a long-term ground lease that expires June 15, 2093 (including two 10-year option periods which may be exercised at our option). The Freedom Plaza development is expected to generate income tax credits under the New Market Tax Credit Program ("NMTC") which was provided for in the Community Renewal Tax Relief Act of 2000 ("the Act") and is intended to induce investment in underserved areas of the United States. The Act permits taxpayers to claim credits against their Federal income taxes for qualified investments. A third party bank contributed \$13.9 million to the development, and is entitled to the related tax credit benefits, but they do not have an interest in the underlying economics of the property. The transaction also includes a put/call provision whereby we may be obligated or entitled to purchase the third party bank's interest. We believe the put will be exercised at its \$1,000 strike price. Based on our assessment of control, we concluded that the project and certain other transaction related entities should be consolidated. The \$13.9 million in proceeds received in exchange for the transfer of the tax credits has been deferred and will be recognized when the tax benefits are delivered to the third party bank without risk of recapture. Direct and incremental costs of \$1.6 million incurred in structuring the NMTC transaction have also been deferred. The Trust anticipates recognizing the net cash received as revenue upon completion of the seven-year NMTC compliance period. Cash in escrow at December 31, 2019 of \$12.6 million, reflects remaining cash that will ultimately be used for the development of the shopping center, and is included in "prepaid expenses and other assets" on our consolidated balance sheets. The cash is held in escrow pursuant to the new market tax credit transaction documents and will be released as qualified development expenditures are incurred.

In August 2018, we contributed hotel related assets valued at \$44.0 million to our Assembly Row hotel joint venture, and received a cash distribution of \$38.0 million. At December 31, 2019, our investment in the venture was \$3.2 million. The joint venture is considered a variable interest entity controlled by our partner, and as a result, we are using the equity method to account for our investment.

During the year ended December 31, 2018, we sold two properties for a net sales price of \$42.2 million, which resulted in a net gain of \$4.7 million.

On November 29, 2018, we acquired a 40,000 square foot building adjacent to our Bell Gardens property for \$9.6 million.

During the year ended December 31, 2018, we closed on the sale of 176 condominium units at our Assembly Row and Pike & Rose properties (combined) and received proceeds net of closing costs of \$133.5 million. For the year ended December 31, 2018, we recognized a gain of \$7.2 million, net of \$1.6 million of income taxes. The cost basis for remaining condominium units that were ready for their intended use as of December 31, 2018 was \$16.6 million, and is included in "assets held for sale" on our consolidated balance sheet.

NOTE 4—ACQUIRED IN-PLACE LEASES

Acquired lease assets comprise above market leases where we are the lessor and below market leases where we are the lessee. Acquired lease liabilities comprise below market leases where we are the lessor and above market leases where we are the lessee. As a lessor, acquired above market leases are included in prepaid expenses and other assets, and acquired below market leases are included in other liabilities and deferred credits. In accordance with our adoption of ASC Topic 842, acquired below market leases and acquired above market leases where we are the lessee are included in right of use assets. The following is a summary of our acquired lease assets and liabilities:

| | December 31, 2019 | | December 31, 2018 | |
|-----------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| | (in thousands) | | | |
| Above market leases, lessor | \$ 48,530 | \$ (32,833) | \$ 49,128 | \$ (33,843) |
| Below market leases, lessee | 34,604 | (3,362) | 34,604 | (2,533) |
| Total | <u>\$ 83,134</u> | <u>\$ (36,195)</u> | <u>\$ 83,732</u> | <u>\$ (36,376)</u> |
| Below market leases, lessor | \$ (177,512) | \$ 66,419 | \$ (189,379) | \$ 65,408 |
| Above market leases, lessee | (9,084) | 1,590 | (9,084) | 1,065 |
| Total | <u>\$ (186,596)</u> | <u>\$ 68,009</u> | <u>\$ (198,463)</u> | <u>\$ 66,473</u> |

The value allocated to in-place leases where we are the lessor is amortized over the related lease term and reflected as additional rental income for below market leases or a reduction of rental income for above market leases in the consolidated statements of comprehensive income. The related amortization of in-place leases where we are the lessee is reflected as additional rental expense for below market leases or a reduction of rental expenses for above market leases in the consolidated statements of comprehensive income. The following is a summary of acquired lease amortization:

| | Year Ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2019 | 2018 | 2017 |
| | (in thousands) | | |
| Amortization of above market leases, lessor | \$ (3,239) | \$ (5,608) | \$ (6,005) |
| Amortization of below market leases, lessor | 9,623 | 12,445 | 10,726 |
| Net increase in rental income | <u>\$ 6,384</u> | <u>\$ 6,837</u> | <u>\$ 4,721</u> |
| Amortization of below market leases, lessee | \$ 828 | \$ 828 | \$ 781 |
| Amortization of above market leases, lessee | (525) | (505) | (290) |
| Net increase in rental expense | <u>\$ 303</u> | <u>\$ 323</u> | <u>\$ 491</u> |

The following is a summary of the remaining weighted average amortization period for our acquired lease assets and acquired lease liabilities:

| | December 31, 2019 |
|-----------------------------|-------------------|
| Above market leases, lessor | 3.7 years |
| Below market leases, lessee | 39.6 years |
| Below market leases, lessor | 18.1 years |
| Above market leases, lessee | 14.4 years |

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

| | Acquired Lease Assets | Acquired Lease Liabilities |
|--------------------------|--------------------------|-------------------------------|
| | (In thousands) | |
| Year ending December 31, | | |
| 2020 | \$ 4,350 | \$ 8,235 |
| 2021 | 3,370 | 7,687 |
| 2022 | 2,716 | 7,394 |
| 2023 | 2,488 | 7,134 |
| 2024 | 2,223 | 6,603 |
| Thereafter | 31,792 | 81,534 |
| | <u>\$ 46,939</u> | <u>\$ 118,587</u> |

NOTE 5—DEBT

The following is a summary of our total debt outstanding as of December 31, 2019 and 2018:

| Description of Debt | Principal Balance as of December 31, | | Stated Interest Rate as of December 31, 2019 | Stated Maturity Date as of December 31, 2019 |
|--|---|---------------------|--|--|
| | 2019 | 2018 | | |
| Mortgages payable | (Dollars in thousands) | | | |
| Rollingwood Apartments | \$ — | \$ 20,331 | 5.54% | May 1, 2019 |
| The Shops at Sunset Place | 61,987 | 64,453 | 5.62% | September 1, 2020 |
| 29th Place | 3,878 | 4,117 | 5.91% | January 31, 2021 |
| Sylmar Towne Center | 16,630 | 17,006 | 5.39% | June 6, 2021 |
| Plaza Del Sol | 8,230 | 8,409 | 5.23% | December 1, 2021 |
| THE AVENUE at White Marsh | 52,705 | 52,705 | 3.35% | January 1, 2022 |
| Montrose Crossing | 67,492 | 69,310 | 4.20% | January 10, 2022 |
| Azalea | 40,000 | 40,000 | 3.73% | November 1, 2025 |
| Bell Gardens | 12,677 | 12,936 | 4.06% | August 1, 2026 |
| Plaza El Segundo | 125,000 | 125,000 | 3.83% | June 5, 2027 |
| The Grove at Shrewsbury (East) | 43,600 | 43,600 | 3.77% | September 1, 2027 |
| Brook 35 | 11,500 | 11,500 | 4.65% | July 1, 2029 |
| Hoboken (24 Buildings) | 56,450 | — | LIBOR + 1.95% | December 15, 2029 |
| Various Hoboken (12 Buildings) | 24,627 | — | Various (1) | Various through 2029 |
| Chelsea | 5,597 | 5,941 | 5.36% | January 15, 2031 |
| Hoboken (1 Building) | 16,874 | — | 3.75% | July 1, 2042 |
| Subtotal | 547,247 | 475,308 | | |
| Net unamortized premium and debt issuance costs | (1,568) | (929) | | |
| Total mortgages payable | 545,679 | 474,379 | | |
| Notes payable | | | | |
| Term loan | — | 275,000 | LIBOR + 0.90% | November 21, 2019 |
| Revolving credit facility | — | — | LIBOR + 0.775% | January 19, 2024 |
| Various | 3,843 | 4,392 | 11.31% | Various through 2028 |
| Subtotal | 3,843 | 279,392 | | |
| Net unamortized debt issuance costs | (62) | (365) | | |
| Total notes payable | 3,781 | 279,027 | | |
| Senior notes and debentures | | | | |
| 2.55% notes | 250,000 | 250,000 | 2.55% | January 15, 2021 |
| 3.00% notes | 250,000 | 250,000 | 3.00% | August 1, 2022 |
| 2.75% notes | 275,000 | 275,000 | 2.75% | June 1, 2023 |
| 3.95% notes | 300,000 | 300,000 | 3.95% | January 15, 2024 |
| 7.48% debentures | 29,200 | 29,200 | 7.48% | August 15, 2026 |
| 3.25% notes | 475,000 | 475,000 | 3.25% | July 15, 2027 |
| 6.82% medium term notes | 40,000 | 40,000 | 6.82% | August 1, 2027 |
| 3.20% notes | 400,000 | — | 3.20% | June 15, 2029 |
| 4.50% notes | 550,000 | 550,000 | 4.50% | December 1, 2044 |
| 3.625% notes | 250,000 | 250,000 | 3.625% | August 1, 2046 |
| Subtotal | 2,819,200 | 2,419,200 | | |
| Net unamortized discount and debt issuance costs | (12,066) | (14,921) | | |
| Total senior notes and debentures | 2,807,134 | 2,404,279 | | |
| Various | — | 71,519 | Various | Various through 2106 |
| Total debt and capital lease obligations | \$ 3,356,594 | \$ 3,229,204 | | |

1) The interest rates on these mortgages range from 3.91% to 5.00%.

On January 31, 2019, we repaid the \$20.3 million mortgage loan on Rollingwood Apartments, at par, prior to its original maturity date.

On June 7, 2019, we issued \$300.0 million of fixed rate senior unsecured notes that mature on June 15, 2029 and bear interest at 3.20%. The notes were offered at 99.838% of the principal amount with a yield to maturity of 3.219%. On August 21, 2019, we issued an additional \$100.0 million senior notes of the same series and with the same terms. The August notes were offered at 103.813% of the principal amount, with a yield to maturity of 2.744%. The combined net proceeds from the note offerings after net issuance premium, underwriting fees, and other costs were \$399.9 million, which were primarily used to repay our \$275.0 million unsecured term loan, at par, on June 7, 2019 and for general corporate purposes.

On July 25, 2019, we amended our revolving credit facility to increase our borrowing capacity to \$1.0 billion and extend the maturity date to January 19, 2024, plus two six-month extensions at our option. Under the amended facility, the spread over LIBOR is 77.5 basis points based on our current credit rating. In addition, we have an option (subject to bank approval) to increase the credit facility through an accordion feature to \$1.5 billion.

During 2019, 2018 and 2017, the maximum amount of borrowings outstanding under our revolving credit facility was \$116.5 million, \$177.0 million and \$344.0 million, respectively. The weighted average amount of borrowings outstanding was \$26.8 million, \$83.1 million and \$147.5 million, respectively, and the weighted average interest rate, before amortization of debt fees, was 3.2%, 2.7% and 1.9%, respectively. The revolving credit facility requires an annual facility fee of \$1.0 million. At December 31, 2019 and 2018, our revolving credit facility had no balance outstanding.

In connection with our Hoboken, New Jersey acquisitions in 2019, we assumed mortgage loans with a face amount of \$41.6 million and a fair value of \$42.9 million, and entered into a new mortgage loan with a face amount of \$56.5 million. The mortgage loans associated with our Hoboken acquisitions have the following contractual terms:

| | <u>Principal</u> (in millions) | <u>Stated Interest Rate</u> | <u>Maturity Date</u> |
|-------------------------------------|-----------------------------------|-----------------------------|----------------------|
| September 18, 2019 (date assumed) | \$ 17.0 | 3.75% | July 1, 2042 |
| November 26, 2019 (date originated) | \$ 56.5 | LIBOR + 1.95% (1) | December 15, 2029 |
| November 26, 2019 (date assumed) | \$ 5.7 | Various (2) | Various (2) |
| December 19, 2019 (date assumed) | \$ 18.9 | Various (3) | Various (3) |

(1) The interest rate is effectively fixed at 3.67% as a result of two interest rate swap agreements.

(2) The interest rates on these mortgages range from 3.91% to 5.00% and have maturity dates ranging from January 9, 2025 to May 31, 2029.

(3) The interests rates on these mortgages range from 4.00% to 4.38% and have maturity dates ranging from October 1, 2025 to July 1, 2026.

Our revolving credit facility 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 December 31, 2019, we were in compliance with all default related debt covenants.

Scheduled principal payments on mortgages payable, notes payable, senior notes and debentures as of December 31, 2019 are as follows:

| Year ending December 31, | <u>Mortgages Payable</u> | <u>Notes Payable</u> | <u>Senior Notes and Debentures</u> | <u>Total Principal</u> |
|--------------------------|--------------------------|----------------------|------------------------------------|-------------------------|
| | (In thousands) | | | |
| 2020 | \$ 66,252 | \$ 613 | \$ — | \$ 66,865 |
| 2021 | 31,519 | 680 | 250,000 | 282,199 |
| 2022 | 119,460 | 756 | 250,000 | 370,216 |
| 2023 | 3,293 | 775 | 275,000 | 279,068 |
| 2024 | 3,421 | 665 (1) | 300,000 | 304,086 |
| Thereafter | 323,302 | 354 | 1,744,200 | 2,067,856 |
| | <u>\$ 547,247</u> | <u>\$ 3,843</u> | <u>\$ 2,819,200</u> | <u>\$ 3,370,290</u> (2) |

(1) Our \$1.0 billion revolving credit facility matures on January 19, 2024, plus two six-month extensions at our option. As of December 31, 2019, there was no outstanding balance under this credit facility.

- (2) The total debt maturities differ from the total reported on the consolidated balance sheet due to the unamortized net premium/discount and debt issuance costs on mortgage loans, notes payable, and senior notes as of December 31, 2019.

NOTE 6—FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability in an orderly transaction. The hierarchy for inputs used in measuring fair value are as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities
2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities
3. Level 3 Inputs—prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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:

| | December 31, 2019 | | December 31, 2018 | |
|-----------------------------|-------------------|--------------|-------------------|--------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | (In thousands) | | | |
| Mortgages and notes payable | \$ 549,460 | \$ 562,049 | \$ 753,406 | \$ 751,361 |
| Senior notes and debentures | \$ 2,807,134 | \$ 3,001,216 | \$ 2,404,279 | \$ 2,371,392 |

During 2019, we entered into two interest rate swap agreements with notional amounts of \$56.5 million that are measured at fair value on a recurring basis. The interest rate swap agreements fix the interest rate on \$56.5 million of mortgage payables associated with our Hoboken acquisition at 3.67% through December 15, 2029. 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 December 31, 2019 was an asset of \$0.1 million and is included in "prepaid expenses and other assets" on our consolidated balance sheet. During 2019, we reclassified less than \$0.1 million from other comprehensive income as an increase to interest expense. A summary of our financial assets that are measured at fair value on a recurring basis, by level within the fair value hierarchy is as follows:

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---------------------|-------------------|---------|---------|--------|-------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (In thousands) | | | | | | | |
| Interest rate swaps | \$ — | \$ 130 | \$ — | \$ 130 | \$ — | \$ — | \$ — | \$ — |

One of our equity method investees has two interest rate swaps which qualify as cash flow hedges. At December 31, 2019 and December 31, 2018, our share of the decrease in fair value of the related swaps included in "accumulated other comprehensive loss" was \$0.9 million and \$0.4 million, respectively.

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

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

We reserve for estimated losses, if any, associated with warranties given to a buyer at the time real estate is sold or other potential liabilities relating to that sale, taking any insurance policies into account. These warranties may extend up to ten years and require significant judgment. If changes in facts and circumstances indicate that warranty reserves are understated, we will accrue additional reserves at such time a liability has been incurred and the costs can be reasonably estimated. Warranty reserves are released once the legal liability period has expired or all related work has been substantially completed.

At December 31, 2019 and 2018, our reserves for general liability costs were \$3.0 million and \$3.1 million, respectively, and are included in “accounts payable and accrued expenses” in our consolidated balance sheets. Any potential losses which exceed our estimates would result in a decrease in our net income. During 2019 and 2018, we made payments from these reserves of \$1.3 million and \$1.4 million, respectively. Although we consider the reserve to be adequate, there can be no assurance that the reserve will prove to be adequate over-time to cover losses due to the difference between the assumptions used to estimate the reserve and actual losses.

At December 31, 2019, we had letters of credit outstanding of approximately \$4.3 million.

As of December 31, 2019 in connection with capital improvement, development, and redevelopment projects, the Trust has contractual obligations of approximately \$572.4 million.

Future minimum lease payments and their present value for properties under finance leases as of December 31, 2019, are as follows:

| | (In thousands) |
|------------------------------------|-----------------------|
| Year ending December 31, | |
| 2020 | \$ 5,800 |
| 2021 | 5,800 |
| 2022 | 5,810 |
| 2023 | 60,013 |
| 2024 | 1,013 |
| Thereafter | 81,849 |
| | <hr/> 160,285 |
| Less amount representing interest | (88,808) |
| Add straight line lease obligation | 585 |
| Present value | <hr/> <hr/> \$ 72,062 |

We are obligated under operating lease agreements on several shopping centers requiring minimum annual payments as follows, as of December 31, 2019:

| | (In thousands) |
|--------------------------|-----------------------|
| Year ending December 31, | |
| 2020 | \$ 4,824 |
| 2021 | 4,832 |
| 2022 | 4,948 |
| 2023 | 4,988 |
| 2024 | 4,951 |
| Thereafter | 179,896 |
| | <u>\$ 204,439</u> |

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

Under the terms of the Congressional Plaza partnership agreement, a minority partner has the right to require us and the other minority partner to purchase its 26.63% interest in Congressional Plaza at the interest's then-current fair market value. If the other minority partner defaults in their obligation, we must purchase the full interest. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from approximately \$79 million to \$84 million.

A master lease for Melville Mall includes a fixed purchase price option in 2021 for \$5 million. If we fail to exercise our purchase option, the owner of Melville Mall has a put option which would require us to purchase Melville Mall in 2023 for \$5 million.

Two of the members in Plaza El Segundo have the right to require us to purchase their 10.0% and 11.8% ownership interests at the interests' then-current fair market value. If the members fail to exercise their put options, we have the right to purchase each of their interests on or after December 30, 2026 at fair market value. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from approximately \$30 million to \$33 million.

The other member in The Grove at Shrewsbury and Brook 35 has the right to require us to purchase all of its approximately 4.1% interest in The Grove at Shrewsbury and approximately 6.5% interest in Brook 35 at the interests' then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from \$7 million to \$8 million.

Effective September 18, 2023, the other member in Hoboken has the right to require us to purchase all of its 10.0% ownership interest at the interest's then-current fair market value. Based on management's current estimate of fair market value as of December 31, 2019, our estimated maximum liability upon exercise of the put option would range from \$9 million to \$10 million.

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 609,584 downREIT operating partnership units are outstanding which have a total fair value of \$78.5 million, based on our closing stock price on December 31, 2019.

NOTE 8—SHAREHOLDERS' EQUITY

We have a Dividend Reinvestment Plan (the "Plan"), whereby shareholders may use their dividends and optional cash payments to purchase shares. In 2019, 2018 and 2017, 15,909 shares, 17,952 shares and 17,911 shares, respectively, were issued under the Plan.

On September 29, 2017, we issued 6,000,000 Depositary Shares, each representing 1/1000th interest of 5.0% Series C Cumulative Redeemable Preferred Share, par value \$0.01 per share ("Series C Preferred Shares"), at the liquidation preference of \$25.00 per depositary share (or \$25,000 per Series C Preferred share) in an underwritten public offering, which were outstanding as of December 31, 2019, 2018, and 2017. The Series C Preferred Shares accrue dividends at a rate of 5.0% of the \$25,000 liquidation preference per year and are redeemable at our option on or after September 29, 2022. Additionally, they are not convertible and holders of these shares generally have no voting rights, unless we fail to pay dividends for six or more quarters. The net proceeds after underwriting fees and other costs were approximately \$145.0 million for the year ended December 31, 2017.

As of December 31, 2019, 2018, and 2017, we had 399,896 shares of 5.417% Series 1 Cumulative Convertible Preferred Shares (“Series 1 Preferred Shares”) outstanding that have a liquidation preference of \$25 per share and par value \$0.01 per share. The Series 1 Preferred Shares accrue dividends at a rate of 5.417% per year and are convertible at any time by the holders to our common shares at a conversion rate of \$104.69 per share. The Series 1 Preferred Shares are also convertible under certain circumstances at our election. The holders of the Series 1 Preferred Shares have no voting rights.

On May 7, 2018, 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 \$400.0 million. We intend to use the net proceeds to fund potential acquisition opportunities, fund our development and redevelopment pipeline, repay amounts of outstanding under our revolving credit facility and/or for general corporate purposes. For the year ended December 31, 2019, we issued 1,069,699 common shares at a weighted average price per share of \$134.71 for net cash proceeds of \$142.7 million and paid \$1.2 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. For the year ended December 31, 2018, we issued 987,383 common shares at a weighted average price per share of \$129.19 for net cash proceeds of \$126.1 million and paid \$1.3 million in commissions and \$0.2 million in additional offering expenses related to the sales of these common shares. As of December 31, 2019, we had the capacity to issue up to \$128.3 million in common shares under our ATM equity program.

NOTE 9—DIVIDENDS

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

| | Year Ended December 31, | | | | | |
|--|-------------------------|----------|----------|----------|----------|----------|
| | 2019 | | 2018 | | 2017 | |
| | Declared | Paid | Declared | Paid | Declared | Paid |
| Common shares | \$ 4.140 | \$ 4.110 | \$ 4.040 | \$ 4.020 | \$ 3.960 | \$ 3.940 |
| 5.417% Series 1 Cumulative Convertible Preferred shares | \$ 1.354 | \$ 1.354 | \$ 1.354 | \$ 1.354 | \$ 1.354 | \$ 1.354 |
| 5.0% Series C Cumulative Redeemable Preferred shares (1) | \$ 1.250 | \$ 1.250 | \$ 1.250 | \$ 1.306 | \$ 0.368 | \$ — |

(1) Amount represents dividends per depositary share, each representing 1/1000th of a share.

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

| | Year Ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2019 | 2018 | 2017 |
| Common shares | | | |
| Ordinary dividend | \$ 4.110 | \$ 3.859 | \$ 3.940 |
| Ordinary dividend eligible for 15% rate | — | 0.161 | — |
| | <u>\$ 4.110</u> | <u>\$ 4.020</u> | <u>\$ 3.940</u> |
| 5.417% Series 1 Cumulative Convertible Preferred shares | | | |
| Ordinary dividend | \$ 1.354 | \$ 1.300 | \$ 1.354 |
| Ordinary dividend eligible for 15% rate | — | 0.054 | — |
| | <u>\$ 1.354</u> | <u>\$ 1.354</u> | <u>\$ 1.354</u> |
| 5.0% Series C Cumulative Redeemable Preferred shares | | | |
| Ordinary dividend | \$ 1.250 | \$ 1.254 | \$ — |
| Ordinary dividend eligible for 15% rate | — | 0.052 | \$ — |
| | <u>\$ 1.250</u> | <u>\$ 1.306</u> | <u>\$ —</u> |

On October 30, 2019, the Trustees declared a quarterly cash dividend of \$1.05 per common share, payable January 15, 2020 to common shareholders of record on January 2, 2020.

NOTE 10—OPERATING LEASES

At December 31, 2019, our 104 predominantly retail shopping center and mixed-use properties are located in 12 states and the District of Columbia. There are approximately 3,000 commercial leases and 2,700 residential leases. Our commercial tenants range from sole proprietorships to national retailers and corporations. At December 31, 2019, no one tenant or corporate group of tenants accounted for more than 2.6% of annualized base rent.

Our leases with commercial property and residential tenants are classified as operating leases. Commercial property leases generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, may provide for percentage rents based on the tenant's level of sales achieved and cost recoveries for the tenant's share of certain operating costs. Leases on apartments are generally for a period of 1 year or less.

As of December 31, 2019, future minimum rentals from noncancelable commercial operating leases (excluding both tenant reimbursements of operating expenses and percentage rent based on tenants' sales) are as follows:

| | (In thousands) |
|--------------------------|---------------------|
| Year ending December 31, | |
| 2020 | \$ 616,760 |
| 2021 | 565,835 |
| 2022 | 498,438 |
| 2023 | 422,729 |
| 2024 | 352,221 |
| Thereafter | 1,528,699 |
| | <u>\$ 3,984,682</u> |

NOTE 11—COMPONENTS OF RENTAL EXPENSE

The principal components of rental expenses are as follows:

| | Year Ended December 31, | | |
|---------------------------|-------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| | (In thousands) | | |
| Repairs and maintenance | \$ 73,179 | \$ 67,745 | \$ 67,996 |
| Utilities | 27,729 | 27,635 | 25,763 |
| Management fees and costs | 24,930 | 24,024 | 22,297 |
| Payroll | 16,485 | 16,140 | 14,922 |
| Insurance | 9,036 | 7,547 | 7,762 |
| Marketing | 7,427 | 7,935 | 9,007 |
| Ground rent | 4,803 | 4,697 | 3,826 |
| Bad debt (1) | — | 4,708 | 2,591 |
| Other operating (2) | 24,242 | 12,663 | 10,726 |
| Total rental expenses | <u>\$ 187,831</u> | <u>\$ 173,094</u> | <u>\$ 164,890</u> |

- (1) Collectibility adjustments are now presented as a reduction of rental income rather than rental expense in accordance with our adoption of the new lease standard (see Note 2 for additional disclosure).
- (2) Other operating for the year ended December 31, 2019 includes an \$11.9 million charge relating to the buyout of a lease at Assembly Square Marketplace.

NOTE 12—SHARE-BASED COMPENSATION PLANS

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

| | Year Ended December 31, | | |
|--------------------------------------|-------------------------|------------------|------------------|
| | 2019 | 2018 | 2017 |
| | (In thousands) | | |
| Grants of common shares and options | \$ 13,330 | \$ 12,736 | \$ 12,371 |
| Capitalized share-based compensation | (1,054) | (1,017) | (1,385) |
| Share-based compensation expense | <u>\$ 12,276</u> | <u>\$ 11,719</u> | <u>\$ 10,986</u> |

We have grants outstanding under our shareholder approved 2010 Performance Incentive Plan, as amended (the "2010 Plan"), which authorized the grant of share options, common shares and other share-based awards for up to 2,450,000 common shares of beneficial interest.

Option awards under the plan are required to have an exercise price at least equal to the closing trading price of our common shares on the date of grant. Options and restricted share awards under the plan generally vest over three to seven years and option awards typically have a ten-year contractual term. We pay dividends on unvested shares. Certain options and share awards provide for accelerated vesting if there is a change in control. Additionally, the vesting on certain option and share awards can accelerate in part or in full upon retirement based on the age of the retiree or upon termination without cause.

The fair value of each option award is estimated on the date of grant using the Black-Scholes model. Expected volatilities, term, dividend yields, employee exercises and estimated forfeitures are primarily based on historical data. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value of each share award is determined based on the closing trading price of our common shares on the grant date. No options were granted in 2019 and 2017.

The following table provides a summary of the assumptions used to value options granted in 2018:

| | Year Ended December 31, 2018 |
|--------------------------|------------------------------------|
| Volatility | 18.0% |
| Expected dividend yield | 3.6% |
| Expected term (in years) | 7.5 |
| Risk free interest rate | 2.8% |

The following table provides a summary of option activity for 2019:

| | Shares Under Option | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term (In years) | Aggregate Intrinsic Value (In thousands) |
|----------------------------------|---------------------------|---|---|---|
| Outstanding at December 31, 2018 | 682 | \$ 152.34 | | |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited or expired | — | — | | |
| Outstanding at December 31, 2019 | <u>682</u> | <u>\$ 152.34</u> | <u>6.1</u> | <u>\$ —</u> |
| Exercisable at December 31, 2019 | <u>409</u> | <u>\$ 152.34</u> | <u>6.1</u> | <u>\$ —</u> |

The weighted-average grant-date fair value of options granted in 2018 was \$14.42 per share, which were later forfeited during 2018. The total cash received from options exercised during 2018 and 2017 was \$4.6 million and \$10.0 million, respectively. The total intrinsic value of options exercised during the years ended December 31, 2018 and 2017 was \$8.2 million and \$10.7 million, respectively.

The following table provides a summary of restricted share activity for 2019:

| | Shares | Weighted-Average Grant-Date Fair Value |
|-------------------------------|----------------|--|
| Unvested at December 31, 2018 | 206,100 | \$ 130.46 |
| Granted | 122,056 | 133.30 |
| Vested | (97,077) | 133.35 |
| Forfeited | (10,501) | 151.22 |
| Unvested at December 31, 2019 | <u>220,578</u> | <u>\$ 129.78</u> |

The weighted-average grant-date fair value of stock awarded in 2019, 2018 and 2017 was \$133.30, \$112.88 and \$139.31, respectively. The total vesting-date fair value of shares vested during the year ended December 31, 2019, 2018 and 2017, was \$13.0 million, \$9.7 million and \$12.5 million, respectively.

As of December 31, 2019, there was \$17.1 million of total unrecognized compensation cost related to unvested share-based compensation arrangements (i.e. options and unvested shares) granted under our plans. This cost is expected to be recognized over the next 4.9 years with a weighted-average period of 2.4 years.

Subsequent to December 31, 2019, common shares were awarded under various compensation plans as follows:

| Date | Award | Vesting Term | Beneficiary |
|------------------|---------------------------|--------------|----------------------------|
| January 2, 2020 | 5,591 Shares | Immediate | Trustees |
| February 4, 2020 | 101,981 Restricted Shares | 1-7 years | Officers and key employees |

NOTE 13—SAVINGS AND RETIREMENT PLANS

We have a savings and retirement plan in accordance with the provisions of Section 401(k) of the Code. Generally, employees can elect, at their discretion, to contribute a portion of their compensation up to a maximum of \$19,000 for 2019, \$18,500 for 2018, and 18,000 for 2017. Under the plan, we contribute 50% of each employee's elective deferrals up to 5% of eligible earnings. In addition, we may make discretionary contributions within the limits of deductibility set forth by the Code. Our full-time employees are immediately eligible to become plan participants. Employees are eligible to receive matching contributions immediately on their participation; however, these matching payments will not vest until their third anniversary of employment. Our expense for the years ended December 31, 2019, 2018 and 2017 was approximately \$764,000, \$688,000 and \$632,000, respectively.

A non-qualified deferred compensation plan for our officers and certain other employees was established in 1994 that allows the participants to defer a portion of their income. As of December 31, 2019 and 2018, we are liable to participants for approximately \$14.7 million and \$12.0 million, respectively, under this plan. Although this is an unfunded plan, we have purchased certain investments to match this obligation. Our obligation under this plan and the related investments are both included in the accompanying consolidated financial statements.

NOTE 14—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 2019, 2018, and 2017 we had 0.2 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 682 anti-dilutive stock options in 2019, 2018, and 2017, respectively. 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.

| | Year Ended December 31, | | |
|---|---------------------------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 |
| | (In thousands, except per share data) | | |
| NUMERATOR | | | |
| Net income | \$ 360,542 | \$ 249,026 | \$ 297,870 |
| Less: Preferred share dividends | (8,042) | (8,042) | (2,458) |
| Less: Income from operations attributable to noncontrolling interests | (6,676) | (7,119) | (7,956) |
| Less: Earnings allocated to unvested shares | (1,007) | (930) | (942) |
| Net income available for common shareholders, basic and diluted | <u>\$ 344,817</u> | <u>\$ 232,935</u> | <u>\$ 286,514</u> |
| DENOMINATOR | | | |
| Weighted average common shares outstanding—basic | 74,766 | 73,274 | 72,117 |
| Stock options | — | 28 | 116 |
| Weighted average common shares outstanding—diluted | <u>74,766</u> | <u>73,302</u> | <u>72,233</u> |
| EARNINGS PER COMMON SHARE, BASIC | | | |
| Net income available for common shareholders | <u>\$ 4.61</u> | <u>\$ 3.18</u> | <u>\$ 3.97</u> |
| EARNINGS PER COMMON SHARE, DILUTED | | | |
| Net income available for common shareholders | <u>\$ 4.61</u> | <u>\$ 3.18</u> | <u>\$ 3.97</u> |

NOTE 15—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is as follows:

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|---------------------------------------|---------------------------------------|------------------|-------------------|
| | | (In thousands, except per share data) | | |
| 2019 | | | | |
| Revenue | \$ 232,227 | \$ 230,465 | \$ 233,947 | \$ 239,149 |
| Operating income (1) | \$ 91,093 | \$ 109,579 | \$ 94,018 | \$ 176,221 |
| Net income (1) | \$ 61,803 | \$ 82,667 | \$ 67,106 | \$ 148,966 |
| Net income attributable to the Trust (1) | \$ 60,144 | \$ 80,902 | \$ 65,465 | \$ 147,355 |
| Net income available for common shareholders (1) | \$ 58,134 | \$ 78,891 | \$ 63,455 | \$ 145,344 |
| Earnings per common share—basic (1) | \$ 0.78 | \$ 1.05 | \$ 0.84 | \$ 1.92 |
| Earnings per common share—diluted (1) | \$ 0.78 | \$ 1.05 | \$ 0.84 | \$ 1.92 |
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| | (In thousands, except per share data) | | | |
| 2018 | | | | |
| Revenue | \$ 225,405 | \$ 224,902 | \$ 229,753 | \$ 235,376 |
| Operating income (2) | \$ 89,461 | \$ 93,868 | \$ 93,467 | \$ 84,840 |
| Net income (2) | \$ 62,931 | \$ 65,533 | \$ 64,180 | \$ 56,382 |
| Net income attributable to the Trust (2) | \$ 61,247 | \$ 63,595 | \$ 62,558 | \$ 54,507 |
| Net income available for common shareholders (2) | \$ 59,237 | \$ 61,584 | \$ 60,548 | \$ 52,496 |
| Earnings per common share—basic (2) | \$ 0.81 | \$ 0.84 | \$ 0.82 | \$ 0.71 |
| Earnings per common share—diluted (2) | \$ 0.81 | \$ 0.84 | \$ 0.82 | \$ 0.71 |

- (1) Second and third quarter 2019 include net gains of \$16.2 million and \$14.3 million, respectively, related to the sale of two properties and one parcel of land, as well as condominiums sold at our Assembly Row and Pike & Rose properties. Third quarter 2019 also includes an \$11.9 million charge related to the buyout of a lease at Assembly Square Marketplace. Fourth quarter 2019 includes an \$85.1 million net gain on sale under the threat of condemnation of a portion of San Antonio Center. All of these transactions are further discussed in Note 3.

- (2) First and second quarter 2018 include net gains of \$3.3 million and \$4.0 million, respectively, related to condominiums sold at our Assembly Row and Pike & Rose properties. Third and fourth quarter 2018 include gains of \$3.1 million and \$1.6 million, respectively, related to the sale of one residential building and one property. All of these transactions are further discussed in Note 3.

NOTE 16—SUBSEQUENT EVENT

On January 10, 2020, we acquired a 49,000 square foot shopping center in Fairfax, Virginia for \$22.3 million. This acquisition was funded by 163,322 downREIT operating partnership units.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(Dollars in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | | COLUMN E | | COLUMN F | COLUMN G | COLUMN H | COLUMN I |
|--|----------|-------------|---------------------------|--|--|----------|---|----------|---------------------------------|---|----------|
| | | Encumbrance | Initial cost to company | Cost Capitalized to Subsequent Acquisition | Gross amount at which carried at close of period | | Accumulated Depreciation and Amortization | | | | |
| Descriptions | \$ | Land | Building and Improvements | Land | Building and Improvements | Land | Total | \$ | | | |
| 29TH PLACE (Virginia) | 3,868 | 10,211 | 18,863 | 11,985 | 30,864 | 10,195 | 41,059 | 14,953 | 1975 - 2001 | 5/30/2007 | (1) |
| ANDORRA (Pennsylvania) | | 2,432 | 12,346 | 11,718 | 24,064 | 2,432 | 26,496 | 20,382 | 1953 | 1/12/1988 | (1) |
| ASSEMBLY ROW/ASSEMBLY SQUARE MARKETPLACE (Massachusetts) | | 93,252 | 34,196 | 662,720 | 720,747 | 69,421 | 790,168 | 72,687 | 2005, 2012-2019 | 2005-2013 | (1) |
| AZALEA (California) | 39,702 | 40,219 | 67,117 | (3) | 67,114 | 40,219 | 107,333 | 6,109 | 2014 | 8/2/2017 | (1) |
| BALA CYNWYD (Pennsylvania) | | 3,565 | 14,466 | 39,175 | 54,523 | 2,683 | 57,206 | 23,062 | 1955 | 9/22/1993 | (1) |
| | | | | | | | | | 1963, 1972, 1990, & 2000 | 1/13/16 & 11/7/16 | (1) |
| BARCROFT PLAZA (Virginia) | | 12,617 | 29,603 | 6,515 | 36,118 | 12,617 | 48,735 | 4,513 | 1958 | 12/31/1985 | (1) |
| BARRACKS ROAD (Virginia) | | 4,363 | 16,459 | 48,764 | 65,223 | 4,363 | 69,586 | 47,069 | 1990, 2003, 2006 | 8/2/17 & 11/29/18 | (1) |
| BELL GARDENS (California) | 12,292 | 24,406 | 85,947 | 589 | 86,536 | 24,406 | 110,942 | 10,215 | | | (1) |
| | | | | | | | | | | 12/31/93, 6/2/97, 1/20/06, 9/25/08, 9/30/08, & 12/27/10 | (1) |
| BETHESDA ROW (Maryland) | | 46,579 | 35,406 | 151,640 | 189,721 | 43,904 | 233,625 | 85,602 | 1945-2008 | 12/28/1989 | (1) |
| BRICK PLAZA (New Jersey) | | — | 24,715 | 72,050 | 92,671 | 4,094 | 96,765 | 52,749 | 1958 | 9/22/1995 | (1) |
| BRISTOL PLAZA (Connecticut) | | 3,856 | 15,959 | 11,786 | 27,745 | 3,856 | 31,601 | 19,149 | 1959 | 1/1/2014 | (1) |
| BROOK 35 (New Jersey) | 11,304 | 7,128 | 38,355 | 2,792 | 41,147 | 7,128 | 48,275 | 8,360 | 1986/2004 | 1/13/2016 | (1) |
| CAMPUS PLAZA (Massachusetts) | | 16,710 | 13,412 | 315 | 13,727 | 16,710 | 30,437 | 2,415 | 1970 | 8/25/06, 1/30/07, & 7/16/08 | (1) |
| CHELSEA COMMONS (Massachusetts) | 5,402 | 8,689 | 19,466 | 2,126 | 21,612 | 8,669 | 30,281 | 8,382 | 1962/1969/2008 | 5/4/15, 7/1/15, 12/16/15, 7/26/16, 6/30/17, & 8/10/17 | (1) |
| COCOWALK (Florida) | | 35,063 | 71,476 | 47,158 | 119,291 | 34,406 | 153,697 | 10,175 | 1990/1994, 1922-1973, 2018-2019 | 12/31/96 & 8/14/98 | (1) |
| COLORADO BLVD (California) | | 5,262 | 4,071 | 10,375 | 14,446 | 5,262 | 19,708 | 11,507 | 1905-1988 | | (1) |
| CONGRESSIONAL PLAZA (Maryland) | | 2,793 | 7,424 | 95,064 | 102,488 | 2,793 | 105,281 | 58,521 | 1965/2003 | 4/1/1965 | (1) |

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(Dollars in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | COLUMN F | COLUMN G | COLUMN H | COLUMN I | |
|--|-------------|-------------------------|---------------------------|--|--|---------------------------|---|----------------------|-----------------------|--|---|
| | | Land | Building and Improvements | | Land | Building and Improvements | | | | | Accumulated Depreciation and Amortization |
| Descriptions | Encumbrance | Initial cost to company | | Cost Capitalized Subsequent to Acquisition | Gross amount at which carried at close of period | | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired | Life on which depreciation in latest income statements is computed | |
| | | Land | Building and Improvements | Acquisition | Land | Building and Improvements | Total | | | | |
| COURTHOUSE CENTER (Maryland) | | 1,750 | 1,869 | 3,106 | 1,750 | 4,975 | 6,725 | 2,408 | 1975 | 12/17/1997 | (1) |
| CROSSROADS (Illinois) | | 4,635 | 11,611 | 19,462 | 4,635 | 31,073 | 35,708 | 18,708 | 1959 | 7/19/1993 | (1) |
| CROW CANYON COMMONS (California) | | 27,245 | 54,575 | 8,392 | 27,245 | 62,967 | 90,212 | 25,878 | Late 1970's/1998/2006 | 12/29/05 & 2/28/07 | (1) |
| DARIEN (Connecticut) | | 30,368 | 19,523 | 7,214 | 30,368 | 26,737 | 57,105 | 4,351 | 1920-2009 | 4/3/13 & 7/20/18 | (1) |
| DEDHAM PLAZA (Massachusetts) | | 16,658 | 13,964 | 15,825 | 16,658 | 29,789 | 46,447 | 17,108 | 1959 | 12/31/93, 12/14/16, 1/29/19, & 3/12/19 | (1) |
| DEL MAR VILLAGE (Florida) | | 15,624 | 41,712 | 15,821 | 15,587 | 57,570 | 73,157 | 24,154 | 1982/1994/2007 | 5/30/08, 7/11/08, & 10/14/14 | (1) |
| EAST BAY BRIDGE (California) | | 29,069 | 138,035 | 11,839 | 29,069 | 149,874 | 178,943 | 36,029 | 1994-2001, 2011/2012 | 12/21/2012 | (1) |
| EASTGATE CROSSING (North Carolina) | | 1,608 | 5,775 | 27,806 | 1,608 | 33,581 | 35,189 | 21,822 | 1963 | 12/18/1986 | (1) |
| ELLSBURG (New Jersey) | | 4,028 | 11,309 | 19,277 | 4,013 | 30,601 | 34,614 | 21,832 | 1959 | 10/16/1992 | (1) |
| ESCONDIDO PROMENADE (California) | | 19,117 | 15,829 | 17,942 | 19,117 | 33,771 | 52,888 | 19,105 | 1987 | 12/31/96 & 11/10/10 | (1) |
| FAIRFAX JUNCTION (Virginia) | | 10,229 | 11,321 | 25 | 10,229 | 11,346 | 21,575 | 548 | 1981/2000 | 2/8/2019 | (1) |
| FALLS PLAZA (Virginia) | | 1,798 | 1,270 | 11,370 | 1,819 | 12,619 | 14,438 | 9,078 | 1960/1962 | 9/30/67 & 10/05/72 | (1) |
| FEDERAL PLAZA (Maryland) | | 10,216 | 17,895 | 42,396 | 10,216 | 60,291 | 70,507 | 46,693 | 1970 | 6/29/1989 | (1) |
| FINLEY SQUARE (Illinois) | | 9,252 | 9,544 | 22,645 | 9,252 | 32,189 | 41,441 | 22,071 | 1974 | 4/27/1995 | (1) |
| FLOURTOWN (Pennsylvania) | | 1,345 | 3,943 | 11,795 | 1,507 | 15,576 | 17,083 | 7,028 | 1957 | 4/25/1980 | (1) |
| FOURTH STREET (California) | | 13,978 | 9,909 | 2,345 | 13,978 | 12,254 | 26,232 | 1,014 | 1948,1975 | 5/19/2017 | (1) |
| FREEDOM PLAZA (California) | | — | 3,255 | 35,623 | — | 38,878 | 38,878 | — | 2018-2019 | 6/15/2018 | (1) |
| FRESH MEADOWS (New York) | | 24,625 | 25,255 | 43,297 | 24,633 | 68,544 | 93,177 | 43,607 | 1946-1949 | 12/5/1997 | (1) |
| FRIENDSHIP CENTER (District of Columbia) | | 12,696 | 20,803 | 4,662 | 12,696 | 25,465 | 38,161 | 13,970 | 1998 | 9/21/2001 | (1) |
| GAITHERSBURG SQUARE (Maryland) | | 7,701 | 5,271 | 15,692 | 5,973 | 22,691 | 28,664 | 18,933 | 1966 | 4/22/1993 | (1) |
| GARDEN MARKET (Illinois) | | 2,677 | 4,829 | 7,295 | 2,677 | 12,124 | 14,801 | 8,640 | 1958 | 7/28/1994 | (1) |

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SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2019
(Dollars in thousands)

| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | | COLUMN F | COLUMN G | COLUMN H | COLUMN I |
|--|-------------|-------------------------|---------------------------|-------------|--|--|---------------------------|----------|---|--------------------------------|---------------|
| | | Initial cost to company | | | Cost Capitalized Subsequent to Acquisition | Gross amount at which carried at close of period | | | | | |
| Descriptions | Encumbrance | Land | Building and Improvements | Acquisition | | Land | Building and Improvements | Total | Accumulated Depreciation and Amortization | Date of Construction | Date Acquired |
| GEORGETOWNE SHOPPING CENTER (New York) | | 30,738 | 50,103 | 946 | 32,199 | 49,588 | 81,787 | 295 | 1969/2006/2015 | 11/15/2019 | (1) |
| GOVERNOR PLAZA (Maryland) | | 2,068 | 4,905 | 20,620 | 2,068 | 25,525 | 27,593 | 22,092 | 1963 | 10/1/1985 | (1) |
| GRAHAM PARK PLAZA (Virginia) | | 1,237 | 15,096 | 20,518 | 1,169 | 35,682 | 36,851 | 28,526 | 1971 | 7/21/1983 | (1) |
| GRATIOT PLAZA (Michigan) | | 525 | 1,601 | 17,996 | 525 | 19,597 | 20,122 | 18,005 | 1964 | 3/29/1973 | (1) |
| GREENLAWN PLAZA (New York) | | 10,590 | 20,869 | 412 | 10,590 | 21,281 | 31,871 | 3,468 | 1975/2004 | 1/13/2016 | (1) |
| GREENWICH AVENUE (Connecticut) | | 7,484 | 5,445 | 10,819 | 7,484 | 16,264 | 23,748 | 4,824 | 1968 | 4/12/1995 | (1) |
| HASTINGS RANCH PLAZA (California) | | — | 22,393 | 438 | — | 22,831 | 22,831 | 2,272 | 1958, 1984, 2006, 2007 | 2/1/2017 | (1) |
| HAUPPAUGE (New York) | | 8,791 | 15,262 | 5,388 | 8,419 | 21,022 | 29,441 | 13,170 | 1963 | 8/6/1998 | (1) |
| HOBOKEN (New Jersey) | 98,224 | 45,385 | 150,905 | 952 | 43,450 | 153,792 | 197,242 | 628 | 1887-2006 | 9/18/19, 11/26/19, & 12/19/19 | (1) |
| HOLLYWOOD BLVD (California) | | 8,300 | 16,920 | 26,745 | 8,370 | 43,595 | 51,965 | 16,783 | 1929/1991 | 3/22/99 & 6/18/99 | (1) |
| HUNTINGTON (New York) | | 12,194 | 16,008 | 18,484 | 12,194 | 34,492 | 46,686 | 17,431 | 1962 | 12/12/88, 10/26/07, & 11/24/15 | (1) |
| HUNTINGTON SQUARE (New York) | | — | 10,075 | 3,148 | 506 | 12,717 | 13,223 | 4,238 | 1980/2004-2007 | 8/16/2010 | (1) |
| IDYLWOOD PLAZA (Virginia) | | 4,308 | 10,026 | 2,779 | 4,308 | 12,805 | 17,113 | 9,716 | 1991 | 4/15/1994 | (1) |
| KINGS COURT (California) | | — | 10,714 | 866 | — | 11,580 | 11,580 | 9,545 | 1960 | 8/24/1998 | (1) |
| LANCASTER (Pennsylvania) | | — | 2,103 | 6,116 | 432 | 7,787 | 8,219 | 6,008 | 1958 | 4/24/1980 | (1) |
| LANGHORNE SQUARE (Pennsylvania) | | 720 | 2,974 | 18,992 | 720 | 21,966 | 22,686 | 16,661 | 1966 | 1/31/1985 | (1) |
| LAUREL (Maryland) | | 7,458 | 22,525 | 28,273 | 7,462 | 50,794 | 58,256 | 40,417 | 1956 | 8/15/1986 | (1) |
| LAWRENCE PARK (Pennsylvania) | | 6,150 | 8,491 | 19,621 | 6,161 | 28,101 | 34,262 | 23,385 | 1972 | 7/23/1980 & 4/3/17 | (1) |
| LEESBURG PLAZA (Virginia) | | 8,184 | 10,722 | 18,165 | 8,184 | 28,887 | 37,071 | 16,067 | 1967 | 9/15/1998 | (1) |
| LINDEN SQUARE (Massachusetts) | | 79,382 | 19,247 | 51,735 | 79,346 | 71,018 | 150,364 | 26,947 | 1960-2008 | 8/24/2006 | (1) |
| MELVILLE MALL (New York) | | 35,622 | 32,882 | 31,450 | 35,622 | 64,332 | 99,954 | 17,028 | 1974 | 10/16/2006 | (1) |
| MERCER MALL (New Jersey) | | 5,917 | 18,358 | 48,524 | 5,917 | 66,882 | 72,799 | 33,340 | 1975 | 10/14/03 & 1/31/17 | (1) |

FEDERAL REALTY INVESTMENT TRUST
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DECEMBER 31, 2019
(Dollars in thousands)

| COLUMN A Descriptions | COLUMN B Encumbrance | COLUMN C Initial cost to company | | COLUMN D Cost Capitalized Subsequent to Acquisition | COLUMN E Gross amount at which carried at close of period | | | COLUMN F Accumulated Depreciation and Amortization | COLUMN G Date of Construction | COLUMN H Date Acquired | COLUMN I Life on which depreciation in latest income statements is computed |
|---|-------------------------|-------------------------------------|---------------------------|--|--|---------------------------|---------|---|--|---------------------------|--|
| | | Land | Building and Improvements | | Land | Building and Improvements | Total | | | | |
| MONTROSE CROSSING (Maryland) | 67,492 | 48,624 | 91,819 | 22,110 | 48,624 | 113,929 | 162,553 | 1960s, 1970s, 1996 & 2011 | 12/27/11 & 12/19/13 | (1) | |
| MOUNT VERNON/SOUTH VALLEY/7770 RICHMOND HWY. (Virginia) | | 10,068 | 33,501 | 42,942 | 10,150 | 76,361 | 86,511 | 1966/1972/1987/2001 | 3/31/03, 3/21/03, & 1/27/06 | (1) | |
| NORTH DARTMOUTH (Massachusetts) | | 9,366 | — | 3 | 9,366 | 3 | 9,369 | 2004 | 8/24/2006 | (1) | |
| NORTHEAST (Pennsylvania) | | 938 | 8,779 | 22,027 | 939 | 30,805 | 31,744 | 1959 | 8/30/1983 | (1) | |
| OLD KEENE MILL (Virginia) | | 638 | 998 | 11,093 | 638 | 12,091 | 12,729 | 1968 | 6/15/1976 | (1) | |
| OLD TOWN CENTER (California) | | 3,420 | 2,765 | 29,348 | 3,420 | 32,113 | 35,533 | 1962, 1997-1998 | 10/22/1997 | (1) | |
| OLIVO AT MISSION HILLS (California) | | 15,048 | 46,732 | 17,869 | 15,048 | 64,601 | 79,649 | 2017-2018 | 8/2/2017 | (1) | |
| PAN AM (Virginia) | | 8,694 | 12,929 | 8,314 | 8,695 | 21,242 | 29,937 | 1979 | 2/5/1993 | (1) | |
| PENTAGON ROW (Virginia) | | — | 2,955 | 103,383 | — | 106,338 | 106,338 | 1999 - 2002 | 1998 & 11/22/10 | (1) | |
| PERRING PLAZA (Maryland) | | 2,800 | 6,461 | 22,943 | 2,800 | 29,404 | 32,204 | 1963 | 10/1/1985 | (1) | |
| PIKE & ROSE (Maryland) | | 31,471 | 10,335 | 579,682 | 27,929 | 593,559 | 621,488 | 1963, 2012-2019 | 5/18/82, 10/26/07, & 7/31/12 | (1) | |
| PIKE 7 PLAZA (Virginia) | | 14,970 | 22,799 | 11,569 | 14,914 | 34,424 | 49,338 | 1968 | 3/31/97 & 7/8/15 | (1) | |
| PLAZA DEL MERCADO (Maryland) | | 10,305 | 21,553 | 14,859 | 10,305 | 36,412 | 46,717 | 1969 | 1/13/2016 | (1) | |
| PLAZA DEL SOL (California) | 8,308 | 5,605 | 12,331 | — | 5,605 | 12,331 | 17,936 | 2009 | 8/2/2017 | (1) | |
| PLAZA EL SEGUNDO/THE POINT (California) | 124,336 | 62,127 | 153,556 | 77,079 | 64,788 | 227,974 | 292,762 | 2006/2007/2016 | 12/30/11, 6/14/13, 7/26/13, & 12/27/13 | (1) | |
| QUEEN ANNE PLAZA (Massachusetts) | | 3,319 | 8,457 | 6,166 | 3,319 | 14,623 | 17,942 | 1967 | 12/23/1994 | (1) | |
| QUINCE ORCHARD (Maryland) | | 3,197 | 7,949 | 30,386 | 2,928 | 38,604 | 41,532 | 1975 | 4/22/1993 | (1) | |
| RIVERPOINT CENTER (Illinois) | | 15,422 | 104,572 | 1,930 | 15,422 | 106,502 | 121,924 | 1989, 2012 | 3/31/2017 | (1) | |
| ROCKVILLE TOWN SQUARE (Maryland) | | — | 8,092 | 39,639 | — | 47,731 | 47,731 | 2005 - 2007 | 2006 - 2007 | (1) | |
| ROLLINGWOOD APTS. (Maryland) | | 552 | 2,246 | 8,575 | 774 | 10,599 | 11,373 | 1960 | 1/15/1971 | (1) | |

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| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | COLUMN F | COLUMN G | COLUMN H | COLUMN I | |
|---|-------------|-------------------------|---------------------------|--|--|---------------------------|-----------|----------|---|--|---|
| | | Initial cost to company | | | Gross amount at which carried at close of period | | | | | | Accumulated Depreciation and Amortization |
| Descriptions | Encumbrance | Land | Building and Improvements | Cost Capitalized Subsequent to Acquisition | Land | Building and Improvements | Total | | | | |
| SAM'S PARK & SHOP (District of Columbia) | | 4,840 | 6,319 | 3,022 | 4,840 | 9,341 | 14,181 | 5,912 | 1930 | 12/1/1995 | (1) |
| SAN ANTONIO CENTER (California) | | 26,400 | 18,462 | 1,141 | 26,400 | 19,603 | 46,003 | 3,752 | 1958, 1964-1965, 1974-1975, 1995-1997 | 1/9/2015, 9/13/19 | (1) |
| SANTANA ROW (California) | | 66,682 | 7,502 | 976,080 | 53,217 | 997,047 | 1,050,264 | 221,350 | 1999-2006, 2009, 2011, 2014, 2016-2019 | 3/5/97, 7/13/12, 9/6/12, 4/30/13 & 9/23/13 | (1) |
| SAUGUS PLAZA (Massachusetts) | | 4,383 | 8,291 | 4,501 | 4,383 | 12,792 | 17,175 | 7,557 | 1976 | 10/1/1996 | (1) |
| SYLMAR TOWNE CENTER (California) | 16,854 | 18,522 | 24,636 | 679 | 18,522 | 25,315 | 43,837 | 2,205 | 1973 | 8/2/2017 | (1) |
| THE AVENUE AT WHITE MARSH (Maryland) | 52,597 | 20,682 | 72,432 | 29,311 | 20,685 | 101,740 | 122,425 | 38,923 | 1997 | 3/8/2007 | (1) |
| THE GROVE AT SHREWSBURY (New Jersey) | 42,874 | 18,016 | 103,115 | 5,419 | 18,021 | 108,529 | 126,550 | 20,825 | 1988/1993/ 2007 | 1/1/2014 & 10/6/14 | (1) |
| THE SHOPPES AT NOTTINGHAM SQUARE (Maryland) | | 4,441 | 12,849 | 735 | 4,441 | 13,584 | 18,025 | 5,889 | 2005 - 2006 | 3/8/2007 | (1) |
| THE SHOPS AT SUNSET PLACE (Florida) | 62,426 | 64,499 | 50,853 | 8,944 | 64,499 | 59,797 | 124,296 | 10,136 | 1999 | 10/1/2015 | (1) |
| THIRD STREET PROMENADE (California) | | 22,645 | 12,709 | 45,863 | 25,125 | 56,092 | 81,217 | 36,201 | 1888-2000 | 1996-2000 | (1) |
| TOWER SHOPPING CENTER (Virginia) | | 7,170 | 10,518 | 4,797 | 7,280 | 15,205 | 22,485 | 9,921 | 1953-1960 | 8/24/1998 | (1) |
| TOWER SHOPS (Florida) | | 29,940 | 43,390 | 24,855 | 29,962 | 68,223 | 98,185 | 21,085 | 1989 | 1/19/11 & 6/13/14 | (1) |
| TOWN CENTER OF NEW BRITAIN (Pennsylvania) | | 1,282 | 12,285 | 2,888 | 1,535 | 14,920 | 16,455 | 5,931 | 1969 | 6/29/2006 | (1) |
| TOWSON RESIDENTIAL (FLATS @703) (Maryland) | | 2,328 | — | 20,042 | 2,328 | 20,042 | 22,370 | 1,454 | 2016-2017 | 3/8/2007 | (1) |
| TROY HILLS (New Jersey) | | 3,126 | 5,193 | 32,655 | 5,865 | 35,109 | 40,974 | 23,135 | 1966 | 7/23/1980 | (1) |
| TYSON'S STATION (Virginia) | | 388 | 453 | 4,170 | 493 | 4,518 | 5,011 | 3,939 | 1954 | 1/17/1978 | (1) |
| VILLAGE AT SHIRLINGTON (Virginia) | | 9,761 | 14,808 | 38,771 | 4,234 | 59,106 | 63,340 | 30,187 | 1940, 2006-2009 | 12/21/1995 | (1) |
| WESTGATE CENTER (California) | | 6,319 | 107,284 | 43,870 | 6,319 | 151,154 | 157,473 | 61,106 | 1960-1966 | 3/31/2004 | (1) |
| WHITE MARSH PLAZA (Maryland) | | 3,478 | 21,413 | 1,028 | 3,478 | 22,441 | 25,919 | 9,736 | 1987 | 3/8/2007 | (1) |

FEDERAL REALTY INVESTMENT TRUST
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| COLUMN A | COLUMN B | COLUMN C | | COLUMN D | COLUMN E | | COLUMN F | COLUMN G | COLUMN H | COLUMN I | |
|------------------------------|----------|---------------------|---------------------------|---------------------|--|--|---------------------|---------------------|----------|------------|---|
| | | Encumbrance | Initial cost to company | | Cost Capitalized Subsequent to Acquisition | Gross amount at which carried at close of period | | | | | Accumulated Depreciation and Amortization |
| Descriptions | | Land | Building and Improvements | Acquisition | Land | Building and Improvements | Total | | | | |
| WHITE MARSH OTHER (Maryland) | | 29,725 | 1,843 | 146 | 29,754 | 1,960 | 31,714 | 913 | 1985 | 3/8/2007 | (1) |
| WILDWOOD (Maryland) | | 9,111 | 1,061 | 15,905 | 9,111 | 16,966 | 26,077 | 9,208 | 1958 | 5/5/1969 | (1) |
| WILLOW GROVE (Pennsylvania) | | 1,499 | 6,643 | 22,061 | 1,499 | 28,704 | 30,203 | 27,812 | 1953 | 11/20/1984 | (1) |
| WILLOW LAWN (Virginia) | | 3,192 | 7,723 | 91,838 | 7,790 | 94,963 | 102,753 | 62,087 | 1957 | 12/5/1983 | (1) |
| WYNNEWOOD (Pennsylvania) | | 8,055 | 13,759 | 21,272 | 8,055 | 35,031 | 43,086 | 25,668 | 1948 | 10/29/1996 | (1) |
| TOTALS | | \$ 1,449,865 | \$ 2,526,772 | \$ 4,321,495 | \$ 1,414,814 | \$ 6,883,318 | \$ 8,298,132 | \$ 2,215,413 | | | |

(1) Depreciation of building and improvements is calculated based on useful lives ranging from the life of the lease to 50 years.

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SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
Three Years Ended December 31, 2019
Reconciliation of Total Cost
(in thousands)

| | |
|--|--------------|
| Balance, December 31, 2016 | \$ 6,759,073 |
| Additions during period | |
| Acquisitions | 555,476 |
| Improvements | 492,541 |
| Deduction during period—dispositions and retirements of property | (172,029) |
| Balance, December 31, 2017 | 7,635,061 |
| Additions during period | |
| Acquisitions | 14,940 |
| Improvements | 407,225 |
| Deduction during period—dispositions and retirements of property | (237,754) |
| Balance, December 31, 2018 | 7,819,472 |
| January 1, 2019 adoption of new accounting standard - See Note 2 | (71,859) |
| Additions during period | |
| Acquisitions | 309,921 |
| Improvements | 441,703 |
| Deduction during period—dispositions and retirements of property | (201,105) |
| Balance, December 31, 2019 (1) | \$ 8,298,132 |

(1) For Federal tax purposes, the aggregate cost basis is approximately \$7.4 billion as of December 31, 2019.

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE III
SUMMARY OF REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
Three Years Ended December 31, 2019
Reconciliation of Accumulated Depreciation and Amortization
(in thousands)

| | |
|---|----------------------------|
| Balance, December 31, 2016 | \$ 1,729,234 |
| Additions during period—depreciation and amortization expense | 193,340 |
| Deductions during period—dispositions and retirements of property | (46,030) |
| Balance, December 31, 2017 | <u>1,876,544</u> |
| Additions during period—depreciation and amortization expense | 215,969 |
| Deductions during period—dispositions and retirements of property | (33,370) |
| Balance, December 31, 2018 | <u>2,059,143</u> |
| January 1, 2019 adoption of new accounting standard - See Note 2 | (18,173) |
| Additions during period—depreciation and amortization expense | 215,382 |
| Deductions during period—dispositions and retirements of property | (40,939) |
| Balance, December 31, 2019 | <u><u>\$ 2,215,413</u></u> |

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE
Year Ended December 31, 2019

(Dollars in thousands)

| Column A | Column B | Column C | Column D | Column E | Column F | Column G | Column H |
|--|--|---------------|--|-------------|--------------------------|---------------------------------|---|
| Description of Lien | Interest Rate | Maturity Date | Periodic Payment Terms | Prior Liens | Face Amount of Mortgages | Carrying Amount of Mortgages(1) | Principal Amount of Loans Subject to delinquent Principal or Interest |
| Mortgage on retail buildings in Philadelphia, PA | 8% or 10% based on timing of draws, plus participation | May 2021 | Interest only monthly; balloon payment due at maturity | \$ — | \$ 21,179 | \$ 21,179 (2) | \$ — |
| Mortgage on retail buildings in Philadelphia, PA | 10% plus participation | May 2021 | Interest only monthly; balloon payment due at maturity | — | 9,250 | 9,250 | — |
| | | | | <u>\$ —</u> | <u>\$ 30,429</u> | <u>\$ 30,429</u> | <u>\$ —</u> |

(1) For Federal tax purposes, the aggregate tax basis is approximately \$30.4 million as of December 31, 2019.

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

FEDERAL REALTY INVESTMENT TRUST
SCHEDULE IV
MORTGAGE LOANS ON REAL ESTATE - CONTINUED
Three Years Ended December 31, 2019
Reconciliation of Carrying Amount
(in thousands)

| | |
|----------------------------|-------------------------|
| Balance, December 31, 2016 | \$ 29,904 |
| Additions during period: | |
| Issuance of loans | 525 |
| Balance, December 31, 2017 | <u>30,429</u> |
| Balance, December 31, 2018 | <u>30,429</u> |
| Balance, December 31, 2019 | <u><u>\$ 30,429</u></u> |



March 20, 2020

Dear Shareholders:

We're pleased to share with you that 2019 was another successful year for Federal as we continued to grow the company, invest for our future and deliver on our financial commitments. 2019 marked the 52nd consecutive year that our financial success allowed us to increase the dividend rate to our shareholders, a demonstration of the long-term sustainability and durability of this company even in the face of headwinds in the retail industry.

On behalf of the entire Board of Trustees, we invite you to join us at our 2020 Annual Meeting of Shareholders being held in the Executive Boardroom at our corporate headquarters at 1626 East Jefferson Street, Rockville, Maryland on Wednesday, May 6, 2020 at 9:00 a.m. local time.

We encourage you to carefully review this year's notice and proxy statement which contain important information about the proxy voting, the business to be conducted at the annual meeting as well as highlights of our 2019 operating performance. We encourage you to vote your shares as promptly as possible by telephone, online or by mail in advance of the annual meeting even if you plan to attend. Every shareholder vote is important and we want to ensure that your shares are represented at the meeting.

Thank you for your continued support of Federal. We look forward to seeing you at the meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph S. Vassalluzzo".

Joseph S. Vassalluzzo
Non-Executive Chairman of the Board

A handwritten signature in black ink, appearing to read "Donald C. Wood".

Donald C. Wood
President and Chief Executive Officer



NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS

| | |
|--------------------------|--|
| DATE: | Wednesday, May 6, 2020 |
| TIME: | 9:00 a.m. local time |
| PLACE: | Executive Boardroom, 1626 East Jefferson Street, Rockville, Maryland |
| RECORD DATE: | March 16, 2020 |
| ITEMS OF BUSINESS | <ol style="list-style-type: none">1. Election of 7 Trustees to serve until our 2021 Annual Meeting of Shareholders2. Advisory vote approving the compensation of our named executive officers3. Approval of our 2020 Performance Incentive Plan4. Ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2020 |

For the Trustees:

Dawn M. Becker
Executive Vice President—General Counsel and Secretary
March 20, 2020

HOW TO VOTE

You are eligible to vote and receive notice of the meeting if you were a registered owner of record of our common shares of beneficial interest (“Shares”) at the close of business on the March 16, 2020 record date. A majority of the Shares entitled to vote at the 2020 Annual Meeting of Shareholders (“Annual Meeting”) must be present in person or by proxy for us to proceed with the Annual Meeting.

If you own your Shares directly with our transfer agent, American Stock Transfer and Trust, LLC, you are a registered shareholder and can vote either in person at the Annual Meeting or by proxy without attending the Annual Meeting through one of the following methods:



By Internet

Visit www.voteproxy.com, available 24/7



By Telephone

Call 1-800-776-9437, available 24/7



By Mail

Mark, sign and date your proxy card

If you vote by internet or telephone, you will need the control number on your Notice of Internet Availability, proxy card or voting instruction form. Votes must be submitted by 11:59 pm EDT on May 5, 2020 to be counted for the meeting. You may revoke your proxy at any time before it is voted at the Annual Meeting by notifying the secretary in writing, submitting a proxy dated later than your original proxy, or attending the Annual Meeting and voting in person. As part of our precautions regarding the coronavirus (COVID-19), we may impose restrictions on meeting attendees or decide to hold the meeting by means of remote communication such as live audio or webcast. We will announce any change to our Annual Meeting no later than April 22, 2020 via a press release, posting details on our website and filing materials with the SEC. We strongly recommend that you vote your Shares in advance of the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR OUR ANNUAL MEETING. Our 2020 Proxy Statement and 2019 Annual Report to Shareholders, which includes our Annual Report on Form 10-K for the year ended December 31, 2019, are available at www.federalrealty.com.

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ABOUT FEDERAL

Federal Realty Investment Trust is an S&P 500 company founded in 1962 that owns, operates and redevelops high-quality retail based real estate located primarily in major coastal markets from Washington, D.C. to Boston as well as San Francisco and Los Angeles. Federal's mission is to deliver long term, sustainable growth through investing in densely populated, affluent communities where retail demand exceeds supply. Our expertise includes creating urban, mixed-use neighborhoods like Santana Row in San Jose, California, Pike & Rose in North Bethesda, Maryland and Assembly Row in Somerville, Massachusetts. These unique and vibrant environments that combine shopping, dining, living and working provide a destination experience valued by their respective communities. Our 104 properties include approximately 3,000 tenants, in 24 million square feet, and over 2,700 residential units.

Throughout this proxy statement, we use the terms "Federal", "Company", "Trust", "we", "our" and "us" to refer to Federal Realty Investment Trust and the terms "Board" and "Trustees" to refer to the Board of Trustees of Federal Realty Investment Trust.

ANNUAL MEETING INFORMATION

We are providing these proxy materials in connection with our Annual Meeting. These materials will assist you in voting your Shares by providing information on matters that will be presented at the Annual Meeting.

| | |
|--------------------------|--|
| Meeting Date: | Wednesday, May 6, 2020 |
| Meeting Time: | 9:00 a.m. local time |
| Meeting Location: | Executive Boardroom, 1626 East Jefferson Street, Rockville, Maryland |
| Record Date: | March 16, 2020 |

Because of the coronavirus (COVID-19), we may impose restrictions on meeting attendees or decide to hold the meeting by means of remote communication such as live audio or webcast. We will announce any change to our Annual Meeting no later than April 22, 2020 via a press release, posting details on our website and filing materials with the SEC. We strongly recommend that you vote your Shares in advance of the Annual Meeting.

The following matters are being presented for a vote at the 2020 Annual Meeting of Shareholders:

| Proposal | Board Recommendation | Page Reference for More Information |
|---|-----------------------------|--|
| Election of 7 Trustees to serve until our 2021 annual meeting | FOR each nominee | See page 7 |
| Advisory vote on the compensation of our named executive officers | FOR | See page 13 |
| Approval of 2020 Performance Incentive Plan | FOR | See page 29 |
| Ratification of the appointment of Grant Thornton LLP as our auditors | FOR | See page 36 |

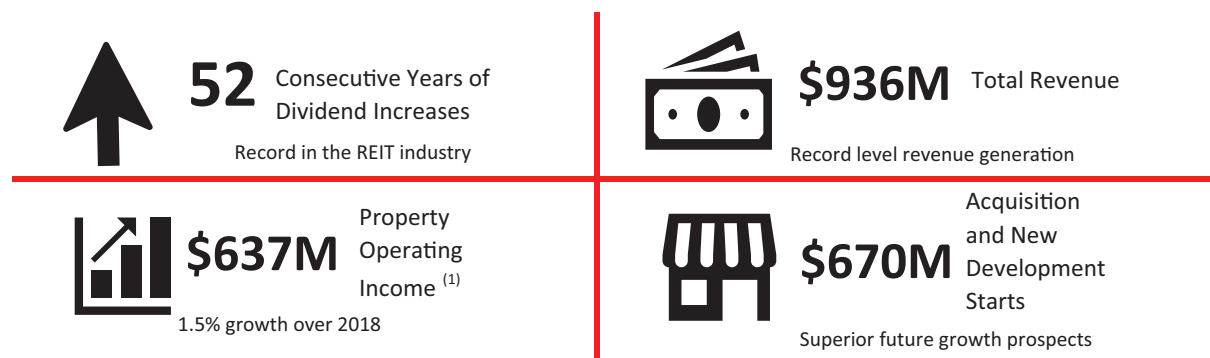
NOTICE OF ELECTRONIC AVAILABILITY OF PROXY MATERIALS

We are furnishing proxy materials including this proxy statement and our 2019 Annual Report to Shareholders, including our Annual Report on Form 10-K for the year ended December 31, 2019 ("Annual Report"), to each shareholder by providing access to such documents on the Internet. On or about March 20, 2020, we mailed to our shareholders a "Notice of Internet Availability of Proxy Materials" ("Notice") containing instructions on how

to access and review this proxy statement and our Annual Report and how to submit your vote on the Internet or by telephone. You cannot vote by marking the Notice and returning it. If you received the Notice, you will not automatically receive a printed copy of our proxy materials or Annual Report unless you follow the instructions for requesting these materials included in the Notice. This section does not apply if you previously requested to receive these materials by mail.

2019 PERFORMANCE HIGHLIGHTS

2019 exemplified the focus of our business plan on delivering long-term sustainable growth through investment in high quality, retail based properties located primarily in major coastal US markets and the creation of real estate environments that are best positioned to create value for our shareholders over the long-term. 2019 highlights include:



(1) Property Operating Income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results of cash flow from operations as determined in accordance with GAAP. The reconciliation of operating income to property operating income can be found on Appendix A.









Balanced Business Plan Designed for Long-Term Success: The ability to increase the dividend to our shareholders for the 52nd consecutive year and grow top line revenues despite a rapidly changing retail industry demonstrate the diversity and balance in our business plan that has been designed and executed to deliver long-term growth and value through economic cycles and changing business environments.

Expansion in Key Market: The acquisition of key assets in Hoboken, New Jersey and Brooklyn, New York, expanding our footprint in that market and providing a vehicle for future business development that will help further diversify our real estate holdings and income stream in support of our long-term business plan.

Continued Investment in Successful Projects: The start of construction on Santana West, the 10th phase of development at our highly successful Santana Row property in San Jose, California and the acquisition of control of a 6 acre parcel of land at our successful Assembly Row/Assembly Square property demonstrate the ability to generate additional value from the foundational investments made over the past two decades.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The consideration of environmental and social issues in all aspects of our business from developing and operating our properties to the well-being of our employees is a key part of creating long-term value for our shareholders. The success of our properties and our business is inextricably tied to our properties being embraced by the local community and reflecting the values of that community and to our employees having an environment in which they can thrive personally and professionally. 2019 exemplified our commitment to these principles:

| | |
|---|--|
|  | <p>Award of Excellence for Best Sustainable Project and Best Marketing Program Maryland/District of Columbia Chapter of the National Association of Industrial and Office Properties recognized Pike & Rose as the Best Sustainable Project and our Be SustainABLE marketing campaign highlighting the sustainable initiatives across 7 of our premier properties in the Washington, D.C. area as the Best Marketing Program</p> |
|  | <p>Green Star Leader (4 stars) Achieved 4 star status for the 4th consecutive year and increased our score in 2019 by 7% over score in 2018</p> |
|  | <p>Green Lease Leader Gold Level Recognized by the Institute for Market Transformation and U.S. Department of Energy’s Better Building Alliance for high performance leasing practices that drive shared energy savings and sustainability benefits in buildings</p> |
|  | <p>Alliance for Workplace Excellence Seal of Approval Recognized for Overall Excellence (12th consecutive year), Health and Wellness (12th consecutive year) and Eco Leadership (9th consecutive year) for commitment to balanced leadership and the overall success of our workforce, providing innovative programs for employee health and paving the way for environmentally sustainable workplaces with eco-friendly policies and practices</p> |
|  | <p>Renewable Energy Production Invested nearly \$38 million in solar energy installations at 24 of our properties. Those solar installations represent 13.3 megawatts of installed capacity and today generate over 13 million kWh of electricity on an annualized basis which is enough electricity production to power nearly 1,200 homes for a year</p> |
|  | <p>Investment in LEED Certified Buildings 14 buildings across our portfolio totaling 2.7 million square feet have achieved LEED certification. In addition, Pike & Rose achieved LEED for Neighborhood Development Stage 3 Gold certification, the first such project owned by a real estate investment trust to achieve that certification in the United States</p> |
|  | <p>Unique and Innovative Partnerships Using our property portfolio to promote sustainable initiatives through partnerships with Up Top Acres for rooftop urban farms, The Best Bees Company to support local bee health and advance global pollinator research and Manna Food Center to donate excess food from restaurants to those in need</p> |
|  | <p>Published our first Corporate Responsibility Report We published our inaugural corporate responsibility report to provide information on our environmental, social and governance efforts that are fundamental to the way in which we have always conducted our business. The report can be found at [insert location].</p> |

CORPORATE GOVERNANCE PRACTICES

Federal has a history of strong corporate governance and is committed to practices and policies that best serve the interests of our shareholders. Our practices and policies include, among other things, the following:

| <i>Board Composition</i> | <i>Shareholder Rights</i> | <i>Key Policies</i> |
|---|---|---|
| ✓ More than 70% of Board is Independent | ✓ Shareholder Right to Call Special Meeting without Significant Restriction | ✓ Pay for Performance Executive Compensation Philosophy |
| ✓ Independent Non-Executive Chairman | ✓ Annual Election of Trustees | ✓ Prohibition on Hedging Our Stock |
| ✓ Independent Audit, Nominating and Compensation Committees | ✓ Shareholder Approval Required to Classify Board | ✓ Stock Ownership Guidelines for Trustees |
| ✓ Engaged and Diverse Board with 2 Female Trustees | ✓ Majority Voting in Uncontested Elections | ✓ Stock Ownership Guidelines for Executive Officers |
| ✓ Annual Board and Committee Evaluations | ✓ Shareholder Right to Act by Written Consent | ✓ Prohibition on Pledging Our Stock |
| ✓ Annual Individual Trustee Evaluations | ✓ No Poison Pill in Effect | ✓ Clawback Policy in Place |

BOARD COMPOSITION AND LEADERSHIP

Our Board is comprised of 7 trustees, 6 of whom are non-management trustees, and 5 of whom are independent for all purposes. Through June 28, 2019, our Board consisted of 8 trustees. Mr. Warren Thompson, one of our independent trustees, resigned in June 2019 for personal business reasons that did not result from any disagreement with the company on any matter relating to our operations, policies or practices.

Mr. Joseph Vassalluzzo serves as our Non-Executive Chairman, a role he has held since 2006. The Board believes that its oversight function is enhanced by having an independent trustee in that leadership role and in a position to set the agenda for, and preside over, meetings of the Board. We also believe that our leadership structure enhances the active participation of our independent trustees and provides an effective way to ensure that our non-management trustees are fully informed and have the opportunity to fully debate all important issues in order to fulfill its oversight responsibilities and hold management accountable for the performance of the company. This also allows our Chief Executive Officer to focus his time on running our day-to-day business. Our Non-Executive Chairman presides at all meetings of the Board and all executive sessions of the non-management and independent trustees.

INDEPENDENCE OF TRUSTEES

The Board reviews all relationships between us and each Trustee to determine whether each Trustee is independent or otherwise has any relationship to the company that could adversely affect the Trustee's ability to exercise independent judgment. This review also determines whether each Trustee satisfies the independence requirements of the New York Stock Exchange ("NYSE") and our Corporate Governance Guidelines. Our Corporate Governance Guidelines include a standard that a Trustee's position as a director, officer or owner of a company with which we do business does not constitute a material relationship so long as payments made by that company do not account for more than five percent (5%) of our gross revenues or more than ten percent (10%) of the gross revenues of that company.

After considering all relevant facts, the Board determined that all Trustees other than Mr. Ordan and Mr. Wood are independent for purposes of Board and committee service under the standards of the NYSE, our Corporate Governance Guidelines and applicable law. Mr. Ordan is not considered independent under NYSE listing standards because our chief executive officer, Mr. Wood, served until July 2018 on the compensation committee of QCP Properties, Inc., a real estate investment trust focused on post-acute/skilled nursing and memory care/assisted living properties, while Mr. Ordan served as the chief executive officer of QCP. The Board expects that Mr. Ordan will be considered independent for all purposes starting in August 2021.

BOARD MEETINGS

The Board of Trustees held 5 meetings in 2019, four of which were in-person. Each of the Trustees attended at least 75% of the meetings of the Board as well as 100% of all committee meetings during 2019. It is our policy for all Trustees to attend our annual meeting of shareholders absent exceptional cause and all of our Trustees did attend our 2019 Annual Meeting of Shareholders.

BOARD COMMITTEES

The Board has three standing committees – the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee (“Nominating Committee”). Each committee operates under a written charter which is available in the Investors section of our website at www.federalrealty.com. Each committee member meets the independence, experience and, with respect to the Audit Committee, the financial literacy requirements, of the NYSE, the Securities and Exchange Commission (“SEC”) and our Corporate Governance Guidelines. Information about each of these committees is included in the chart below:

| Committee/Membership | Primary Responsibilities | # of 2019 Meetings |
|---|---|--------------------|
| Audit Committee: | | |
| Gail P. Steinel ⁽¹⁾ Jon E. Bortz David W. Faeder ⁽²⁾ | <ul style="list-style-type: none"> Selecting our independent auditor and approving and overseeing its work Overseeing our financial reporting, including reviewing results with management and our independent auditor Overseeing our internal systems of accounting and controls Overseeing financial, cybersecurity and similar risks | 4 |
| Compensation Committee: | | |
| David W. Faeder ⁽¹⁾ Elizabeth I. Holland Gail P. Steinel Joseph Vassalluzzo | <ul style="list-style-type: none"> Reviewing and recommending compensation for our senior officers Administering and making awards under our long-term incentive award plans Administering other benefit programs of the company | 2 |
| Nominating and Corporate Governance Committee: | | |
| Elizabeth I. Holland ⁽¹⁾ Jon E. Bortz Joseph S. Vassalluzzo | <ul style="list-style-type: none"> Recommending individuals to stand for election to the Board Making recommendations regarding committee memberships Overseeing our corporate governance policies and procedures, including Board and Trustee evaluations | 2 |

⁽¹⁾ Committee chairperson. Ms. Holland took over as the chairperson of the Nominating and Corporate Governance Committee upon Mr. Thompson’s resignation from the Board in June 2019.

⁽²⁾ Financial expert

GOVERNANCE DOCUMENTS

The Board is responsible for providing governance and oversight of the strategy, operations and management of the company on behalf of our shareholders. Our Board has adopted the following key documents, together with our Bylaws, that form the governance framework for Federal. Each of these documents is periodically reviewed and updated to confirm they provide the appropriate governance framework for the company and to comply with current regulatory and governance requirements.

- Corporate Governance Guidelines
- Code of Business Conduct
- Code of Ethics for Senior Financial Officers
- Committee Charters
- Declaration of Trust

These documents are available under the Investors/Corporate Governance section of our website at www.federalrealty.com. Printed copies of these documents are also available free of charge upon written request to our Investor Relations Department at 1626 East Jefferson Street, Rockville, Maryland 20852 and at 909 Rose Avenue, Suite 200, North Bethesda, Maryland 20852 after August 10, 2020.

RISK MANAGEMENT OVERSIGHT

The Board is responsible for overseeing enterprise level risk of the company and does so directly and through its committees. The entire Board regularly receives updates from management on the continued viability of our business plan, market conditions, capital position, and our business results and specifically reviews potential business risks from time to time. The Board reviews that information together with our quarterly and annual financial statements and operating results and short and long-term business prospects to assess the risks that we may encounter and to establish appropriate direction to avoid or minimize the potential impact of the identified risks. Some of the details that are discussed as part of the Board's review of potential risks facing us include, without limitation:

- the impact of market conditions on our business;
- operational risks such as the ability of our tenants to be successful and the ability to grow the company through increasing rents and redeveloping our properties;
- liquidity and credit risks, including our ability to access capital to run and grow our business and our overall cost of capital and the impact on our profitability;
- investment risks from acquisitions and our development and redevelopment projects;
- regulatory risks that may impact our profitability;
- risks relating to our status as a real estate investment trust;
- environmental related risks;
- cybersecurity risks; and
- general risks inherent in the real estate industry.

COMPENSATION RISK ASSESSMENT

In February 2020, our Compensation Committee reviewed our compensation policies and practices for all of our employees to determine whether any of such policies or programs created any risk that is reasonably likely to have a material adverse effect on the company. Based on that review, the Committee does not believe that our compensation programs encourage unnecessary or excessive risk taking. Specifically, the incentive compensation of 95% of our employees is based solely on corporate performance objectives. For the approximately 5% of our employees who earn all or a portion of their compensation by completing leasing transactions or closing acquisitions, they cannot complete any deals without first obtaining approvals from either the Board and/or one or more members of senior management whose incentive compensation is tied to corporate performance.

COMMUNICATIONS WITH THE BOARD

Any shareholder or other interested party may communicate with the Board or any Trustee by sending the communication to our corporate offices at 1626 East Jefferson Street, Rockville, MD 20852 in care of our Secretary. All communications should identify the party to whom it is being sent, and any communication which indicates it is for the Board of Trustees or fails to identify a particular Trustee will be deemed to be a communication intended for our Non-Executive Chairman of the Board. Our Secretary will promptly forward to the appropriate Trustee all communications received for the Board or any individual Trustee which relate to our business, operations, financial condition, management, employees or similar matters. Our Secretary will not forward to any Trustee any advertising, solicitation or similar materials.

PROPOSAL 1

ELECTION OF SEVEN TRUSTEES


Our Board, on recommendation of our Nominating Committee, has nominated all of our 7 current Trustees to stand for election at the 2020 Annual Meeting. All trustees elected at the meeting will hold office until the 2021 Annual Meeting of Shareholders and until their successors have been duly elected and qualified. As required by our Corporate Governance Guidelines, Mr. Vassalluzzo submitted his resignation to the Board upon reaching the age of 72. The Board declined to accept the resignation, asking Mr. Vassalluzzo to continue to serve through the 2021 Annual Meeting, assuming he is elected at the 2020 annual meeting. The Board and Mr. Vassalluzzo discussed the likelihood that he would not be nominated and would not stand for reelection when his term expires in 2021.

You are entitled to cast one vote per Share for each of the seven named individuals. Proxies may not be voted for more than seven individuals. An “abstention” or “broker non-vote” will have no effect on the outcome of the vote for this proposal. Our Bylaws require that a nominee receive a majority of votes cast in order to be elected. Any nominee who does not receive a majority of votes cast will be required to submit a resignation to the Nominating Committee which would then make a recommendation to the Board as to whether to accept the resignation. The decision by the Board on any resignation would be publicly disclosed, along with the rationale for the decision, within 90 days after the election. Over the past 5 years, each of our Trustee nominees in those years has received on average 98% of the votes cast. We believe this process is a best practice and provides accountability to our shareholders.

✓ Our Board recommends a vote **FOR** each of the seven Trustee nominees

OUR NOMINEES




Information regarding our nominees, including their qualifications and principal occupations, as well as the key experience and qualifications that led the Board to conclude each nominee should serve as a director, is provided below.

| JON E. BORTZ | Age: 63 | Trustee Since: 2005 | Independent |
|--|---|---------------------|-------------|
|  <p>Committees: Audit Nominating</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • President, CEO and Chairman of Pebblebrook Hotel Trust (2009 – present) • Various positions including President, CEO and Chairman of the Board with LaSalle Hotel Properties (1998 – 2009) • Chairman of the Board of Directors of American Hotel and Lodging Association (2020 to present) <p>Specific Qualifications and Skills: Mr. Bortz has spent the last two decades as CEO of publicly traded REITs which gives him a wide range of experience in the management and governance of public companies, extensive leadership experience as well as deep expertise in real estate investment and finance, two primary areas that provide the foundation for our long-term growth.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • Pebblebrook Hotel Trust (2009 – present) | | |

| DAVID W. FAEDER | Age: 63 | Trustee Since: 2003 | Independent |
|---|---|---------------------|-------------|
|  <p>Committees: Audit (Financial Expert) Compensation (Chair)</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • Managing Partner of Fountain Square Properties (2003 – present) • Various positions with Sunrise Senior Living, Inc. including Vice Chairman, President and CFO (1993 – 2003) <p>Specific Qualifications and Skills: Mr. Faeder’s deep real estate investment and finance experience acquired from his time as a private investor and as a REIT CFO coupled with his public company and accounting background provide valuable perspective on our investment decisions, alignment of our capital structure to support those investments and on our financial reporting.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • Arlington Asset Investment Corp. (2013 – present) | | |

| ELIZABETH I. HOLLAND | Age: 54 | Trustee Since: 2017 | Independent |
|---|--|---------------------|-------------|
|  <p>Committees: Compensation Nominating (Chair)</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • Chief Executive Officer of Abbell Credit Corporation and Abbell Associates, LLC (1997 – present) • International Council of Shopping Centers Board of Trustees (2004 – present); Chairman of the Board of Trustees (2016 – 2017); Vice Chairman of the Board of Trustees (2015 – 2016) <p>Specific Qualifications and Skills: Ms. Holland brings valuable insights into retailers and the retail industry in general from her time in leadership positions with the International Council of Shopping Centers and her own investing experience in retail real estate. Those perspectives are invaluable for a retail based real estate company.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • VICI Properties, Inc. (2017 – present) | | |

| MARK S. ORDAN | Age: 61 | Trustee Since: 2019 | Non-Management |
|---|--|---------------------|----------------|
|  <p>Committees: None</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • Chief Executive Officer and Chairman of Quality Care Properties (2016 – 2018) • Executive Chairman (2015 – 2016) and CEO (2014 – 2015) of Washington Prime Group • CEO of Sunrise Senior Living, Inc. (2008 – 2013) and CEO of Sunrise Senior Living, LLC (2013), its successor • CEO and President of The Mills Corporation (2006 – 2007) <p>Specific Qualifications and Skills: Mr. Ordan provides our Board with many years of leadership and governance experience from his years of serving as CEO and a director of other public traded REITs. This is in addition to the retailing understanding he adds to the Board from his prior experiences of founding and running multiple gourmet grocery and other food concepts.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • VREIT, Inc. (2015 – present) • Forest City Realty Trust, Inc. (2018) • Quality Care Properties, Inc. (2016 – 2018) • Washington Prime Group (2014 – 2017) | | |

| | | | |
|--|--|----------------------------|--------------------------------|
| GAIL P. STEINEL | Age: 63 | Trustee Since: 2006 | Independent |
|  <p>Committees: Audit (Chair) Compensation</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • Owner of Executive Advisors (2007 – present) • Executive Vice President of Bearing Point, Inc. (2002 – 2007) • Global Managing Partner of Management and Technology Consulting Practice for Arthur Andersen (1984 – 2002) <p>Specific Qualifications and Skills: Ms. Steinel has over 25 years of experience in auditing, leadership, leadership development and financial systems that provides us with valuable insights on leadership, risk management and systems operations.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • MTS Systems Corporation (2009 – 2020) | | |
| JOSEPH S. VASSALLUZZO | Age: 72 | Trustee Since: 2002 | Non-Executive Chairman |
|  <p>Committees: Compensation Nominating</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • Non-Executive Chairman of the Board of Office Depot, Inc. (2017 – present) • Various positions including Vice Chairman with Staples, Inc. (1989 – 2005) <p>Specific Qualifications and Skills: Mr. Vassalluzzo has extensive knowledge of and experience with retail real estate as a result of his work in leading the expansion of Staples. He also brings a depth of understanding of retailing and leadership skills from his service on the boards of multiple retail concepts and other public companies.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • Office Depot, Inc. (2013 – present); Non-Executive Chairman (2017 – present) • Life Time Fitness (2006 – 2015) | | |
| DONALD C. WOOD | Age: 59 | Trustee Since: 2003 | Chief Executive Officer |
|  <p>Committees: None</p> | <p>Business Experience:</p> <ul style="list-style-type: none"> • President and CEO of Federal (2003 – present) and various other positions including CFO and COO (1998 – 2003) • Chairman of the Board of the National Association of Real Estate Investment Trusts (2011 – 2012) • Board of Governors of the International Council of Shopping Centers (2010 – present) <p>Specific Qualifications and Skills: Mr. Wood’s 21 years of experience with Federal and his responsibilities as chief executive officer provides the Board with familiarity and details on all aspects of operating the company.</p> <p>Other Public Company Boards:</p> <ul style="list-style-type: none"> • Quality Care Properties, Inc. (2016 – 2018) • Post Properties, Inc. (2011 – 2016) | | |

BUILDING THE RIGHT BOARD FOR FEDERAL

The Nominating Committee is responsible for evaluating the effectiveness of the Board and for determining, and recommending to the full Board, who should stand for election at the Annual Meeting. In determining who to nominate for consideration, the Nominating Committee looks for individuals who have the highest personal and professional integrity, have demonstrated exceptional intelligence and judgment, have proven leadership skills, are committed to our success, have the requisite skills necessary to advance our long term strategy which is so critical in the real estate industry, and have the ability to work effectively with our Chief Executive Officer and other members of the Board. For incumbent Trustees, the Nominating Committee also takes into account his/her performance as a board member which is evaluated annually.

The table below summarizes the key experience, qualifications and attributes for each trustee nominee and highlights the balanced mix of experience, qualifications and attributes of the board as a whole. This high-level summary is not intended to be an exhaustive list of each director nominee's skills or contributions to the board.

| Trustee Nominees | Information | | Committees | | | Skills/Experience | | | | | | |
|--------------------|-------------|---------------|------------|--------------|------------|------------------------------|-------------------------------|------------------------------|-------------------------------|-----------------|--------------------------|---------------------------|
| | Age | Trustee Since | Audit | Compensation | Nominating | Public Company Board Service | REIT/Public Company Executive | Financial Expertise/Literacy | Real Estate Investing/Finance | Retail Industry | Human Capital Management | Risk Oversight/Management |
| Jon Bortz | 63 | 2005 | M | | M | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| David Faeder | 63 | 2003 | M§ | C | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Elizabeth Holland | 54 | 2017 | | M | C | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mark Ordan | 61 | 2019 | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Gail Steinel | 63 | 2006 | C | M | | ✓ | | ✓ | | | ✓ | ✓ |
| Joseph Vassalluzzo | 72 | 2002 | | M | M | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Donald Wood | 59 | 2003 | | | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |

C=Chair M=Member §=Financial Expert

The Nominating Committee and the Board recognize the benefits of diversity in the boardroom and the healthy debate that stems from different viewpoints that may result from diverse backgrounds and experiences. Our Board exhibits diverse geographic and business backgrounds, is comprised of almost one-third women and have almost one-third who have served on the Board for less than 5 years. The Board believes that a diversity of skills, ages, tenure, gender and ethnicity, are factors to be considered, consistent with the goal of creating a Board that best serves the needs of the company and our shareholders. To identify, recruit and evaluate qualified candidates for the Board, the Board first looks to individuals known to current Board members through business and other relationships. If the Board is not able to identify qualified candidates in that way, the services of a professional search firm would be used.

PROCESS FOR SHAREHOLDERS TO RECOMMEND TRUSTEE NOMINEES

Shareholders may propose a candidate to be nominated for election to the Board by following the procedures outlined in our Bylaws, a copy of which can be obtained by sending a written request to Investor Relations at 1626 East Jefferson Street, Rockville, Maryland 20852 and at 909 Rose Avenue, Suite 200, North Bethesda, Maryland 20852 after August 10, 2020. If you want to recommend a nominee, you can submit a written recommendation in accordance with our Bylaws that includes the name, qualifications and other pertinent information about the nominee to our Secretary at our Rockville office. Any recommendation for a nominee to be considered at our 2021 Annual Meeting must be submitted no later than November 20, 2020.

TRUSTEE COMPENSATION

Our non-employee Trustees receive the following compensation for their service on the Board:

| Trustee Role | Compensation Element | 2019 | 2020 |
|------------------------|---|-----------|-----------|
| Non-Executive Chairman | Annual Retainer – Paid in Cash | \$106,000 | \$110,000 |
| | Annual Retainer – Paid in Shares ⁽¹⁾ | \$159,000 | \$165,000 |
| | Total Annual Retainer | \$265,000 | \$275,000 |
| Non-Employee Trustees | Annual Retainer – Paid in Cash | \$ 76,000 | \$ 80,000 |
| | Annual Retainer – Paid in Shares ⁽¹⁾ | \$114,000 | \$120,000 |
| | Total Annual Retainer | \$190,000 | \$200,000 |
| Committee Chair Fees | Audit Committee – Paid in Cash | \$ 20,000 | \$ 25,000 |
| | Compensation Committee – Paid in Cash | \$ 10,000 | \$ 15,000 |
| | Nominating Committee – Paid in Cash | \$ 10,000 | \$ 15,000 |

⁽¹⁾ All Shares issued are fully vested on the grant date.

The 2020 Trustee compensation identified above was set by the Board after taking into account compensation being paid to 26 other public real estate investment trusts in different sectors and of varying sizes. The Board determined that the 2020 amounts reflect a reasonable market level of compensation in comparison to the other companies reviewed. This was the first change to Trustee compensation since 2017.

In addition to the annual retainer described above, Mr. Vassalluzzo receives administrative support for both our business and personal use from our regional office in Wynnewood, Pennsylvania. There were no additional fees paid or services provided to any Trustee for service on any of the Board committees or for attendance at any Board or committee meetings other than those described above.

Total compensation awarded to our Trustees for service in 2019 was as follows:

| Name | Annual Retainer | | Committee Chair Fees | All Other Compensation | Total |
|--------------------------------------|-------------------|-------------------------------|----------------------|------------------------|---------------------|
| | Paid in Cash | Paid in Shares ⁽¹⁾ | | | |
| Jon E. Bortz | \$ 76,000 | \$ 114,000 | \$ - | \$ - | \$ 190,000 |
| David W. Faeder | \$ 76,000 | \$ 114,000 | \$ 10,000 | \$ - | \$ 200,000 |
| Elizabeth I. Holland ⁽²⁾ | \$ 76,000 | \$ 114,000 | \$ 5,096 | \$ - | \$ 195,096 |
| Mark S. Ordan ⁽³⁾ | \$ 69,545 | \$ 104,500 | \$ - | \$ - | \$ 174,045 |
| Gail P. Steinel | \$ 76,000 | \$ 114,000 | \$ 20,000 | \$ - | \$ 210,000 |
| Warren M. Thompson ⁽⁴⁾ | \$ 93,178 | \$ - | \$ 4,904 | \$ - | \$ 98,082 |
| Joseph S. Vassalluzzo ⁽⁵⁾ | \$ 106,000 | \$ 159,000 | \$ - | \$ 8,700 | \$ 273,700 |
| Total | \$ 572,723 | \$ 719,500 | \$ 40,000 | \$ 8,700 | \$ 1,340,923 |

⁽¹⁾ Shares were issued on January 2, 2020 with the number of Shares received by each Trustee determined by dividing the amount to be paid in Shares by \$128.73, the closing price of our Shares on the NYSE on December 31, 2019, the last business day prior to the date the Shares were issued.

⁽²⁾ Pro-rated for partial year of service as Chair of Nominating Committee beginning June 29, 2019.

⁽³⁾ Pro-rated for partial year of service beginning February 1, 2019.

⁽⁴⁾ Pro-rated for partial year of service through resignation from the Board on June 28, 2019.

(5) The amount in the “All Other Compensation” column represents the estimated value of the administrative services. We do not believe there is any incremental cost to us of providing this administrative support.

Trustees are required to maintain ownership of our Shares having a value equal to 5 times the amount of the annual cash retainer. This requirement must be met within 5 years after joining the Board. As of December 31, 2019, all Trustees then serving on the Board complied with the required level of share ownership with the exception of Ms. Holland who joined the Board in February 2017, and Mr. Ordan who joined the Board in February 2019. We expect both Ms. Holland and Mr. Ordan to satisfy this requirement within the 5-year time frame.

| | |
|-------------------|--|
| PROPOSAL 2 | ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS |
|-------------------|--|

EXECUTIVE OFFICERS

Our named executive officers (“NEOs”) are:

| Name | Age | Position |
|--------------------|-----|--|
| Donald C. Wood | 59 | President and Chief Executive Officer: See Proposal 1-Election of Trustees for information |
| Daniel Guglielmone | 53 | Executive Vice President – Chief Financial Officer and Treasurer: Held position since he joined in August 2016; responsible for overseeing capital markets, financial reporting, investor relations, corporate communications and East Coast acquisitions. Prior experience includes: Senior Vice President-Acquisitions & Capital Markets of Vornado Realty Trust (2003 - 2016); Director of the real estate and lodging group in investment banking of Salomon Smith Barney / Citigroup (1993 – 2003); retail division of Douglas Elliman Commercial Real Estate (1989 to 1992). |
| Dawn M. Becker | 56 | Executive Vice President – General Counsel and Secretary: Held position since April 2002 and has responsibility for overseeing various corporate functions including Legal, Human Resources, Information Technology and Sustainability. She has held multiple officer positions since joining Federal in 1997 including Managing Director Mixed Use Operations (2015 - 2016), Chief Operating Officer (2010 - 2015) and Real Estate and Finance Counsel (2000 - 2002). |

EXECUTIVE OFFICER COMPENSATION

You are being asked to approve on an advisory basis the compensation of our NEOs as described in the Compensation Discussion and Analysis (“CD&A”), the Summary Compensation Table, the supplemental tables and the disclosure narratives that follow. This is an opportunity to express your opinion regarding the decisions made by the Compensation Committee on the compensation of our NEOs for 2019; however, it will not affect any compensation already paid or awarded for 2019 and will not be binding on the Compensation Committee, the Board or the company. The Board and our Compensation Committee value the opinions of our shareholders and will review the results of this vote and take those results into consideration in addressing future compensation policies and decisions.

As described in more detail below, our compensation packages include base salaries, annual cash incentive compensation, long-term equity incentives and other market appropriate benefits and perquisites. A few highlights of our compensation programs are:

Performance Based: A significant portion of our NEOs' compensation is directly linked to our performance and the creation of long-term shareholder value through both our annual bonus program and our long-term incentive award plan. The amounts earned by our NEOs under both of these programs are determined on the basis of performance over a 1 or 3 year performance period with full value not recognized until expiration of an additional vesting period.

Balance between Short-Term and Long-Term Pay: The combination of base pay, annual bonus and long-term incentives provides an appropriate balance between short-term and long-term pay and objectives.

Stock Ownership Guidelines: Our CEO is required to hold Shares having a value equal to at least 3x the amount of his base pay and annual bonus and our other NEOs are required to hold Shares having a value equal to at least 2.5x the amount of his/her base pay and annual bonus. This requirement aligns our NEOs with our shareholders and incentivizes them to act in the best long-term interests of the company.

No Special Perquisites: We do not provide any perquisites to our NEOs that are not widely available to our other employees other than as described in the CD&A and the "Potential Payments on Termination of Employment and Change-in Control" sections below.

The affirmative vote of a majority of votes cast at the Annual Meeting, in person or by proxy, is required to approve this proposal. An "abstention" or "broker non-vote" will have no effect on the outcome of the vote for this proposal.

✓ Our Board recommends a vote **FOR** the compensation of our NEOs

The text of the resolution if Proposal 2 is passed is:

RESOLVED, that the shareholders of the company hereby approve, on an advisory basis, the compensation of our NEOs as described in the CD&A, the Summary Compensation Table, the supplemental tables and the narrative disclosures accompanying these materials as required by Item 402 of Regulation S-K.

COMPENSATION DISCUSSION AND ANALYSIS

This CD&A describes our compensation programs and compensation decisions for our NEOs for 2019.

2019 Compensation Highlights:

Some specific decisions and results impacting 2019 compensation for our NEOs include:

No Changes to CEO Compensation: The Compensation Committee did not make any changes to Mr. Wood's compensation package in 2019. His base pay has remain unchanged since 2016 and his target annual bonus and potential earnings under our long-term plan have remained unchanged since 2015.

Minimal Changes to NEO Compensation: The Compensation Committee approved modest base pay increases for Mr. Guglielmo and Ms. Becker. This was the first base pay increase approved for Mr. Guglielmo since he joined the company in 2016 and the first base pay increase for Ms. Becker since 2015. In addition, the Compensation Committee approved modifying the range of potential equity that can be earned by Mr. Guglielmo under our long-term plan but made no adjustment to his target level award.

Adoption of New Market Oriented Long-Term Incentive Metrics: The Compensation Committee adopted new, market oriented performance metrics under our long-term incentive award program to address a growing disconnect between the effectiveness of that plan to support our compensation strategy. A more detailed discussion of these changes is set forth below.

Our compensation program received a favorable vote of more than 92% from our shareholders in 2019 which demonstrates that our basic approach to compensating our NEOs is appropriate.

2019 Compensation of our NEOs:

The following chart sets out the 2019 target compensation and the compensation actually earned by each of our NEOs for 2019 based on company and individual performance for the 1 and 3-year periods ending December 31, 2019:

| NEO | Target | | | | 2019 | | | | Earned Pay as % of Target |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------------------|
| | Annual | | | | Annual | Long-Term | | | |
| | Base Salary | Bonus | LTIP | Total | Base Salary | Bonus | Incentive | Total | |
| Donald C. Wood | \$950,000 | \$1,425,000 | \$5,000,000 | \$7,375,000 | \$950,000 | \$1,504,167 | \$5,379,250 | \$7,833,417 | 106% |
| Daniel Guglielmone | \$500,000 | \$ 375,000 | \$ 900,000 | \$1,775,000 | \$500,000 | \$ 395,833 | \$ 968,265 | \$1,864,098 | 105% |
| Dawn M. Becker | \$475,000 | \$ 356,250 | \$ 600,000 | \$1,431,250 | \$475,000 | \$ 376,042 | \$ 645,510 | \$1,496,552 | 105% |

The amounts set forth above for the annual bonus and performance based, long-term equity program differ from the amounts shown for 2019 in the Summary Compensation Table because the chart above reflects the amount earned for the year while the Summary Compensation Table reflects these amounts in the year in which they are paid regardless of the time period during which those amounts were earned. We believe the chart above is helpful because it reflects the way in which the Compensation Committee considers compensation decisions for our NEOs and it allows the actual compensation earned for 2019 to be understood in the context of our financial and other performance for the performance periods ending in 2019.

2019 Compensation Components:

We provide our NEOs with three primary components of compensation, each of which serves a unique purpose in compensating and rewarding our NEOs and creates alignment between our NEOs and our shareholders.

| Pay Element | | Form | Link to Business and Talent Strategies |
|-------------|---------------------|---|--|
| Fixed Pay | Base Salary | Paid in Cash | ✓ Compensation to assume day-to-day responsibilities of the position |
| | | | ✓ Pay level recognizes experience, skill and performance with the goal to be competitive with market |
| At-Risk Pay | Annual Bonus | Paid in Cash | ✓ Aligns pay with achieving annual business objective |
| | | Up to 25% can be paid in Shares at employee election | ✓ Payouts can be adjusted downward based on individual performance |
| | Long-Term Incentive | Paid in Restricted Shares | ✓ Motivates and rewards achievement of long-term performance |
| | | Up to 50% can be paid in share options at employee election | ✓ Aligns executive and shareholder interests ✓ Promotes executive ownership in the company |

We also provide various health and welfare related benefits to our NEOs that are the same as provided to all of our employees. These benefits are competitive with those offered by companies with whom we compete for talent and provide another tool that allows us to attract and retain talented executives.

Setting Annual Compensation:

Annual compensation for our NEOs is paid in both cash and restricted Shares with a significant portion at risk and contingent on achieving either annual or longer term performance goals. The total potential compensation for our NEOs is established based on the scope of his/her individual responsibilities and contributions to our performance taking into account competitive market compensation paid for similar positions. Our Compensation Committee determines appropriate levels of total compensation for our NEOs by applying their individual understanding, experiences and judgments in the national marketplace of senior level real estate positions and related industry pay in both public and private companies that may compete for our executives while also considering the relative importance of various positions at Federal given our business plan and organization compared with the business plans of our major competitors. The Compensation Committee also consults compensation surveys prepared for the National Association of Real Estate Investment Trusts (“NAREIT Survey”) to confirm its assessment of appropriate market compensation for our NEOs, reviewing the information reported for each position by the 113 real estate investment trusts (“REITs”) that participated in the latest survey as well as by the approximately 27 retail focused REITs that participated in that survey.

Using the three components of compensation, their knowledge and experience in the marketplace and the NAREIT Survey information, the Compensation Committee establishes an individual compensation package for each NEO setting the target level of potential compensation at or slightly below market level compensation for that NEO. The purpose of setting target compensation at or below market is to further incentivize our NEOs to achieve the highest level of performance under our incentive programs with the expectation being that superior company performance will result in our NEOs being paid slightly above market compensation levels. The Compensation Committee believes that using performance based compensation as a way to pay our NEOs above market compensation levels helps us attract and retain the quality talent that is necessary to successfully run a business such as ours with a more diverse set of property types and tenants than other shopping center companies.

Fixed Compensation – Base Salary

Base salary is the only fixed component of the compensation paid to our NEOs annually. Because base salaries are just one component of total pay, we do not target base salaries to any specific level but do confirm that the base salaries for our NEOs are within market parameters using the NAREIT Survey and market knowledge. All base salary decisions for our NEOs are made at the first Compensation Committee meeting of the year and take effect on January 1 of that year. In 2019, Mr. Wood did not receive an increase in base salary. Mr. Guglielmo received a base pay increase, the first approved since he was hired in 2016, and Ms. Becker received a base pay increase, her first since 2015.

At Risk Compensation – Annual Bonus Plan and Long-Term Incentives

A substantial portion of the compensation for our NEOs is delivered through our annual bonus plan and long-term incentive plan, both of which are performance based programs with compensation that is at risk.

| CEO Earned Compensation Breakdown | | |
|--|--------------------------------------|--|
| 12% Base Salary | 19% Annual Bonus | 69% Long-Term Incentive (restricted Shares earned on performance) |
| 12% Fixed | 88% Performance Based At Risk | |

| Other NEOs Average Earned Compensation Breakdown | | |
|---|--------------------------------------|--|
| 29% Base Salary | 23% Annual Bonus | 48% Long-Term Incentive (restricted Shares earned on performance) |
| 29% Fixed | 71% Performance Based At Risk | |

Annual Bonus Plan

The Annual Bonus Plan is an annual cash incentive program with payment under the plan contingent on our achieving FFO per diluted Share within a range set by the Compensation Committee for that year. The Compensation Committee believes that FFO per diluted Share is the appropriate measure to use for an annual program because it reflects the impacts of operational decisions, capital allocation decisions and balance sheet management for the year. Following is the range set by the Compensation Committee and our actual performance for 2019:

| | Threshold | Target | Stretch |
|------------------------|------------------|---------------|----------------|
| Potential Payout Range | 75% | 100% | 125% |
| FFO/Share Range | \$6.07 | \$6.15 | \$6.24 |
| Actual FFO/Share | | \$6.17 | |
| Payout Percentage | | 105.6% | |

The Compensation Committee sets the FFO per diluted Share range for our annual bonus program at the beginning of each year to reflect acceptable to exceptional performance in light of our business objectives for the year after a thorough review and discussion of our budget and investor expectations for the year. The FFO per diluted Share range originally set by the Compensation Committee in 2019 did not contemplate the acquisition of control of a critical parcel of land at our Assembly Square project which only became possible when the other party finally expressed a willingness to sell on reasonable terms in the middle of 2019. Although this acquisition was an investment in our real estate, generally accepted accounting principles required that this transaction be recorded as a reduction to earnings. As a result of this charge, we reported funds from operations (“FFO”)¹ per diluted Share of \$6.17. Without the impact of this investment, we would have reported FFO per diluted Share of \$6.33 which would have been a record level for the company. The Compensation Committee determined that it was in the best interest of the company to proceed with the acquisition given its importance to future value creation at the property and as a result, modified during the year the FFO per diluted Share range for bonus payouts to exclude the impact of the \$0.16 per Share charge resulting from that acquisition.

¹ FFO is a supplemental non-GAAP financial measure of a real estate company’s operating performance. We follow the definition of FFO provided by the National Association of Real Estate Investment Trusts (“NAREIT”) which is included on Appendix A along with a reconciliation of net income to FFO available for common shareholders.

Following are the annual bonus payouts to our NEOs based on our actual FFO per diluted Share achieved for 2019:

NEO Payout Information

| | Target* | Threshold | Target | Stretch |
|-----------------|---------|--------------|---------------|--------------|
| Don Wood | | | | |
| Payout Range | 150% | \$ 1,068,750 | \$1,425,000 ▲ | \$ 1,781,250 |
| Actual Payout | | | \$ 1,504,167 | |
| Dan Guglielmone | | | | |
| Payout Range | 75% | \$ 281,250 | \$375,000 ▲ | \$ 468,750 |
| Actual Payout | | | \$ 395,833 | |
| Dawn Becker | | | | |
| Payout Range | 75% | \$ 267,188 | \$356,250 ▲ | \$ 445,313 |
| Actual Payout | | | \$ 376,042 | |

*Percentage of base salary that establishes target bonus potential.

*Percentage of base salary that establishes target bonus potential.

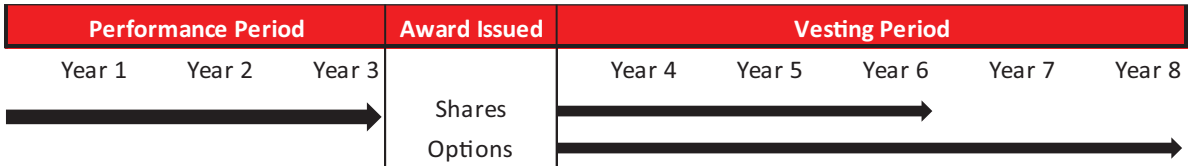
The bonus targets for our NEOs as a percentage of base salary were not changed in 2019. The Compensation Committee considered the individual performances of each of our NEOs during 2019 and awarded each individual the full annual bonus for which he/she was eligible.

Approximately 36% of the 268 participants in our Annual Bonus plan, including our NEOs, have the option to receive up to 25% of the final bonus payout in the form of Shares that vest equally over three years with accelerated vesting on death, disability, change in control and termination without cause. In consideration of the extended payment period for this portion of the bonus already earned, the employee receives Shares valued at 120% of the portion of the Annual Bonus he/she elected to receive in Shares. For 2019, Mr. Wood and Ms. Becker each elected to receive 25% of the bonus in Shares and Mr. Guglielmone elected to receive all of his annual bonus in cash. The cash portion of the 2019 annual bonuses is reflected in the “Non-Equity Incentive Plan Compensation” column in the Summary Compensation Table in this proxy statement. The portion of the Annual Bonus paid in Shares will be included in the “Stock Awards” column in the Summary Compensation Table and the Grants of Plan-Based Awards Table in next year’s proxy statement.

Long-Term Incentive Award Program

The largest portion of compensation for our NEOs comes from our equity based Long-Term Incentive Award Program (“LTIAP”). This program aligns the interests of our NEOs with shareholders by incentivizing our NEOs to identify and accomplish longer-term business objectives that generate value through Share price appreciation and dividend growth. Key aspects of the program are:

- ✓ Performance measured over a 3 year period with additional vesting requirements so that NEOs do not realize full value of awards until 6 to 8 years after beginning of the performance period



- ✓ No Shares or options are issued until the performance period has ended and the level of performance achievement has been finally determined

- ✓ Performance metrics are designed to reward creation of long-term value
- ✓ Paid in the form of restricted Shares; however, recipients can choose to take up to 50% of the award in the form of options to best accomplish his/her own financial planning objectives. The Compensation Committee believes the value of that personal choice outweighs any diminution in retention value from the granting of options in lieu of Shares. Each of our NEOs elected have the entire amount of the award for the performance period ending in 2019 paid in the form of restricted Shares.
- ✓ Compensation Committee has the discretion to increase or decrease awards by up to 20% to reflect individual performance. No adjustments were made to the awards for our NEOs for the current performance period.

Plan Design Changes in 2019:

Our long-term incentive program metrics and performance hurdles had been in place unchanged since the program was first adopted in 2003. For more than a decade, the program was effective at achieving our compensation strategy allowing us to pay compensation to our NEOs slightly above market when the company delivers superior results while keeping target compensation levels at or slightly below market. Over the past few years, however, despite the company continually delivering record levels of operating results and trading at a significant premium to other shopping center companies, the program was not delivering pay consistent with our compensation strategy. In lieu of simply increasing target levels of compensation for our NEOs to make up for the ineffectiveness of the program design, a decision which would permanently increase the cost to run the company, the Compensation Committee chose to restructure the long-term incentive program with new metrics and new performance hurdles that better support our compensation strategy.

Original Metrics: The three original metrics and performance hurdles under our long-term plan are:

Relative Total Return: Measures total shareholder return, taking into account Share price appreciation and assuming reinvestment of dividends, relative to performance of other companies in the Bloomberg REIT Shopping Center (“BBRESHOP”) index on a weighted average basis. The Compensation Committee determined that the BBRESHOP index was the best index to use given that it is an industry index made up of primarily companies that own and operate open air shopping centers whose businesses are most closely aligned with ours and face the same general market dynamics. To get paid at target, the company has to perform at the 60th percentile relative to other companies in the index on a weighted average basis. Performance at the 40th percentile earned payment at a threshold level and stretch level payment was earned only if we performed at the 80th percentile of the index. For the performance period from 2017 through 2019, we performed at the 52.21 percentile of the index on a weighted average basis.

The shopping center sector has seen a significant amount of consolidation over the past 15 years which has resulted in a few larger companies dominating the index on a weighted average basis. As a result, our calculation methodology for this metric evolved into a comparison of how we performed against only a few large companies, not how we performed against the industry. The Compensation Committee believed that a metric comparing our performance against this index was an appropriate part of our long-term compensation plan but that the current calculation methodology for measuring that performance was outdated and no longer effective.

Absolute Total Return: Measures whether we have actually created value and delivered returns to our shareholders over the 3-year performance period, taking into account both Share price appreciation and dividends assuming all dividends are reinvested. The return hurdles set for our management team to be entitled to payout on this metric were annualized returns of 8% for threshold level payout, 10% for target level payout and 12% for stretch level payout. For the performance period from 2017 through 2019, we performed at lower than the threshold level. When these hurdle levels were set in 2003, they reflected market expectations. That is no longer the case. These returns are significantly above investors’ return expectations today and have been for some time. The Compensation Committee considered whether to

simply adjust the return hurdles to reflect current market expectations but ultimately concluded that this metric should be replaced with a metric that better reflects both investors perception of the company and management’s performance.

Return on Invested Capital: Reflects how effectively we have allocated our shareholders’ capital during the three year performance period and incentivizes our executives to make sound, long-term investment decisions that will generate strong future returns for our shareholders. The required performance levels on this metric were designed to be adjusted to reflect changing market expectations as we acquire, sell and develop assets and as a result, have remained effective as part of our long-term compensation plan. For the performance period from 2017 through 2019, we delivered a 7.92% return on invested capital which exceeded the 7.75% hurdle established by the Compensation Committee for stretch level payout.

Updated Metrics: The Compensation Committee spent a considerable amount of time researching the design of long-term compensation plans for other REITs looking across a wide range of industries and REITs of varying sizes as it considered revisions to our plan. After significant consideration, the Compensation Committee modified our long-term plan and adopted more relevant performance metrics and performance hurdles that more appropriately reflect investor expectations and support our compensation strategy. Following is information about the new metrics and performance hurdles, the Compensation Committee’s rationale for choosing these metrics and performance hurdles and the level of performance achieved on each of those metrics for the 3-year performance period from 2017 through 2019.

| New Performance Metrics | Weighting | Threshold | Target | Stretch |
|-----------------------------------|------------------|-----------------------------|---------------|----------------|
| Relative Total Return | | | | |
| Performance Range | 34% | 5% < Index | Index | 5% > Index |
| Actual Performance | | | +1.3% | |
| FFO Multiple Premium | | | | |
| Performance Range | 33% | 5% Premium | 15% Premium | 20% premium |
| Actual Performance | | | | 41.0% |
| Return on Invested Capital | | | | |
| Performance Range | 33% | 7.25% | 7.50% | 7.75% |
| Actual Performance | | | | 7.92% |
| Index Total Return | -1.42% | Peer Group Average Multiple | 14.32X | |
| FRT Total Return | -0.12% | FRT Multiple | 20.17X | |
| Performance v. Index | +1.30% | Multiple Premium | 41% | |

Relative Total Return: The Compensation Committee determined that it was important to retain relative total return in the long-term compensation program as a way to directly align with shareholder interests and to reflect market conditions. Specific considerations of the Compensation Committee with respect to selecting and structuring this metric included:

- Structuring the performance hurdle as a comparison of total shareholder return delivered by the company, taking into account Share price appreciation and assuming reinvestment of dividends, against the total return achieved by the BBRESHOP index as a whole. The Compensation Committee believes this is an appropriate reflection of the performance comparison used by investors when considering investment choices in public shopping center companies and that the BBRESHOP index is the best comparison index to use for the reasons discussed above
- Setting target payout levels to be earned if our total return equals the total return delivered by the index with downward and upward adjustments made to payouts for either underperforming or outperforming the index by up to 5%. With threshold and stretch level payouts under our long-term plan being no more than +/- 50% of target level pay, the Compensation Committee determined that the 5% range on underperforming or outperforming the index created an appropriate alignment between pay and performance

- Weighting this metric equally with other metrics in the program to reflect each being an equally important measure of performance

FFO Multiple Premium: The Compensation Committee adopted a new performance metric of relative FFO multiple premium that compares the FFO multiple at which the company is trading at the end of the performance period against the average FFO multiple at which all other public shopping center companies (other than the company) are trading at the end of the performance period as reported by a third party investment bank. Specific considerations that went into adopting and structuring this metric include the following:

- The FFO multiple is a direct reflection of how investors in the marketplace value our Shares taking into account investors' perception of our historical results as well as their belief in our ability to grow and deliver profits and value in the future. It is an effective measure of long-term performance using both history and future expectations and one that can be used to effectively evaluate the performance of the management team.
- With the company's high quality assets and balanced business plan, the Compensation Committee believes that the company is "best in class" of other public shopping center companies and as a result, should always trade at a premium multiple to other public shopping center companies. Given that, the Compensation Committee set target payout levels to be earned only if the company trades at a multiple premium of at least 15% with the ability to earn stretch level pay if the company trades at a premium multiple of 20% or more and not being entitled to any level of pay unless the multiple is at least a 5% premium to the other public shopping center companies. Simply put, the management team should only be paid if they are making decisions and running the company in a way that garners a multiple premium to other public shopping center companies given our asset base. The Compensation Committee concluded that the FFO multiple comparison is a better way of assessing whether the company remains "best in class" amongst other public shopping centers companies than total returns or total return comparisons which can be significantly impacted by market conditions and other factors outside management's control.
- The Compensation Committee determined that this metric was of equal importance with the other metrics in the plan and as a result, has weighted it equally in the calculation.

Return on Invested Capital: The Compensation Committee concluded that this metric remained relevant and effective and made no change other than revising the weighting to be of equal weight with each of the other metrics.

Plan Transition:

With the new metrics adopted part way through the ongoing 3-year performance period, the Compensation Committee had to determine the best way to transition from the old metrics to the new metrics. Using the old metrics would have resulted in a payout for our NEOs of approximately 78% of target pay level while using solely the new metrics would have resulted in payouts of more than 137% of target. Neither result seemed appropriate or achieved our overall compensation objectives for this performance period. Ultimately, the Committee decided to approve payout levels at a simple average of the percentage payout level achieved entirely under the old metrics and the percentage payout level achieved entirely under the new metrics which

resulted in total earned pay for 2019 modestly higher than target pay consistent with our compensation strategy. The actual amounts earned by our NEOs under our long-term incentive program for the period ending in December 2019 using this approach is shown below:

NEO Payout Information

| | Payout* | Threshold | Target | Stretch |
|-----------------------|---------|-------------|---------------|-------------|
| Don Wood | | | | |
| Payout Range | | \$2,500,000 | \$5,000,000 ▲ | \$7,500,000 |
| Final Approved Payout | 107.6% | | \$5,379,250 | |
| Dan Guglielmon | | | | |
| Payout Range | | \$450,000 | \$900,000 ▲ | \$1,350,000 |
| Final Approved Payout | 107.6% | | \$968,265 | |
| Dawn Becker | | | | |
| Payout Range | | \$300,000 | \$600,000 ▲ | \$900,000 |
| Final Approved Payout | 107.6% | | \$645,510 | |

*Percentage payout relative to target based on achievement of performance hurdles; actual payouts are interpolated between threshold, target and stretch

The new metrics will be used to determine pay for our NEOs for the three year performance period ending in 2020.

The results above reflect an adjustment made to Mr. Guglielmon’s potential earnings range to set a threshold level payout at 50% of target and a stretch level potential at 150% of target. The previous range for Mr. Guglielmon which was set when he was hired in 2016 was a threshold level of 67% of target and a stretch level of 133% of target. The Compensation Committee determined that Mr. Guglielmon’s compensation should be more highly correlated with company performance and believed that expanding the range accomplished that objective without increasing target level compensation.

The number of Shares actually awarded to each of our NEOs under the LTIAP is determined by dividing the amount of the award by the closing price of our stock on the NYSE on the date the awards are made. There is no amount included for 2019 in the Summary Compensation Table or Grants of Plan-Based Awards Table in this proxy statement for LTIAP awards earned for the 2017-2019 performance period. The LTIAP awards reflected for 2019 in the Summary Compensation Table and the Grants of Plan-Based Awards Table for our named executive officers in this proxy statement relate to awards made in February 2019 for the 3-year performance period ending December 31, 2018.

Other Benefits

We provide other health and welfare benefits to our NEOs on the same basis as we provide those benefits to all employees. In addition to those benefits, we provide to Mr. Wood, his spouse and his dependents continuation of health coverage after Mr. Wood’s termination upon death, disability, retirement, change in control or otherwise (other than a termination with cause or resignation). This coverage will continue as to Mr. Wood and his spouse until their death, or with respect to his spouse until divorce, if earlier, and coverage continues for three of Mr. Wood’s children until each reaches age twenty-five and as to one of the children, until her death. We are required to provide coverage of at least the same level as provided to Mr. Wood and his family at the time of his termination and such coverage will be secondary to certain other coverages that may be available to Mr. Wood and his family. This agreement has been in place and remained unchanged since 2008.

Other Compensation Considerations

Equity Ownership: Each of our NEOs is required to maintain a level of ownership of equity in the company equal to a multiple of the sum of his or her base salary and annual bonus. The required multiples for our named executive officers are 3 times for Mr. Wood and 2.5 times for each of Mr. Guglielmo and Ms. Becker. Each of our NEOs was in compliance with the equity ownership requirement as of December 31, 2019.

Risk Assessment: As described in the “Risk Management Oversight” section, we have concluded that our compensation programs do not encourage excessive or unnecessary risk taking. We have in place a clawback policy allowing us to recoup compensation paid to our NEOs on the basis of incorrect financial statements where that NEO engaged in fraud or grossly negligent misconduct.

Timing of Equity Grants: Equity awards to our employees under our Annual Bonus Plan and LTIAP described above are made at the Compensation Committee’s meeting that occurs in February of each calendar year. Based on our meeting schedule the past several years, these awards are made before we release financial results for the prior fiscal year. We have no policy that times the granting of equity awards relative to the release of material non-public information. Equity awards to new hires are generally made on the first day on which the employee starts work and equity awards to employees who are promoted generally are made on the day on which the promotion has been fully approved. All of our options are awarded at the closing price of our Shares on the NYSE on the date the award is made. The Compensation Committee has never re-priced options, granted options with an exercise price that is less than the closing price on the NYSE on the date of the grant, or granted options which are priced on a date other than the grant date. Equity awards for Vice Presidents and above for the 3-year performance period ending on December 31, 2019 were made at the Compensation Committee’s meeting on February 4, 2020 based on the closing price of our Shares on the NYSE on that date.

Termination and Change-in-Control Arrangements: We have agreements in place with each of our named executive officers providing for various payments and benefits to be made to them if there is a change in control or their employment with us is terminated for certain reasons. The circumstances in which payments may be made and the potential amounts of those payments are described in more detail in the “Potential Payments on Termination of Employment and Change-in-Control” section below. We believe that the payments provided for in these agreements are reasonable and appropriate as part of the total compensation packages available for our named executive officers.

Deductibility of Executive Compensation in Excess of \$1.0 Million: For tax years ending on or prior to December 31, 2017, Section 162(m) of the Internal Revenue Code generally prohibited any publicly held corporation from taking a federal income tax deduction for compensation in excess of \$1 million in any taxable year paid to an executive officer who is named in the Summary Compensation Table. An exception was made for qualified performance-based compensation, among other things. Although the Compensation Committee considered the impact of Section 162(m) in structuring compensation programs, the Committee’s primary focus was on creating programs that addressed the needs and objectives of the company regardless of the impact of Section 162(m). As a result, the Compensation Committee made awards and structured programs that were non-deductible under Section 162(m).

The Tax Cuts and Jobs Act of 2017 modified Section 162(m) to, among other things, modify who is subject to the \$1 million deduction limit and to eliminate the exception for performance based pay from the \$1 million deduction limit starting with tax years ending after December 31, 2017. The changes to Section 162(m) have not had a material impact on us.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed the CD&A required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement.

Submitted by:

David W. Faeder, Chairman
 Elizabeth I. Holland
 Gail P. Steinel
 Joseph S. Vassalluzzo

SUMMARY COMPENSATION TABLE

The following table summarizes the total compensation earned by each of our NEOs for the fiscal years ended December 31, 2019, 2018 and 2017, in accordance with current SEC rules. The Summary Compensation Table below does not include the value of the Shares issued to our NEOs on February 4, 2020 for the performance period ending December 31, 2019. The value of those Shares will appear in next year's proxy statement in the Grants of Plan-Based Awards Table as well as the "Stock Awards" column of the Summary Compensation Table.

| Name and Principal Position | Year | Salary ⁽¹⁾ | Bonus ⁽²⁾ | Stock Awards ⁽³⁾ | Non-Equity Incentive Plan Compensation ⁽⁴⁾ | All Other Compensation ⁽⁵⁾ | Total |
|--|------|-----------------------|----------------------|-----------------------------|---|---------------------------------------|--------------|
| Donald C. Wood, President and Chief Executive Officer (PEO) | 2019 | \$ 950,000 | \$ - | \$ 5,534,437 | \$ 1,128,125 | \$ 18,296 | \$ 7,630,858 |
| | 2018 | \$ 950,000 | \$ - | \$ 5,160,832 | \$ 1,335,938 | \$ 17,412 | \$ 7,464,182 |
| | 2017 | \$ 950,000 | \$ - | \$ 6,927,569 | \$ 1,183,213 | \$ 17,000 | \$ 9,077,782 |
| Daniel Guglielmono, Executive Vice President-Chief Financial Officer and Treasurer (PFO) | 2019 | \$ 500,000 | \$ - | \$ 900,012 | \$ 395,833 | \$ 9,728 | \$ 1,805,573 |
| | 2018 | \$ 475,000 | \$ 300,000 | \$ 787,508 | \$ 445,313 | \$ 9,592 | \$ 2,017,413 |
| | 2017 | \$ 475,000 | \$ 250,000 | \$ 899,958 | \$ 394,404 | \$ 38,701 | \$ 2,058,064 |
| Dawn M. Becker, Executive Vice President-General Counsel and Secretary | 2019 | \$ 475,000 | \$ - | \$ 726,587 | \$ 282,031 | \$ 13,265 | \$ 1,496,883 |
| | 2018 | \$ 450,000 | \$ 50,000 | \$ 562,490 | \$ 316,406 | \$ 12,406 | \$ 1,391,302 |
| | 2017 | \$ 450,000 | \$ - | \$ 979,017 | \$ 373,646 | \$ 11,073 | \$ 1,813,737 |

- (1) Amounts shown in the Salary column include all amounts deferred at the election of the NEOs into our non-qualified deferred compensation plan.
- (2) Mr. Guglielmono and Ms. Becker each received a \$50,000 cash supplemental bonus for 2018. In each of 2017 and 2018, Mr. Guglielmono received a \$250,000 cash bonus that was agreed to as part of Mr. Guglielmono's initial hiring compensation package.
- (3) Amounts shown in the Stock Awards column reflect the aggregate grant date fair value of the awards calculated in accordance with FASB ASC Topic 718 that were made in the fiscal years ended December 31, 2019, 2018 and 2017. For a discussion of the valuation of these awards, please refer to Note 12 in the notes to our consolidated financial statements in our Annual Report on Form 10-K filed on February 10, 2020.
- (4) Amounts shown in this column represent only the cash portion paid under our Annual Bonus Plan and include amounts deferred by our NEOs into our non-qualified deferred compensation plan. Mr. Wood received 75% of his Annual Bonus in cash for each of 2019, 2018 and 2017. Ms. Becker received 75% of her bonus in cash for 2019 and 2018 and 100% of her bonus in cash for 2017. Mr. Guglielmono received 100% of his Annual Bonus in cash for 2019, 2018 and 2017. The remaining amounts earned under the Annual Bonus Plan in 2019, 2018 and 2017 were paid in Shares in an amount equal to 120% of the cash value in consideration of an additional 3-year vesting schedule.
- (5) The amounts shown in this column for the last fiscal year include: (a) payments for group term life insurance, long-term disability insurance and supplement life insurance of \$11,296 for Mr. Wood, \$2,728 for Mr. Guglielmono and \$6,265 for Ms. Becker; and (b) contributions to our 401(k) plan of \$7,000 for each of our NEOs.

GRANTS OF PLAN-BASED AWARDS TABLE

The following Share awards were made in 2019, all of which were earned based on the 1-year or 3-year performance period ending December 31, 2018. Awards made in 2020 to the NEOs under our Annual Bonus Plan and long-term incentive plan for the 1-year and 3-year performance periods ending December 31, 2019 will be reported in the Grants of Plan-Based Awards Table in next year's proxy statement.

| Name | Grant Date | All Other Stock Awards: | |
|--------------------|-------------------------|---|--------------------------------------|
| | | Number of Shares of Stock or Units ⁽³⁾ | Grant Date Fair Value ⁽⁴⁾ |
| Donald C. Wood | 2/5/2019 ⁽¹⁾ | 3,981 | \$ 534,370 |
| | 2/5/2019 ⁽²⁾ | 37,250 | \$ 5,000,068 |
| Daniel Guglielmone | 2/5/2019 ⁽²⁾ | 6,705 | \$ 900,012 |
| Dawn M. Becker | 2/5/2019 ⁽¹⁾ | 943 | \$ 126,579 |
| | 2/5/2019 ⁽²⁾ | 4,470 | \$ 600,008 |

(1) Issued under our Annual Bonus Plan. These Shares vest equally over 3 years.

(2) Issued under our LTIAP. These Shares vest equally over 3 years.

(3) Dividends are paid on all Shares issued at the same rate and time as paid to all other holders of our Shares as declared by our Board from time to time.

(4) Represents the grant date fair value of Share awards as computed in accordance with FASB ASC Topic 718. The grant date fair value for these Share awards was based on the closing price of our Shares on the grant date.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table sets forth information about outstanding equity awards held on December 31, 2019 by our NEOs:

| Name | Stock Awards | |
|--------------------|---|--|
| | Number of Shares or Units of Stock That Have Not Vested | Market Value of Shares or Units of Stock That Have Not Vested ⁽⁵⁾ |
| Donald C. Wood | 3,981 ⁽¹⁾ | \$ 512,474 |
| | 37,250 ⁽¹⁾ | \$ 4,795,193 |
| | 2,834 ⁽²⁾ | \$ 364,821 |
| | 28,067 ⁽²⁾ | \$ 3,613,065 |
| | 1,020 ⁽³⁾ | \$ 131,305 |
| | 15,512 ⁽³⁾ | \$ 1,996,860 |
| Daniel Guglielmone | 6,705 ⁽¹⁾ | \$ 863,135 |
| | 4,715 ⁽²⁾ | \$ 606,962 |
| | 2,148 ⁽³⁾ | \$ 276,512 |
| | 3,581 ⁽⁴⁾ | \$ 460,982 |
| Dawn M. Becker | 943 ⁽¹⁾ | \$ 121,392 |
| | 4,470 ⁽¹⁾ | \$ 575,423 |
| | 3,368 ⁽²⁾ | \$ 433,563 |
| | 242 ⁽³⁾ | \$ 31,153 |
| | 2,095 ⁽³⁾ | \$ 269,689 |

(1) One-third of these Shares vested on February 12, 2020 and the remaining Shares will vest on February 12, 2021 and 2022.

- (2) One-half of these Shares vested on February 12, 2020 and the remaining Shares will vest on February 12, 2021.
- (3) These shares vested on February 12, 2020.
- (4) These Shares will vest equally on August 15 of each of 2020 through 2023.
- (5) The market value of outstanding unvested Shares is based on \$128.73, the closing price of our Shares on the NYSE on December 31, 2019. The value of the outstanding unvested Shares at the time they were issued was previously included in the Summary Compensation Table for the applicable year in which the Shares were issued. The difference between the market value of the outstanding unvested Shares as of December 31, 2019 as compared to the value of those Shares reported in a Summary Compensation Table is \$129,572 for Mr. Wood, (\$88,950) for Mr. Guglielmone and \$3,208 for Ms. Becker.

OPTION EXERCISES AND STOCK VESTED TABLE

The following table includes information with respect to options exercised and Shares that vested in 2019 for each of our NEOs.

| Name | Option Awards | | Stock Awards | |
|--------------------|---------------------------------------|----------------------------|--------------------------------------|--|
| | Number of Shares Acquired on Exercise | Value Realized on Exercise | Number of Shares Acquired on Vesting | Value Realized on Vesting ⁽¹⁾ |
| Donald C. Wood | 0 | \$ - | 48,311 | \$ 6,525,850 |
| Daniel Guglielmone | 0 | \$ - | 6,444 | \$ 860,625 |
| Dawn M. Becker | 0 | \$ - | 5,767 | \$ 779,006 |

- (1) The value realized is based on the closing price of a Share on the date of the Share vesting. The value of these Shares at issuance was reported in the Stock Award column of the Summary Compensation Table for the year in which the Shares were issued. The difference between the value realized on the vesting of the Shares reflected above and the value of the Shares when they were issued and reported as compensation in a Summary Compensation Table is \$8,938 for Mr. Wood, (\$11,272) for Mr. Guglielmone and (\$933) for Ms. Becker.

NON-QUALIFIED DEFERRED COMPENSATION TABLE

We maintain a non-qualified deferred compensation plan that is open to participation by 37 members of our management team, including our NEOs. Each participant can elect to defer up to 100% of his or her base salary and cash payment under our Annual Bonus Plan with deferral elections made in December of each year for amounts to be earned in the following year. A number of widely available investment options are made available to each plan participant who then decides how to allocate amounts deferred among those investment options. The amount earned by plan participants on their deferrals is calculated by our third party plan administrator as if the amounts deferred had actually been invested in the investment options selected by each participant. We do not make any contributions to the deferred compensation plan for any individual nor do we guaranty any rate of return on amounts deferred. Amounts deferred into the plan, including amounts earned on the deferrals, are generally payable to the participant shortly after he or she retires or is otherwise no longer employed by us; however, there are a few other alternatives where amounts may be paid to a participant sooner. Mr. Wood and Ms. Becker participate in our deferred compensation plan with 2019 activity described below. Mr. Guglielmone does not participate in our deferred compensation plan.

| Name | Executive Contributions in Last Fiscal Year ⁽¹⁾ | Registrant Contributions in Last Fiscal Year | Aggregate Earnings in Last Fiscal Year | Aggregate Withdrawals / Distributions | Aggregate Balance at Last Fiscal Year-End |
|----------------|--|--|--|---------------------------------------|---|
| Donald C. Wood | \$ 250,000 | \$ - | \$ 1,496,733 | \$ - | \$ 7,450,298 |
| Dawn M. Becker | \$ 47,442 | \$ - | \$ 318,963 | \$ - | \$ 1,816,367 |

- (1) All amounts in this column are included in either the "Salary" or "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for 2019.

POTENTIAL PAYMENTS ON TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL

We have entered into severance agreements with each of our NEOs that require us to make certain payments and provide certain benefits to them in the event of a termination of employment or change in control of the company. Regardless of the reason for an NEO's termination of employment, he or she will be entitled to receive upon termination all accrued but unused vacation pay and a distribution of any amounts in our non-qualified deferred compensation plan as described in the "2019 Non-Qualified Deferred Compensation" section above. No NEO is entitled to receive a new award under the Annual Bonus Plan or the LTIAP for the year in which the termination occurs. The agreements with each of our NEOs contain provisions restricting the executive from engaging in competing behavior and soliciting and/or hiring our employees for a period of time after termination. The payments that will be made to a NEO on termination vary depending on the reason for termination and may be conditioned on the signing of a release in favor of the company.

The amount of compensation payable to each of our NEOs under various termination scenarios is reflected below assuming that the separation of service was effective on December 31, 2019:

| | Cash Payment ⁽¹⁾ | Medical Benefits ⁽²⁾ | Accelerated Equity ⁽³⁾ | Other Benefits ⁽⁴⁾ | Excise Tax Gross-Up | Total |
|---------------------------|-----------------------------|---------------------------------|-----------------------------------|-------------------------------|---------------------|---------------|
| Donald C. Wood | | | | | | |
| Death | \$ - | \$ 2,068,000 | \$ 11,413,717 | \$ - | N/A | \$ 13,481,717 |
| Disability | \$ 1,286,525 | \$ 2,681,004 | \$ 11,413,717 | \$ - | N/A | \$ 15,381,246 |
| TWOC | \$ 4,096,875 | \$ 2,731,003 | \$ 11,413,717 | \$ 60,250 | N/A | \$ 18,301,845 |
| Termination for Cause | \$ 475,000 | \$ 22,002 | \$ - | \$ - | N/A | \$ 497,002 |
| CIC ⁽⁵⁾ | \$ 8,193,750 | \$ 2,830,013 | \$ 11,413,717 | \$ 167,165 | \$ - | \$ 22,604,645 |
| Daniel Guglielmono | | | | | | |
| Death | \$ - | \$ - | \$ 2,207,591 | \$ - | N/A | \$ 2,207,591 |
| Disability | \$ 430,080 | \$ 35,436 | \$ 2,207,591 | \$ - | N/A | \$ 2,673,107 |
| TWOC | \$ - | \$ - | \$ 2,207,591 | \$ - | N/A | \$ 2,207,591 |
| Termination for Cause | \$ - | \$ - | \$ - | \$ - | N/A | \$ - |
| CIC ⁽⁵⁾ | \$ 1,890,626 | \$ 70,872 | \$ 2,207,591 | \$ 90,375 | N/A | \$ 4,259,464 |
| Dawn M. Becker | | | | | | |
| Death | \$ - | \$ - | \$ 1,431,220 | \$ - | N/A | \$ 1,431,220 |
| Disability | \$ 361,777 | \$ 15,339 | \$ 1,431,220 | \$ - | N/A | \$ 1,808,336 |
| TWOC | \$ 896,875 | \$ 11,505 | \$ 1,431,220 | \$ 60,250 | N/A | \$ 2,399,850 |
| Termination for Cause | \$ 237,500 | \$ 7,670 | \$ - | \$ - | N/A | \$ 245,170 |
| CIC ⁽⁵⁾ | \$ 1,793,750 | \$ 30,679 | \$ 1,431,220 | \$ 90,375 | \$ - | \$ 3,346,024 |

(1) For disability, payments are for 1 year in an amount equal to the difference between then current salary and the amount of any payments received under any disability policy we maintained plus a tax gross-up on non-tax exempt payments. The estimated tax gross-ups included in these amounts are \$564,525 for Mr. Wood, \$158,080 for Mr. Guglielmono and \$114,777 for Ms. Becker. For termination without cause ("TWOC"), payments are 1.5 times the highest annual base salary and annual bonus paid during the prior 3-year period for Mr. Wood and 1.0 times that amount for Ms. Becker. For termination for cause, the payments equal 1 month of base salary for each year of employment greater than 5 years, capped at a total of 6 months. For change in control ("CIC"), the payments equal 3.0 times the highest annual base salary and annual bonus paid during the prior 3-year period for Mr. Wood and 2.0 times that amount for Mr. Guglielmono and Ms. Becker.

(2) Amounts in this column represent our estimate of the COBRA equivalent to provide the same benefits as being provided to each NEO at December 31, 2019 for a period of: (a) 1 year in the event of disability for each of our NEOs; (b) 6 months for Mr. Wood and Ms. Becker on a termination with cause; (c) 9 months for Mr. Wood and Ms. Becker on a TWOC; and (d) 3 years for Mr. Wood and 2 years for Mr. Guglielmono and Ms. Becker on a CIC. These estimates were determined by us with input from our health insurance broker and health coverage insurer to confirm that our estimate was consistent with the market cost of providing a stand-alone health insurance program with similar coverage. Because our health insurance program includes a self-insured retention, we use the COBRA equivalent as a reasonable estimate of the

potential costs for these benefits. For Mr. Wood, this column also includes the following estimated costs (calculated in accordance with Generally Accepted Accounting Principles) pursuant to the Health Continuation Coverage Agreement with Mr. Wood: \$2,068,000 in the event of death; \$2,637,000 in the event of disability; and \$2,698,000 in the event of termination without cause and change in control.

- (3) All unvested Shares and options held by our NEOs will vest in the event of death, disability, TWOC or CIC. Amounts in this column were calculated by multiplying the number of unvested Shares and options that vest on the occurrence of the specified event as of December 31, 2019 by the value for each Share and option determined in accordance with the FASB ASC Topic 718.
- (4) Amounts in this column are estimated costs for the following: (a) a full-time administrative assistant and outplacement assistance for a period of 6 months in the event of a TWOC for Mr. Wood and Ms. Becker and for a period of 12 months for Mr. Wood and 9 months for Mr. Guglielmo and Ms. Becker in the event of a CIC; and (b) use of a company vehicle for three years for Mr. Wood in the event of a CIC should he choose to use that benefit.
- (5) Under our 2010 Performance Incentive Plan, a CIC is deemed to have occurred when a person acquires a 20% interest in us, or our current Trustees, or those subsequently approved by our current Trustees, constitute less than 2/3 of our Board. Upon a CIC, each NEO is entitled to receive payments and benefits so long as he or she (a) is terminated from employment by the company other than for cause or leaves for good reason within 2 years after the change of control or (b) as to Mr. Wood and Ms. Becker only, he or she voluntarily leaves employment within the 30 day window following the 1-year anniversary of the CIC.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee consists of Mr. Faeder, Ms. Holland, Ms. Steinel and Mr. Vassaluzzo. There are no Compensation Committee interlocks and no member of the Compensation Committee serves, or has in the past served, as an employee or officer of the company.

CEO PAY RATIO

Our compensation and benefit programs are substantially similar throughout the company and are designed to reward all employees who contribute to our success with a total compensation package that is competitive in the marketplace for each employee's position and performance. We are required to calculate and disclose the compensation of our median paid employee as well as the ratio of the total compensation of our median paid employee to the compensation paid to our CEO annually. The median employee used for this year is the same median employee we used for 2018. The determination of our median employee was used taking our total employee population as of December 31, 2018, excluding our CEO, which included 304 full-time and part-time employees ranging from executive vice presidents to landscapers and maintenance technicians. For the determination, we used annual base pay plus annual bonus at target levels plus overtime actually paid, the combination of which we believe most closely approximates the total annual direct compensation of our employees. For purposes of the calculation, base pay was annualized for the 25 employees who started with us in 2018. No other adjustments were made.

The actual total annual compensation of our Chief Executive Officer and median paid employee for 2019 was calculated in accordance with the requirements of the Summary Compensation Table included in this proxy statement. Based on this methodology, we have determined that the total annual compensation paid to our Chief Executive Officer in 2019 was \$7,630,858 and the total annual compensation paid to our median paid employee in 2019 was \$111,105 resulting in a ratio of 69:1.

We calculated our pay ratio in accordance with SEC rules; however, those rules allow companies discretion in methodologies used to identify the median paid employee and the compensation used to determine the median paid employee. As a result, this ratio is unique to our company. Other companies may make their determinations differently so that the ratio may not be comparable across companies. We believe our ratio is a reasonable estimate. Our ratio is very heavily influenced by what employees/services we choose to provide through employees as opposed to through third parties who are not taken into account in the calculation of the pay ratio.

PROPOSAL 3**APPROVAL OF LONG-TERM INCENTIVE PLAN**

The Board is recommending that shareholders approve the Federal Realty Investment Trust 2020 Performance Incentive Plan (“2020 Plan”) to replace a similar plan approved by our shareholders in 2010 (“Prior Plan”) that is expiring. The 2020 Plan is a long-term incentive plan designed to encourage our officers, employees, Trustees and others who provide consulting services to us to own our Shares and to provide additional incentives for these individuals to promote our success. Once approved, the 2020 Plan will be the only plan we have available to issue Shares to our officers, employees and Trustees. The Board believes it is in the best interests of the company and our shareholders to approve the 2020 Plan in order to continue to motivate outstanding performance by our officers, employees and Trustees. If this proposal is not approved, we believe we would be at a disadvantage against our competitors for recruiting, retaining and motivating those individuals who are critical to our success and we could be forced to increase cash compensation, reducing resources available to meet our business needs.

Some of the key features of the 2020 Plan include:

| Feature | Summary | 2020 Plan Section |
|---|--|--------------------------|
| Authorized Shares Requested | 1,750,000 (approximately 2.29% of our total Shares and operating partnership units outstanding as of March 16, 2020); only 482,187 Shares more than the unissued Shares previously authorized under the Prior Plan | §4 |
| Minimum Vesting | 1 year from grant date; reserved right for up to 5% of authorized Shares to vest in less than 1 year | §7.4 |
| No Evergreen Provision | Fixed maximum number of Shares reserved; shareholder approval required to increase number | §4 |
| Restrictions on Share Recycling | Only Shares awarded and subsequently forfeited, cancelled, cash-settled or expired can be added back to the pool to be reissued | §4 |
| Clawback/Recoupment Provision | Awards made under the plan expressly subject cancellation or forfeiture pursuant to any clawback or recoupment policy required by law or adopted by the Board | §17.5 |
| Limit on Non-Employee Trustee Awards | Caps the maximum amount of cash and Shares that can be paid annually to a non-employee trustee in any calendar year at \$500,000; exceptions may be made for special services, such as acting as chairperson | §7.2 |
| Annual Award Limits | Establishes a maximum number of Shares that can be awarded during any one fiscal year to our CEO or to any other one individual | §7.1 |
| No Discounted Stock Options or SARs | All stock options and SARs must have an exercise price equal to at least the fair market value of our Shares on the date the award is granted | §7.5 |
| No Tax Gross-Ups | 2020 Plan does not provide for any tax gross-ups | N/A |
| No Liberal Change in Control | Change in control defined to occur only if a transaction is consummated; requires change of more than 50% of the Board | §2.12 |

The 2020 Plan will become effective on the date it is approved by the shareholders (“Effective Date”). No further awards will be made under the Prior Plan on or after the Effective Date. We have reserved the right to issue up to 5,000 Shares under the Prior Plan pending shareholder approval of the 2020 Plan.

The affirmative vote of a majority of votes cast at the Annual Meeting, in person or by proxy, is required to approve this proposal. An “abstention” or “broker non-vote” will have no effect on the outcome of the vote for this proposal.

✓ Our Board recommends a vote **FOR** the approval of our 2020 Performance Incentive Plan

The 2020 Plan will replace our Prior Plan which was approved by our shareholders in May 2010. Following is information regarding our utilization of the Prior Plan:

| 2010 Plan Information | | |
|--|-----------|---|
| # Shares/Options Authorized | 2,450,000 | |
| # Shares Issued | 1,181,017 | |
| # Options Issued | 1,170 | |
| # Shares/Options Remaining | 1,267,813 | These Shares/options will be cancelled on approval of the 2020 Plan and no longer available for issuance |
| # Shares/Options Forfeited | (95,065) | Represents less than 9% of the total Shares/options issued |
| Average Burn Rate - Life of Plan | 0.154% | Annual burn rate is calculated as total number of Shares and options issued each calendar year divided by the total number of Shares and operating partnership units outstanding as of 12/31 of that calendar year. Amount shown is the average of the annual burn rates during the specified time period |
| Average Burn Rate - Last 3 Years | 0.148% | |
| Shares issued in lieu of cash payments | 94,184 | Shares issued at the election of employees in lieu of cash payment for a portion of annual bonus under our Annual Bonus Plan (See Compensation Discussion and Analysis for detailed description of this feature under our Annual Bonus Plan) |

2020 PLAN INFORMATION AND SUMMARY

We are asking shareholders to approve 1,750,000 new shares for issuance under the 2020 Plan which is only 482,187 more than the number of Shares that remained available for issuance under our Prior Plan. The incremental amount of new Shares being requested is approximately 0.63% of our total outstanding Shares and operating partnership units as of March 16, 2020. The requested number of shares was determined after considering our past share usage, our current practices for awarding equity to our employees and Trustees, our estimate of the number of shares needed for future awards, a dilution analysis, and the current and anticipated future accounting expense associated with our equity award practices.

All of our 313 employees, 6 non-management trustees and others who provide consulting services to us will be eligible for awards under the 2020 Plan. These same individuals were eligible for awards under our Prior Plan.

No awards have been granted under the 2020 Plan. Future awards under the 2020 Plan will be made at the discretion of the Compensation Committee and as a result, the benefits and amounts that will be received or allocated under the 2020 Plan are not determinable at this time. The following table sets forth (i) the aggregate number of Shares subject to awards of time-based restricted Shares granted under the Prior Plan during the fiscal year ended December 31, 2019 and (ii) the dollar value of such Shares based on \$85.14 per Share, the closing price of a Share on NYSE on March 16, 2020.

| Name of Individual or Group | Number of Shares Subject to Share Awards | Dollar Value of Shares Subject to Share Awards |
|--|--|--|
| Donald C. Wood - President & CEO | 41,231 | \$ 3,510,407 |
| Daniel Guglielmone-EVP-CFO | 6,705 | \$ 570,864 |
| Dawn M. Becker-EVP-General Counsel & Secretary | 5,413 | \$ 460,863 |
| Current executive officers as a group | 53,349 | \$ 4,542,134 |
| Non-employee trustees as a group | 6,177 | \$ 525,910 |
| All other employees as a group | 62,530 | \$ 5,323,804 |

All Shares reflected in the above chart other than Shares issued to non-employee Trustees are restricted Shares that were issued upon achieving the required performance hurdles and have additional time based vesting requirements. There are 682 outstanding options issued under the Prior Plan.

The following summary of the principal features of the 2020 Plan is qualified in its entirety by reference to the complete text of the 2020 Plan, a copy of which is attached as Appendix B to this Proxy Statement.

Purpose: The purpose of the 2020 Plan is to enhance our ability to attract, retain, and compensate our officers, employees, non-employee trustees and consultants and to provide additional incentives for such individuals to promote the success of our business. The Board believes that the 2020 Plan aligns the long-term interests of key employees (including executives), non-employee trustees, and consultants with those of our shareholders by creating a direct link between compensation and shareholder return, encourages participants to develop and maintain a substantial stock ownership in our company, and provides incentives for participants to contribute to our success.

Term: The 2020 Plan will terminate on the tenth (10th) anniversary of shareholder approval of the 2020 Plan.

Administration: The Compensation Committee has full power and authority to administer and interpret the 2020 Plan including the authority to determine who is eligible to receive awards under the 2020 Plan and the terms and provisions of such awards and of the applicable award agreements. The Compensation Committee may delegate to a special committee of the Board or to our NEOs the authority to grant awards under the 2020 Plan to any participants other than our non-employee trustees and our NEOs. The Compensation Committee or its permitted delegate is referred to as the Administrator.

Eligibility: Our officers, employees, non-employee trustees, and consultants are eligible to participate in the 2020 Plan. Because our NEOs and non-employee trustees are eligible to receive awards under the 2020 Plan, they may be deemed to have a personal interest in the approval of this proposal.

Amendment or Termination: The Board can terminate or amend the 2020 Plan at any time and for any reason. Amendments will be submitted for shareholder approval to the extent required by the Internal Revenue Code, the NYSE, the SEC or other applicable laws. Generally, no amendment, suspension or termination of the 2020 Plan will alter or impair rights or obligations under any award previously awarded under the 2020 Plan without the consent of the recipient of the award.

Shares Available: The maximum number of Shares authorized for issuance under the 2020 Plan is 1,750,000. In addition, up to 5,000 Shares can be issued under our Prior Plan pending shareholder approval of the 2020 Plan. Shares issued under the 2020 Plan may be newly issued shares.

Share Counting Provisions: For purposes of calculating the number of common Shares issued under the 2020 Plan, we will include Shares that were subject to an award but never delivered because they were forfeited or the award otherwise terminated or expired without delivery of the Shares. We will not include in Shares available to be issued under the 2020 Plan any Shares used to pay the exercise of an award or Shares withheld to satisfy the tax withholding obligations under an award.

Minimum Vesting: Awards under the 2020 Plan will not vest before 1 year after the grant date; provided that we reserved up to 5% of the total Shares under the 2020 Plan to have no minimum vesting requirement. If a performance-based award is granted under this 5% exception but then does not vest until more than 1 year has passed due to the timing of the performance condition, then that award will not count toward this 5% limit.

Annual Limitation on Awards to Employees: Subject to adjustment as provided in the 2020 Plan, no more than 250,000 Shares underlying options or SARs and 250,000 Shares underlying other awards subject to awards may be granted during any one fiscal year to any one person and no more than 500,000 Shares underlying options or SARs and 500,000 Shares underlying other awards subject to awards may be granted during any one fiscal year to our CEO. These limits do not apply to performance-based awards.

Limitation on Non-Employee Trustee Awards: The maximum aggregate grant date fair value (measured as of the grant date in accordance with applicable financial accounting rules) of all awards made to a non-employee trustee in any fiscal year, together with any cash payments (including the annual retainer and any other compensation) paid or payable to the non-employee trustee for services during such fiscal year, cannot exceed \$500,000 in total value. The foregoing limitation does not apply to special Board services. The Board may make exceptions to this limit for an individual non-employee Board member provided that such Board member cannot participate in the decision to award such additional compensation.

No Stock Option Repricing: The Administrator does not have the power or authority to reduce the price of any option or SAR in any manner.

Award Types: The following types of awards may be granted under the 2020 Plan and any of such awards may be granted as a performance-based award, the vesting of which is subject to achievement of applicable performance goals established by the Compensation Committee.

Restricted Shares: A restricted Share award is an award of common shares subject to conditions or contingencies, which may be time or performance-based. Until the conditions or contingencies are satisfied or lapse, the common shares are subject to forfeiture.

Restricted Share Units: A restricted share unit is a conditional right to receive Shares or an amount in cash equal to the fair market value of Shares in the future subject to restrictions. These awards are generally subject to time or performance-based vesting restrictions.

Unrestricted Shares: Unrestricted Shares are grants of Shares which are not subject to any restrictions or risk of forfeiture. Unrestricted Shares may be issued to individuals in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation to be paid to individuals.

Dividend Equivalent Rights: Dividend equivalent rights entitle the individual to receive cash for dividends that would be paid if the individual had held a specified number of Shares.

Stock Options: Stock options entitle a participant to purchase Shares during the option term at a fixed “exercise” price. Stock options may either be ISOs, which qualify for favorable tax treatment for the option holder, or non-statutory stock options (NSOs), which do not qualify for favorable tax treatment. ISOs may be granted only to participants who meet the definition of “employees” under Section 3401 of the Code and may not be granted more than 10 years after the Effective Date of the 2020 Plan. The exercise price for all stock options (other than substitute awards) must be at least the fair market value of the Shares on the grant date. The maximum term of a stock option is ten years, subject to earlier termination upon termination of service. The exercise price is generally payable in cash, by means of a broker assisted cashless exercise or by tendering Shares (which, if acquired from us, have been held by the optionee for at least 6 months).

Share Appreciation Rights (“SAR”): SARs are rights to receive a number of Shares or, in the discretion of the plan Administrator, an amount in cash or a combination of Shares and cash, based on the increase in the fair market value of the Shares underlying the right during a stated period specified by the Administrator.

Performance-Based Awards: A performance-based award may be any form of award permitted under the 2020 Plan and may be settled in Shares, Shares based awards and/or cash. The Administrator will determine the terms of any performance-based awards, including the applicable performance goals, achievement of the same, and the length of the applicable performance period. The Administrator may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions. Any power or authority relating to a Performance or Annual Incentive Award shall be exercised by the Administrator.

Effect of Certain Corporate Transactions: Except as otherwise provided in an award agreement, certain change of control transactions involving us, such as a sale of the company, may cause outstanding Shares subject to awards, restricted share units and share options granted under the 2020 Plan to vest, unless the awards are continued or substituted for in connection with the change of control transaction. Further, except as otherwise provided in an award agreement, if an individual receiving an Award is terminated involuntarily other than for cause within one year following a change of control, the individual's outstanding Shares subject to awards, restricted share units and share options will become fully vested, on the involuntary termination.

Effect of Termination for Cause: Unless the award agreement provides otherwise, termination for cause may result in the individual recipient's forfeiting all awards that are not vested as of the date of termination.

Adjustments for Share Dividends and Similar Events: The Administrator will make appropriate adjustments in outstanding awards and the number of Shares available for issuance under the 2020 Plan, including the individual limitations on awards, to reflect share dividends, share splits and other similar events.

Voting and Dividend Rights: Unless otherwise provided by the Administrator, a recipient of a restricted share award has the right to receive dividends and to vote the Shares relating to such award during the applicable vesting or performance period. The right to receive current dividends on Shares that have not yet vested or for which performance criteria have not yet been met is a key part of our overall compensation planning and is factored into the total compensation packages we pay to our NEOs and other officers and employees. Our company has increased the dividend paid on our Shares for 52 consecutive years which is the longest record in the REIT industry. Our business strategy was developed in part to position us to be able to continue that streak and as a result, it was important for our officers and employees to be immediately vested in receiving those dividends. The Board determined that, given the historically low rate of forfeiture, the structure of our compensation practices which do not award Shares until all performance hurdles have been achieved and the practice of including dividends paid and expected to be paid as part of our compensation decisions, the paying of dividends on unvested Shares was the best structure for our company.

Transferability of Awards: Under the 2020 Plan, ISOs may be exercised during the participant's lifetime only by the participant and may not be assigned or transferred, other than pursuant to the laws of descent and distribution following the participant's death. All other awards generally are subject to the same limitations on transferability as ISOs. The Compensation Committee may structure awards to allow the participant to assign the award, in whole or in part, during the participant's lifetime to one or more immediate family members or to a trust established exclusively for the participant and/or such immediate family members, to the extent such assignment is in connection with the participant's estate plan or pursuant to a domestic relations order.

Valuation: The fair market value per share of our common Shares under the 2020 Plan on any relevant date is deemed to be equal to the closing selling price per share on that date as determined on the NYSE (or if there was no sale on that date, on the last preceding date on which a sale was reported). As of March 16, 2020, the fair market value of our common Shares determined on such basis was \$85.14 per share.

Federal Income Tax Consequences of Awards: The following is a summary of the United States federal income tax treatment applicable to us and the participants who receive awards under the 2020 Plan. This summary is not intended to be exhaustive and does not describe state or local tax consequences.

Incentive Share Options. Except with respect to participants who may have to pay alternative minimum tax in connection with the exercise of an ISO, there are no federal income tax consequences to a participant upon grant or exercise of an ISO. If the participant holds common Shares purchased upon exercise of an ISO for at least two years after the grant date and at least one year after the exercise date, the subsequent sale of common Shares will give rise to a long-term capital gain or loss to the participant. If the participant sells the common Shares before the later of two years after the grant date or one year after the exercise date, the participant will recognize ordinary income equal to the difference between the (i) lower of the fair market value at the exercise or sale date and (ii) option exercise price; any additional gain or loss will be a capital gain or loss.

Non-Qualified Share Options. Generally, there are no federal income tax consequences to the participant upon grant of a non-qualified stock option. Upon the exercise of a non-qualified stock option, the participant will recognize ordinary income equal to the amount, if any, by which the fair market value of the common Shares acquired upon the exercise of the option exceeds the exercise price. A sale of common Shares so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the common Shares on the exercise and sale dates.

Share Appreciation Rights. In general, a participant will not recognize income at the time a SAR is granted where the SAR is granted with an exercise price equal to the fair market value of the company's common Shares on the date of grant. At the time of exercise, the participant will recognize ordinary income in an amount equal to the difference between the base price paid for the Shares and the fair market value of the Shares on the date of exercise. A sale of common Shares so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the common Shares on the exercise and sale dates.

Restricted Shares and Share Grants. Awards in common Shares are generally taxable as compensation to the participant at the time of payment. Awards of restricted Shares do not constitute taxable income to the participant until the restrictions lapse, unless the participant elects to realize taxable ordinary income in the year of award in an amount equal to the fair market value of the restricted share award, determined without regard to the restrictions. The amount of taxable income to the participant generally is equal to the fair market value of the Shares received. Any interest and dividend equivalents earned on awards also will be taxed as compensation to the participant.

Restricted Share Units. A participant generally will recognize no income upon the receipt of a restricted share unit award. Upon the settlement of a restricted share unit award, the participant will recognize ordinary income in the year of receipt in an amount equal to the fair market value of any Shares received.

Section 409A. Our intention is that awards will either comply with or be exempt from Section 409A of the Code, governing nonqualified deferred compensation. However, if an award which is subject to Section 409A does not comply in all respects with Section 409A, certain additional tax liability will apply to the award recipient.

Company Deduction. We generally may deduct any compensation or ordinary income recognized by the recipient of an award under the 2020 Plan when recognized, subject to the \$1 million limit imposed by Section 162(m) of the Code on the amount a public company may deduct for compensation paid to certain senior executives. Deductibility of executive compensation for federal income tax purposes is among the factors the Compensation Committee considers when structuring our executive compensation, but it is not the sole or primary factor considered. The Committee's primary focus is on creating programs that addressed the needs and objectives of the company regardless of the impact of Section 162(m) of the Code. Our Board and the Compensation Committee retain the flexibility to authorize compensation that may not be deductible if they believe it is in the best interest of the company.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2019 regarding our Prior Plan which was previously approved by our shareholders. The Prior Plan is the only equity compensation plan we have in place, pending approval of the new plan described in Proposal 3 above.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (Column A) | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance (excluding securities reflected in Column A) |
|--|---|--|--|
| Equity compensation plans approved by security holders | 682 | \$152.34 | 1,378,561 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 682 | \$152.34 | 1,378,561 |

PROPOSAL 4

NON-BINDING RATIFICATION OF INDEPENDENT AUDITOR

Shareholders are being asked to ratify in a non-binding vote the selection of Grant Thornton, LLP (“GT”) as our independent registered public accounting firm for the fiscal year ending December 31, 2020. Although shareholder ratification of GT is not required by our governance documents, the Board is submitting the selection of GT to shareholders to solicit shareholder views on our selection of GT as our independent registered public accounting firm. GT has served in this role since 2002 and the Board believes it is in the best interests of the company and our shareholders for GT to continue in this role. If the selection of GT is not ratified, the Audit Committee may (but will not be required to) reconsider whether to retain GT. Even if the selection of GT is ratified, the Audit Committee may change the appointment of GT at any time if it determines such a change would be in the best interests of the company and our shareholders.

A representative of GT will be present at the Annual Meeting and will have the opportunity to make a statement if they so desire and answer appropriate questions from shareholders.

The affirmative vote of a majority of votes cast at the Annual Meeting, in person or by proxy, is required to approve this proposal. An “abstention” or “broker non-vote” will have no effect on the outcome of the vote for this proposal.

✓ Our Board recommends a vote **FOR** the non-binding ratification of our independent auditor

AUDIT COMMITTEE REPORT

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing by us under the Securities Act of 1933 or the Exchange Act, except to the extent the company specifically incorporates this Report by reference therein.

The Audit Committee is made up entirely of trustees who meet all independence requirements under the SEC and NYSE and have the requisite financial competence to serve on the Audit Committee. The Audit Committee meets at least quarterly and operates pursuant to a written charter that is reviewed at least every three years. That charter can be accessed under the Investors section of our website at www.federalrealty.com. In 2019, the Audit Committee met four times and each meeting included an executive session with our independent registered public accounting firm and no members of management present.

The Audit Committee is directly responsible for the appointment, retention and oversight of GT, the independent registered public accounting firm retained to audit our financial statements, and also oversees management, including its internal audit firm, in their performance of its financial functions. Specifically, management is responsible for the financial reporting process, including the system of internal controls, for the preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”) and for reporting on internal control over financial reporting. Management uses Pricewaterhouse Coopers, LLC (“PwC”) to provide its internal audit function, including oversight of the ongoing testing of the effectiveness of our internal controls. GT is responsible for auditing the consolidated financial statements of the company and expressing an opinion on the financial statements and the effectiveness of internal control over financial reporting.

During 2019, as part of its oversight function, the Audit Committee:

- Reviewed and discussed with management and GT, individually and collectively, all annual and quarterly financial statements and operating results prior to their issuance;
- Reviewed and discussed with GT and management the company’s conversion to a new accounting system that went live in 2019, including, without limitation, data conversion, data validation and the control environment in the new system;

- Discussed with GT matters required to be discussed pursuant to applicable audit standards, including the reasonableness of judgments and the clarity and completeness of financial disclosures;
- Reviewed and discussed with GT and PwC, individually and collectively, the ongoing assessment and testing of our systems of internal controls and procedures, including the controls around the company's conversion to a new accounting system;
- Discussed with GT matters relating to GT's independence from Federal and received written confirmation from GT that GT is not aware of any relationships that, in their professional judgment may impair their independence; and
- Monitored the non-audit services provided by GT to ensure that performance of such services did not adversely impact GT's independence.

Based on the Audit Committee's reviews and discussions with GT, PwC and management, the Audit Committee recommended to the Board of Trustees that the Board approve the inclusion of our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for filing with the SEC.

Submitted by the Audit Committee:

Gail P. Steinel, Chairperson
 Jon E. Bortz
 David W. Faeder

INDEPENDENT AUDITOR'S FEES

The following table sets forth the fees for services rendered by GT for the years ended December 31, 2019 and 2018:

| | 2019 | 2018 |
|------------------------|---------------------|---------------------|
| Audit Fees (1) | \$ 1,011,565 | \$ 740,426 |
| Audit-Related Fees (2) | \$ 134,685 | \$ 134,925 |
| Tax Fees (3) | \$ 265,005 | \$ 246,660 |
| All Other Fees | \$ - | \$ - |
| Total Fees | \$ 1,411,255 | \$ 1,122,011 |

(1) Audit fees include all fees and expenses for services in connection with: (a) the audit of our financial statements included in our annual reports on Form 10-K; (b) Sarbanes-Oxley Section 404 relating to our annual audit; (c) the review of the financial statements included in our quarterly reports on Form 10-Q; and (d) consents and comfort letters issued in connection with debt offerings and common share offerings.

(2) Audit-related fees primarily include the audit of our employee benefit plan, which are paid by the plan and not the company, and certain property level audits.

(3) \$260,805 and \$239,285 of the amounts shown for 2019 and 2018, respectively, relate solely to tax compliance and preparation, including the preparation of original and amended tax returns and refund claims and tax payment planning.

PROCEDURES FOR AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES

As required by its charter, the Audit Committee is responsible for reviewing and approving in advance all audit and permissible non-audit services to be provided by GT to the company. The Audit Committee approves such services only after concluding that the provision of these services would not affect the independence of GT. The Audit Committee approved all audit services provided by GT in 2019 and has pre-approved GT providing the

following permissible non-audit services in 2020 up to specified maximum amounts that are consistent with prior years:

- Issuance of comfort letters and consent for capital markets transactions
- Tax planning and other consultation for purposes of structuring investment or financing opportunities as well as consultation associated with financial reporting matters
- Limited review of our letter to the State of California Department of Environmental Quality

OWNERSHIP OF PRINCIPAL SHAREHOLDERS

Based upon our records and the information reported in filings with the SEC, the following were beneficial owners of more than 5% of our Shares as of March 16, 2020:

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percentage of Our Outstanding Shares ⁽¹⁾ |
|--|---|---|
| The Vanguard Group, Inc. ⁽²⁾ 100 Vanguard Blvd. Malvern, PA 19355 | 12,016,659 | 15.9% |
| BlackRock, Inc. ⁽³⁾ 55 East 52 nd Street New York, NY 10055 | 7,241,621 | 9.6% |
| State Street Corporation ⁽⁴⁾ State Street Financial Center, One Lincoln Street Boston, MA 02111 | 6,723,702 | 8.9% |
| Norges Bank (The Central Bank of Norway) ⁽⁵⁾ Bankplassen 2, PO Box 1179 Sentrum NO 0107 Oslo Norway | 6,212,626 | 8.2% |
| JPMorgan Chase & Co. ⁽⁶⁾ 383 Madison Avenue New York, NY 10179 | 4,702,861 | 6.2% |

- ⁽¹⁾ The percentage of outstanding Shares is calculated by taking the number of Shares stated in the Schedule 13G or 13G/A, as applicable, filed with the SEC divided by 72,622,604, the total number of Shares outstanding on March 16, 2020.
- ⁽²⁾ Information based on a Schedule 13G/A filed with the SEC on February 11, 2020 by The Vanguard Group which states The Vanguard Group, an investment advisor, has sole voting power over 191,754 Shares, shared voting power over 104,970 Shares, sole dispositive power over 11,812,699 Shares and shared dispositive power over 203,960 Shares.
- ⁽³⁾ Information based on a Schedule 13G/A filed with the SEC on February 5, 2020 by BlackRock, Inc., which states BlackRock, Inc., a parent holding company, has sole voting power over 6,481,512 Shares and sole dispositive power over 7,241,621 Shares.
- ⁽⁴⁾ Information based on a Schedule 13G filed with the SEC on February 13, 2020 by State Street Corporation, which states that State Street Corporation, a parent holding company, has shared voting power over 5,932,696 Shares and shared dispositive power over 6,723,202 Shares.
- ⁽⁵⁾ Information based on a Schedule 13G/A filed with the SEC on February 11, 2020 by Norges Bank (The Central Bank of Norway) which states that Norges Bank (The Central Bank of Norway) has sole voting power and sole dispositive power over 6,212,626 Shares.
- ⁽⁶⁾ Information based on a Schedule 13G/A filed with the SEC on January 15, 2020 by JPMorgan Chase & Co. which states that JPMorgan Chase & Co., a parent holding company, has sole voting power over 4,498,016 Shares, shared voting power over 9,706 Shares sole dispositive power over 4,699,673 Shares, and shared dispositive power over 2,074 Shares.

OWNERSHIP OF TRUSTEES AND EXECUTIVE OFFICERS

The table below reflects beneficial ownership of our Trustees and NEOs as of March 16, 2020 determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Unless noted in the footnotes following the table, each Trustee and NEO has sole voting and investment power as to all Shares listed.

| Name and Address of Beneficial Owner | Common | Unvested Restricted Shares | Total Shares Beneficially Owned | Percentage of Outstanding Shares Owned ⁽¹⁾ |
|---|---------|----------------------------|---------------------------------|---|
| Dawn M. Becker | 124,879 | 11,251 | 136,130 | * |
| Jon E. Bortz ⁽²⁾ | 11,511 | 0 | 11,511 | * |
| David W. Faeder | 11,168 | 0 | 11,168 | * |
| Daniel Guglielmone | 11,511 | 18,017 | 29,528 | * |
| Elizabeth I. Holland | 2,674 | 0 | 2,674 | * |
| Mark S. Ordan | 886 | 0 | 886 | * |
| Gail P. Steinel | 10,964 | 0 | 10,964 | * |
| Joseph S. Vassalluzzo | 23,780 | 0 | 23,780 | * |
| Donald C. Wood ⁽³⁾ | 338,481 | 88,750 | 427,231 | * |
| Trustees, trustee nominees and executive officers as a group (9 individuals) | 535,854 | 118,018 | 653,872 | * |

* Less than 1%

(1) The percentage of outstanding Shares owned is calculated by taking the number of Shares reflected in the column titled “Total Shares Beneficially Owned” divided by 75,622,604, the total number of Shares outstanding on March 16, 2020.

(2) Voting and investment power is shared with Mr. Bortz’ wife.

(3) Includes 53,879 Shares owned by Mr. Wood’s wife, 20,000 Shares owned by Great Falls Trust and 46,500 Shares owned by Wood Descendants Trust.

ANTI-HEDGING POLICY

All officers and non-employee Trustees are prohibited from engaging in short sales of our securities, establishing margin accounts, pledging our securities as collateral for a loan, buying or selling puts or calls on our securities or otherwise engaging in hedging transactions (such as zero-cost dollars, exchange funds, and forward sale contracts) involving our securities.

DELINQUENT SECTION 16(a) REPORTS

To our best knowledge, all Section 16(a) reports required to be filed in 2019 by our Trustees, executive officers and beneficial owners of more than 10% of the Company’s Shares were filed timely.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Review and Approval of Related Party Transactions

Our Code of Business Conduct requires that our Trustees and all of our employees deal with the company on an arms-length basis in any related party transaction. All transactions between us and any of our Trustees, our named executive officers or other vice presidents, or entity in which any of them has an ownership interest must be approved in advance by the Audit Committee. Audit Committee approval is not required for us to enter into a lease with an entity in which any of our Trustees is a director, employee or owner so long as the lease is entered into in the ordinary course of business and is negotiated at arms-length and on market terms.

Related Party Transactions

Mr. Warren Thompson, who was a Trustee until he resigned in June 2019, serves as the President and Chairman of the Board of Directors of Thompson Hospitality Corporation (“THC”). THC leases from us four restaurant locations. The Board considered those relationships and concluded that Mr. Thompson met all independence requirements for Board and committee service during his term of service as a Trustee in 2019.

None of our named executive officers had or has any indebtedness to the company or any relationship with the company other than as an employee and shareholder. Employment and change-in-control arrangements between the company and the named executive officers are described in the “Potential Payments on Termination of Employment and Change-in-Control” section above.

ANNUAL MEETING AND VOTING

You are receiving these materials because you owned our Shares as of March 16, 2020, the record date established by our Board of Trustees for our Annual Meeting. Everyone who owned our Shares as of this date, whether directly as a registered shareholder or indirectly through a broker or other nominee, is entitled to vote at the Annual Meeting. We had 75,622,604 Shares outstanding on March 16, 2020. Each Share outstanding on the record date is entitled to one vote. A majority of the Shares entitled to vote at the Annual Meeting must be present in person or by proxy for us to proceed with the Annual Meeting.

If you own your Shares directly with our transfer agent, American Stock Transfer and Trust, LLC, you are a registered shareholder and can vote either in person at the Annual Meeting or by proxy without attending the Annual Meeting through one of the following methods:



By Internet

Visit www.voteproxy.com, available 24/7



By Telephone

Call 1-800-776-9437, available 24/7



By Mail

Mark, sign and date your proxy card

If you vote by internet or telephone, you will need the control number on your Notice of Internet Availability, proxy card or voting instruction form. Votes must be submitted by 11:59 pm EDT on May 5, 2020 to be counted for the meeting. You may revoke your proxy at any time before it is voted at the Annual Meeting by notifying the secretary in writing, submitting a proxy dated later than your original proxy, or attending the Annual Meeting and voting in person.

If you hold your Shares indirectly in an account at a bank, brokerage firm, broker-dealer or nominee, you are a beneficial owner of Shares held in “street name”. You will receive all proxy materials directly from your bank, brokerage firm, broker-dealer or nominee and you must either direct them as to how to vote your Shares or obtain from them a proxy to vote at the Annual Meeting. Please refer to the notice of internet availability of proxy materials or the voter instruction form used by your bank, brokerage firm, broker-dealer or nominee for specific instructions on methods of voting. If you fail to give your bank, brokerage firm, broker-dealer or nominee specific instructions on how to vote your Shares with respect to Proposals 1, 2 or 3, your vote will NOT be counted for those matters. It is important for every shareholder’s vote to be counted on these matters so we encourage you to provide your bank, brokerage firm, broker-dealer or nominee with voting instructions. If you fail to give your bank, brokerage firm, broker-dealer or nominee specific instructions on how to vote your Shares on Item 4, your bank, brokerage firm, broker-dealer or nominee will generally be able to vote on Proposal 4 as he, she or it determines.

If you do not vote your Shares, your Shares will not be counted and we may not be able to hold the Annual Meeting. We encourage you to vote by proxy using one of the methods described above even if you plan to attend the Annual Meeting in person so that we will know as soon as possible whether enough votes will be present.

Shareholders can access this Proxy Statement, our Annual Report and our other filings with the SEC on the Investors page of our website at www.federalrealty.com. A copy of our Annual Report, including the financial statements and financial statement schedules ("Form 10-K") is being provided to shareholders along with this Proxy Statement. The Form 10-K includes certain exhibits, which we will provide to you only upon request addressed to Investor Relations at 1626 East Jefferson Street, Rockville, Maryland 20852 and at 909 Rose Avenue, Suite 200, North Bethesda, Maryland 20852 after August 10, 2020. The request must be accompanied by payment of a fee to cover our reasonable expenses for copying and mailing the Form 10-K.

In the future, if you wish to receive paper copies of our proxy materials, without charge, and are a registered shareholder, you may do so by written request addressed to American Stock Transfer and Trust, LLC. For those of you holding Shares indirectly in "street name", you must write your bank, brokerage firm, broker-dealer or nominee, to obtain paper copies. Any election you make on how to receive your proxy materials will remain in effect for all future annual meetings until you revoke it.

The SEC's rules permit us to deliver a single Notice or single set of Annual Meeting materials to one address shared by two or more of our shareholders unless we have received contrary instructions from shareholders. This procedure, referred to as "householding", reduces the volume of duplicate information shareholders receive and can result in significant savings on mailing and printing costs. To take advantage of this opportunity, only one Notice, Proxy Statement and Annual Report is being delivered to multiple shareholders who share a single address, unless any shareholder residing at that address gave contrary instructions. If any shareholder sharing an address with another shareholder wants to receive a separate copy of this Proxy Statement and the Annual Report or wishes to receive a separate proxy statement and annual report in the future, or receives multiple copies of the proxy statement and Annual Report and wishes to receive a single copy, the shareholder should provide such instructions by calling our Investor Relations Department at (800) 937-5449, by writing to Investor Relations at 1626 East Jefferson Street, Rockville, Maryland 20852, or by sending an e-mail to Investor Relations at IR@federalrealty.com.

Questions regarding the Notice or voting should be directed to our Investor Relations Department at (800) 937-5449 or by email at IR@federalrealty.com.

SOLICITATION OF PROXIES, SHAREHOLDER PROPOSALS AND OTHER MATTERS

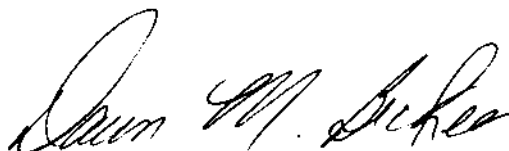
The Board of Trustees is soliciting your proxy to vote on matters that will be presented at our Annual Meeting. Solicitation of proxies will be primarily by mail. We will bear the cost of soliciting proxies from beneficial owners of our Shares. In addition to solicitation by mail, our trustees, officers, employees, and agents may solicit proxies by telephone, internet, or otherwise. These Trustees, officers, and employees will not be additionally compensated for the solicitation but may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. Copies of solicitation materials will be furnished to brokerage firms, fiduciaries, and other custodians who hold our Shares of record for beneficial owners for forwarding to such beneficial owners. We may also reimburse persons representing beneficial owners of our Shares for their reasonable expenses incurred in forwarding such materials.

Beneficial owners of our Shares who authorize their proxies through the internet should be aware that they may incur costs to access the internet, such as usage charges from telephone companies or internet service providers and these costs must be borne by the shareholder.

Proposals of shareholders intended to be presented at the 2021 Annual Meeting of Shareholders, including nominations for persons for election to the Board of Trustees, must be received by us no later than November 20, 2020 to be considered for inclusion in our proxy statement and form of proxy relating to such meeting.

You are urged to vote either by telephone (1-800-PROXIES or 1-800-776-9437) or on the Internet (www.voteproxy.com) by following the instructions on your Notice. For those of you who have elected email delivery, please follow the instructions for voting provided in the email. If you elect to receive your proxy materials by mail, please make sure to complete, sign, date and return your proxy card promptly to make certain your Shares will be voted at the Annual Meeting.

For the Trustees,

A handwritten signature in black ink that reads "Dawn M. Becker". The signature is written in a cursive, flowing style.

Dawn M. Becker
*Executive Vice President—General
Counsel and Secretary*

**YOUR PROXY IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.
PLEASE SUBMIT IT TODAY.**

Appendix A - Operating Income and Fund From Operation

Property operating income is a non-GAAP measure that consists of rental income and mortgage interest income, less rental expenses and real estate taxes. This measure is used internally to evaluate the performance of property operations and we consider it to be a significant measure. Property operating income should not be considered an alternative measure of operating results or cash flow from operations as determined in accordance with GAAP.

The reconciliation of operating income to property operating income is as follows:

| | <u>2019</u> |
|---|-----------------------|
| | <u>(In thousands)</u> |
| Operating income | \$ 470,911 |
| General and administrative | 42,754 |
| Depreciation and amortization | 239,758 |
| Gain on sale of real estate and change in control of interests, net | (116,393) |
| Property operating income | <u>\$ 637,030</u> |

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as follows: net income, computed in accordance with U.S. GAAP, plus real estate related depreciation and amortization and excluding extraordinary items and 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. 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.

The reconciliation of net income to FFO available for common shareholders is as follows:

| | <u>2019</u> |
|---|-----------------------|
| | <u>(In thousands)</u> |
| Net income | \$ 360,542 |
| Net income attributable to noncontrolling interests | (6,676) |
| Gain on sale of real estate and change in control of interests, net | (116,393) |
| Depreciation and amortization of real estate assets | 215,139 |
| Amortization of initial direct costs of leases | 19,359 |
| Funds from operations | 471,971 |
| Dividends on preferred shares | (7,500) |
| Income attributable to operating partnership units | 2,703 |
| Income attributable to unvested shares | (1,355) |
| Funds from operations available for common shareholders | <u>\$ 465,819</u> |

Appendix B – 2020 Performance Incentive Plan

FEDERAL REALTY INVESTMENT TRUST 2020 PERFORMANCE INCENTIVE PLAN

(effective February 4, 2020; subject to shareholder approval on May 6, 2020)

Federal Realty Investment Trust, a Maryland real estate investment trust (the “Trust”) wishes to recruit, reward, and retain trustees, employees, and others important to the Trust’s operations. To further these objectives, the Trust hereby sets forth the Federal Realty Investment Trust 2020 Performance Incentive Plan (the “Plan”), to provide awards of the types provided for herein. From February 5, 2020 forward, awards pursuant to the Federal Realty Investment Trust 2010 Performance Incentive Plan (as amended, the “Prior Plan”) shall not be made for more than an aggregate of 5,000 Shares.

1. PURPOSE

The purpose of the Plan is to enhance the Trust’s ability to attract, retain, and compensate highly qualified trustees, officers, key employees, and other persons, and to motivate such officers, key employees, and other persons to serve the Trust and its Affiliates (as defined herein) and to expend maximum effort to improve the business results and earnings of the Trust, by providing to such trustees, officers, key employees and other persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Trust and the opportunity to earn other financial incentives. To this end, the Plan provides for the grant of Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Unrestricted Share Awards, Dividend Equivalent Rights, Performance Awards and Annual Incentive Awards or cash in accordance with the terms hereof. Options granted under the Plan may be non-qualified share options or incentive share options, as provided herein.

2. DEFINITIONS

For purposes of interpreting the Plan and related documents (including Award Agreements), the following definitions shall apply:

2.1. “Administrator” has the meaning set forth in Section 3.1.

2.2. “Affiliate” means, with respect to the Trust, any company or other trade or business that controls, is controlled by or is under common control with the Trust within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary. For purposes of granting Options or Share Appreciation Rights, an entity shall not be treated as an Affiliate unless the Trust holds a “controlling interest” in such entity, where the term “controlling interest” has the meaning provided in Treasury Regulation Section 1.414(c)-2(b)(2)(i), provided that the language “at least 50 percent” is used instead of “at least 80 percent” in Treasury Regulation Section 1.414(c)-2(b)(2)(i), and, provided further, that where the granting to such Grantee of Options or Share Appreciation Rights with respect to the Shares is based upon a legitimate business criteria, the language “at least 20 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulations Section 1.414(c)-2(b)(2)(i).

2.3. “Alternative Award” has the meaning set forth in Section 19.3.

2.4. “Annual Incentive Award” means an Award granted to a Grantee under Section 15 hereof to receive Shares, another Award or cash based on attainment of performance conditions as described in Section 15 after the end of a Performance Period of one year.

2.5. “Award” means a grant of Options, Share Appreciation Rights, Restricted Shares, Restricted Share Units, Unrestricted Share Awards, Dividend Equivalent Rights, Performance Awards or Annual Incentive Awards under the Plan.

2.6. “Award Agreement” means a written or electronic agreement that evidences and sets out the terms and conditions of an Award. The Administrator may provide for the use of electronic, internet-based or other non-paper Award Agreements, and the use of electronic, internet-based or other non-paper means for the Grantee’s acceptance of, or actions relating to, an Award Agreement.

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

2.8. “Benefit Arrangement” shall have the meaning set forth in Section 16 hereof.

2.9. “Board” means the Board of Trustees of the Trust.

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

2.11. “Cause” means, subject to the provisions of this paragraph, Grantee’s: (i) failure (other than failure due to Disability) to substantially perform his or her duties with the Trust or an Affiliate, which failure remains uncured after written notice thereof and the expiration of a reasonable period of time thereafter in which the Grantee is diligently pursuing cure; (ii) misconduct, fraud, or dishonesty which is demonstrably injurious to the Trust or an Affiliate, monetarily, reputationally, or otherwise; (iii) breach of fiduciary duty involving personal profit; (iv) willful violation, in the course of performing his or her duties for the Trust or any Affiliate, of any law, rule or regulation (other than traffic violations or misdemeanor offenses); (v) conviction of or plea of guilty or nolo contendere to any felony charge, or to any misdemeanor charge involving fraud, false statements, bribery, embezzlement, or any other kind of moral turpitude; or (vi) material violation of any policy or code of conduct established by the Trust. Notwithstanding the foregoing, if an unexpired employment or other agreement between the Trust or an Affiliate and a Grantee contains a definition of “Cause” or similar term that is not the same as that set forth in the preceding sentence, then the definition of “Cause” or similar term contained in such employment or other agreement shall control with respect to that Grantee. The Administrator may retroactively deem a termination of a Grantee’s employment to have been for “Cause” for purposes of the Plan if circumstances constituting “Cause” existed prior to the date of termination, but become known to the Administrator after the date of termination. A determination of whether “Cause” exists, and of the existence and relevance of any conduct, fact, or circumstance that may serve as the basis for a determination that “Cause” exists, shall be made in the sole discretion of the Administrator.

2.12. “Change in Control” means any of the events set forth below, subject to any refinements set forth in an Award Agreement:

(a) An acquisition in one or more transactions (other than directly from the Trust or pursuant to options granted under this Plan or otherwise by the Trust) of any Trust Voting Securities by any Person immediately after which such Person has Beneficial Ownership of 20% or more of the combined voting power of the then outstanding Trust Voting Securities; *provided, however*, in determining whether a Change in Control has occurred, Trust Voting Securities which are acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (x) the Trust or (y) a Subsidiary, (ii) the Trust or any Subsidiary, or (iii) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(b) The individuals who, as the Effective Date are members of the Trustees (the “Incumbent Trustees”), cease for any reason to constitute at least a majority of the Trustees; *provided, however*, that if the election, or nomination for election by the Trust’s shareholders, of any new member was approved by a vote of at least two-thirds of the Incumbent Trustees, such new member shall, for purposes of this Plan, be considered as a member of the Incumbent Trustees; *provided, further, however*, that no individual shall be considered a member of the

Incumbent Trustees if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Trustees (a "Proxy Contest"), including, without limitation, by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) Consummation of a transaction which is

(1) A merger, consolidation or other reorganization involving the Trust, unless:

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

(ii) the individuals who were members of the Incumbent Trustees immediately prior to the execution of the agreement providing for such merger, consolidation or other reorganization constitute at least a majority of the members of the governing board of the Surviving Person, and

(iii) no Person (other than the Trust or any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Trust or any Subsidiary, or any Person which, immediately prior to such merger, consolidation, or other reorganization had Beneficial Ownership of 20% or more of the then outstanding Trust Voting Securities) has Beneficial Ownership of 20% or more of the combined voting power of the Surviving Person's then outstanding voting securities (A transaction described in clauses (i) through (iii) shall herein be referred to as a "Non-Control Transaction.");

(2) A complete liquidation or dissolution of the Trust; or

(3) The sale or other disposition of all or substantially all of the assets of the Trust to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur (i) solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Trust Voting Securities as a result of the acquisition of Trust Voting Securities by the Trust which, by reducing the number of Trust Voting Securities outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person; *provided, however*, that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Trust Voting Securities by the Trust, and after such share acquisition by the Trust, the Subject Person becomes the Beneficial Owner of any additional Trust Voting Securities which increases the percentage of the then outstanding Trust Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur, or (ii) if the Trust (a) establishes a wholly-owned subsidiary ("Holding Company"), (b) causes the Holding Company to establish a subsidiary that is directly or indirectly wholly owned by the Holding Company ("Merger Sub"), and (c) merges with Merger Sub, with the Trust as the surviving entity (such transactions collectively are referred as the "Reorganization"). Immediately following the completion of the Reorganization, all references to the Trust Voting Securities shall be deemed to refer to the voting securities of the Holding Company.

Notwithstanding the foregoing, if an unexpired employment or other agreement between the Trust or an Affiliate and a Grantee contains a definition of "Change of Control" that is not the same as that set forth above, then the definition of "Change of Control" contained in such employment or other agreement shall control with respect to any Awards to such Grantee.

2.13. "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.14. "Committee" means the Compensation Committee of the Board or other committee of, and designated from time to time by resolution of, the Board, which shall consist of no fewer than two members of the Board; *provided, that*, if the Committee consists of less than the entire Board, each member shall be a "Non-Employee Director" within the meaning of Exchange Act Rule 16b-3. The same requirements shall apply to any special committee of the Board to which authority or duties are delegated pursuant to Section 3.1. Notwithstanding the foregoing, in the case of Awards granted to persons not required to file reports under Section 16(a) of the Exchange Act, the Committee may delegate authority to any committee consisting of at least (i) one member of the Board, who may or may not qualify as a "Non-Employee Director" within the meaning of Exchange Act Rule 16b-3, or (ii) one Executive Officer, such designation in either case to be pursuant to a resolution of the Board.

2.15. "Corporate Transaction" means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events: (i) the consummation of a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Trust and its Affiliates; (ii) the consummation of a sale or other disposition which results in any person or entity (other than the persons or entities who are shareholders, or Affiliates of the Trust or affiliate of its shareholders immediately prior to such transaction) owning at least fifty percent (50%) of the outstanding securities of the Trust; (iii) the consummation of a merger, consolidation or similar transaction following which the Trust is not the surviving corporation; or (iii) the consummation of a merger, consolidation or similar transaction following which the Trust is the surviving corporation but the Shares outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

2.16. "Disability" means, except as otherwise provided in an Award Agreement, any physical or mental injury or disease which renders a Grantee incapable of meeting the requirements of the employment performed by such Grantee immediately prior to the commencement of such disability. The determination of whether a Grantee is disabled shall be made by the Administrator in its sole discretion. Notwithstanding the foregoing, if a Grantee's employment by the Trust terminates by reason of a disability, as defined in an unexpired employment or other agreement between such Grantee and the Trust, such Grantee shall be deemed to be disabled for purposes of the Plan. In the event that any Award under the Plan is treated as nonqualified deferred compensation subject to the provisions of Code Section 409A, a payment event by reason of a Disability shall, if necessary to comply with Code Section 409A, occur with respect to such Award only if such Disability also qualifies the Grantee as disabled within the meaning of Code Section 409A(a)(2)(C).

2.17. "Dividend Equivalent Right" shall have the meaning set forth in Section 13 hereof.

2.18. "Effective Date" means the date on which the Plan is approved by the Board.

2.19. "Exchange Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.20. "Executive Officer" means an officer of the Trust or its Affiliates who is subject to the reporting requirements set forth under Section 16(a) of the Exchange Act, as now in effect or as hereafter amended.

2.21. “Fair Market Value” means the value of a Share, determined as follows: if on the Grant Date or other determination date the Shares are listed on an established national or regional stock exchange, are admitted to quotation on The NASDAQ Stock Market, or are publicly traded on an established securities market, the Fair Market Value of a Share shall be the closing price of the Shares on such exchange or in such market (if there is more than one such exchange or market the principal exchange or market on which the Shares are traded) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Shares are reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Shares are not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Shares as determined by the Board in good faith.

2.22. “Family Member” means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee, any person sharing the Grantee’s household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than fifty percent of the voting interests.

2.23. “Good Reason” means, as determined by the Administrator, without the Grantee’s consent: (i) a material reduction in the Grantee’s responsibilities, duties, or authority, (ii) the transfer of the Grantee to a place of employment that is more than sixty (60) miles from the Grantee’s current place of employment, or (iii) a material reduction in the Grantee’s salary; provided that Good Reason shall not exist unless Grantee provides the Trust with written notice of the event constituting Good Reason within 30 days after its first occurrence, the Trust fails to cure any such occurrence during the 30 day period after its receipt of such notice, and the Grantee submits a written notice of resignation for Good Reason within 60 days after expiration of the Trust’s 30-day cure period. Notwithstanding the foregoing, if an unexpired employment or other agreement between the Trust or an Affiliate and a Grantee contains a definition of “Good Reason” or similar term that is not the same as that set forth above, then the definition of “Good Reason” or similar term contained in such employment or other agreement shall control. In the event that any Award under the Plan is treated as nonqualified deferred compensation subject to the provisions of Code Section 409A, a payment event by reason of the Grantee’s resignation for Good Reason shall occur with respect to such Award only if such resignation takes place.

2.24. “Grant Date” means, as determined by the Administrator, the latest to occur of (i) the date as of which the Administrator approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under Section 6 hereof, or (iii) such other date as may be specified by the Administrator.

2.25. “Grantee” means a person who receives or holds an Award under the Plan.

2.26. “Incentive Share Option” means an “incentive stock option” within the meaning of Code Section 422, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.27. “Involuntary Termination” means a termination of the Grantee’s Service by the Trust or its successor other than for Cause or a termination of the Grantee’s Service by the Grantee for Good Reason.

2.28. “New Employer” means, as determined by the Administrator in its sole discretion, a Grantee’s employer immediately following a Change in Control, the Trust, any successor to the Trust, or the entity resulting from a spinoff from the Trust, or the parent or a subsidiary of any such entities

2.29. “Non-qualified Share Option” means an Option that is not an Incentive Share Option.

2.30. “Option” means an Incentive Share Option or Non-qualified Share Option to purchase one or more Shares pursuant to the Plan.

2.31. “Option Price” means the purchase price for each Share subject to an Option.

2.32. “Other Agreement” shall have the meaning set forth in Section 16 hereof.

2.33. “Outside Trustee” means a member of the Board who is not an officer or employee of the Trust.

2.34. “Parent” means a “parent corporation” of the Trust within the meaning of Code Section 424(e).

2.35. “Performance Award” means an Award under Section 15 hereof to receive Shares, another Award or cash after the end of a Performance Period of up to 15 years based on attainment of performance conditions as described in Section 15.

2.36. “Performance Period” shall have the meaning set forth in Section 15.2(iv).

2.37. “Person” means “person” as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act, including, without limitation, any individual, firm, corporation, partnership, joint venture, association, trust or other entity, or any group of Persons.

2.38. “Plan” means this Federal Realty Investment Trust 2020 Performance Incentive Plan.

2.39. “Prior Plan” means the Federal Realty Investment Trust 2010 Performance Incentive Plan, as amended.

2.40. “Restricted Period” means the period during which Restricted Shares or Restricted Share Units are subject to restrictions or conditions pursuant to Section 11.2 hereof.

2.41. “Restricted Shares” means Shares, awarded to a Grantee pursuant to Section 11 hereof, that are subject to restrictions and to a risk of forfeiture.

2.42. “Restricted Share Unit” means a unit awarded to a Grantee pursuant to Section 11 hereof, which represents a conditional right to receive a Share or the value of a Share in the future.

2.43. “Securities Act” means the Securities Act of 1933, as now in effect or as hereafter amended.

2.44. “Service” means service as an employee, officer, Trustee or other Service Provider of the Trust or an Affiliate. A change in a Grantee’s duties or position shall not constitute a termination of Service; *provided, that*, the change of a Grantee’s status from an employee to a Service Provider shall result in a termination of Service unless the Administrator determines otherwise by so providing in the applicable Award Agreement or by making such a determination at the time the Grantee’s status changes. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Administrator, which determination shall be final, binding and conclusive. In the event that any Award under the Plan is treated as nonqualified deferred compensation subject to the provisions of Code Section 409A, a payment event by reason of a termination of Service shall, if necessary to comply with Code Section 409A, occur with respect to such Award only if such termination of Service also qualifies a separation from service within the meaning of Code Section 409A.

2.45. “Service Provider” means a consultant or adviser to the Trust, a manager of the Trust’s properties or affairs, or other similar service provider or Affiliate, and employees of any of the foregoing, as such persons may be designated from time to time by the Board or the Committee pursuant to Section 6 hereof.

2.46. **“Share”** means the common shares of beneficial interest, par value \$.01, of the Trust.

2.47. **“Share Appreciation Right”** or **“SAR”** means a right granted to a Grantee under Section 10 hereof.

2.48. **“Subsidiary”** means any **“subsidiary corporation”** of the Trust within the meaning of Code Section 424(f).

2.49. **“Ten Percent Shareholder”** means any employee owning at the time an Option is granted more than ten percent (10%) of the total combined voting power of all classes of shares of the Trust or of a Parent or Subsidiary. An employee shall, in accordance with Section 424(d) of the Code, be considered to own any voting shares owned (directly or indirectly) by or for his brothers, sisters, spouse, ancestors and lineal descendants and any voting shares owned (directly or indirectly) by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its stockholders, partners or beneficiaries.

2.50. **“Trust”** means Federal Realty Investment Trust.

2.51. **“Trust Voting Securities”** means the outstanding voting securities of the Trust entitled to vote generally in the election of the Trustees.

2.52. **“Trustee”** means any member of the Board of Trustees.

2.53. **“Unrestricted Share Award”** means an Award granted pursuant to Section 12 hereof.

3. ADMINISTRATION OF THE PLAN

3.1. Administrator.

The Committee will act as the Administrator of the Plan. The Board also may act under the Plan as though it were the Committee. In addition, the Board, in its discretion, may in accordance with the requirements of Section 2.14 delegate to a special committee of the Board (which for Awards to certain persons may consist of a single member who may or may not qualify as a “Non-Employee Director” within the meaning of Exchange Act Rule 16b-3) or to Executive Officers all or part of the Administrator’s authority and duties; provided that any such delegation shall be subject to and limited in accordance with applicable law. The Board may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the delegate or delegates that were consistent with the terms of the Plan.

The Administrator is responsible for the general operation and administration of the Plan and for carrying out its provisions and has full discretion in interpreting and administering the provisions of the Plan. Subject to the express provisions of the Plan, the Administrator may exercise such powers and authority of the Board as the Administrator may find necessary or appropriate to carry out its functions.

The Administrator’s powers include, but are not limited to, the power to correct any defect or supply appropriate text for any omission or reconcile any inconsistency in the Plan; to establish, amend and revoke rules and regulations for its administration; and to construe and interpret the Plan and any Award or other instrument hereunder. The Administrator may act through meetings of a majority of its members or by unanimous consent. All determinations, interpretations and constructions made by the Board or the Administrator in good faith will not be subject to review by any person, will be final, binding and conclusive on all persons, and will be given the maximum deference permitted by law in any proceeding with respect thereto.

3.2. Terms of Awards.

Subject to the other terms and conditions of the Plan, the Administrator shall have full and final authority:

- (a) to designate Grantees,
- (b) to determine the type or types of Awards to be made to a Grantee,
- (c) to determine the number of Shares or Restricted Share Units or the amount subject to an Award,
- (d) to establish the terms and conditions of each Award (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the Shares subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Share Options),
- (e) to prescribe the form of each Award Agreement evidencing an Award,
- (f) to amend, modify, or supplement the terms of any outstanding Award, except to the extent that any such action would be prohibited for new Awards, or would result in the imposition on a Grantee of an additional tax under Code Section 409A, and
- (g) in order to effectuate the purposes of the Plan but without amending the Plan, to modify Awards to eligible individuals who are foreign nationals or are individuals who are employed outside the United States to recognize differences in local law, tax policy, or custom.

As a condition to any subsequent Award, the Administrator shall have the right, at its discretion but subject to the restrictions set forth in Section 7.3, to require Grantees to return to the Trust any Awards previously made under the Plan. Subject to the terms and conditions of the Plan, any such new Award shall be upon such terms and conditions as are specified by the Administrator at the time the new Award is made. The Administrator shall have the right, in its discretion, to make Awards in substitution or exchange for any other award under another plan of the Trust, any Affiliate, or any business entity to be acquired by the Trust or an Affiliate. The Trust may retain the right in an Award Agreement to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Trust or any Affiliate thereof or any confidentiality obligation with respect to the Trust or any Affiliate thereof or otherwise in competition with the Trust or any Affiliate thereof, to the extent specified in such Award Agreement applicable to the Grantee. Furthermore, the Trust may annul an Award if the Grantee is an employee of the Trust or an Affiliate thereof and is terminated for Cause or recover the Award from a Grantee in accordance with Section 17.5.

3.3. Share Issuance and Book-Entry.

Notwithstanding any provision of the Plan, the issuance of any Shares provided for under the Plan (including, but not limited to, Restricted Shares) may be evidenced in such manner as the Board deems appropriate, including, but not limited to, a book-entry registration or the issuance of certificates.

3.4. No Liability.

No member of the Board or of the Committee or of any special committee of the Board or any Executive Officer to which authority or duties are delegated pursuant to Section 3.1, nor the Administrator, shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Agreement. The Trust shall pay or reimburse any member of the Board or the Committee, as well as any Employee or Service Provider who in good faith takes action on behalf of this Plan (whether or not as an Administrator), for all

expenses incurred with respect to this Plan, and to the full extent allowable under applicable law shall indemnify each and every one of them for any claims, liabilities, and costs (including reasonable attorney's fees) arising out of their good faith performance of duties on behalf of this Plan. The Trust and its Affiliates may, but shall not be required to, obtain liability insurance for this purpose.

3.5. Disputes, Claims and Deadlines.

Any Grantee (or other person asserting rights with respect to an Award) who believes he or she is wrongfully being denied any benefit or right under this Plan or under any Award must file a written claim with the Administrator and exhaust the remedies set forth herein before instituting litigation. Any claim must be delivered to the Administrator within forty-five (45) days of the specific event giving rise to the claim. Untimely claims will not be processed and shall be deemed denied. The Administrator, or its designee, will notify the Grantee of its decision in writing as soon as administratively practicable. Claims not responded to by the Administrator in writing within one hundred and twenty (120) days of the date the written claim is delivered to the Administrator shall be deemed denied. The Administrator's decision is final, binding and conclusive on all persons. No lawsuit relating to this Plan may be filed before a written claim is filed with Administrator and is denied or deemed denied, and any lawsuit must be filed within one year of such denial or deemed denial or be forever barred.

4. SHARES SUBJECT TO THE PLAN

Subject to adjustment as provided in Section 19 hereof, the number of Shares available for issuance under the Plan shall be One Million Seven Hundred Fifty Thousand (1,750,000), any or all of which may be issued under the Plan in the form of Incentive Share Options. Shares issued or to be issued under the Plan shall be drawn from authorized but unissued shares. If any Shares covered by an Award are not issued because the Award is settled in cash, or because the Award expires or is terminated or forfeited prior to exercise, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award shall, to the extent of any such cash settlement, expiration, termination or forfeiture, again be available for making Awards under the Plan. Shares that have been actually issued under the Plan shall not be returned to the share reserve for future grants or distribution under the Plan; except that Shares issued pursuant to an Award, other than an Option, which are forfeited shall be returned to the share reserve for future grant or issuance under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will not become available for future grant or issuance under the Plan. Without limiting the generality of the foregoing, Shares issued in connection with Awards that are assumed, converted or substituted pursuant to a Corporate Transaction shall not be counted against the maximum limitation specified in this Section 4. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. For avoidance of doubt, this Section 4 shall not apply to any per Grantee limit set forth in Section 7.1.

5. EFFECTIVE DATE AND TERM OF THE PLAN

5.1. Effective Date.

This Plan shall be effective as of the Effective Date, subject to approval by the Trust's shareholders within one year of the Effective Date. Upon approval of the Plan by the shareholders of the Trust as set forth above, all Awards made under the Plan on or after the Effective Date shall be fully effective as if the shareholders of the Trust had approved the Plan on the Effective Date. If the shareholders fail to approve the Plan within one year after the Effective Date, any Awards made hereunder shall be null and void and of no effect.

5.2. Term.

The Plan shall terminate automatically on the tenth annual anniversary of the later of the Effective Date and the most recent shareholder approval of the Plan, including, without limitation, any shareholder approval of any

amendment to the Plan to increase the share award capacity hereunder) and may be terminated on any earlier date as provided in Section 18. In no event, however, may Incentive Share Options be granted more than ten years after the Effective Date.

6. AWARD ELIGIBILITY

6.1. Trust or Subsidiary Employees; Service Providers; Other Persons.

Subject to Section 7, Awards may be made under the Plan at the sole discretion of the Administrator, and on such terms and conditions as the Administrator shall determine and designate from time to time, to: (i) any employee or prospective employee of, or a Service Provider or prospective Service Provider to, the Trust or of any Affiliate, including any such employee or Service Provider who is an officer or Trustee of the Trust, or of any Affiliate, and (ii) any Outside Trustee.

6.2. Successive Awards.

An eligible person may receive more than one Award, subject to such restrictions as are provided herein.

7. LIMITATIONS ON GRANTS; MINIMUM VESTING: NO REPRICINGS

7.1. Limitation on Shares and Restricted Share Units Subject to Awards and Annual Incentive Awards and Performance Awards.

During any time when the Trust has a class of equity security registered under Section 12 of the Exchange Act:

- (a) no Grantee, other than the Chief Executive Officer of the Trust, may be granted Options or SARs in the aggregate in respect of more than 250,000 Shares per calendar year and the Chief Executive Officer of the Trust may not be granted Options or SARs in the aggregate in respect of more than 500,000 Shares per calendar year.
- (b) no Grantee, other than the Chief Executive Officer of the Trust, may be issued Awards other than Options, SARs, or other Award which are not intended to be performance-based with respect to more than 250,000 Shares per calendar year, and the Chief Executive Officer of the Trust may not be granted Awards other than Options, SARs, or other Awards which are not intended to be performance-based with respect to more than 500,000 Shares per calendar year.

The preceding limitations in this Section 7.1 are subject to adjustment as provided in Section 19 hereof.

7.2. Non-Employee Trustee Awards.

In order to retain and compensate the non-employee members of the Board for their services, and to strengthen the alignment of their interests with those of the shareholders of the Trust, the Plan permits the grant of cash-based and stock-based Awards to any non-employee member of the Board. Aggregate Awards granted to any non-employee member of the Board in respect of any calendar year, solely with respect to his or her service as a non-employee member of the Board, may not exceed \$500,000 based on the aggregate value of cash-based Awards and the Fair Market Value of any stock-based Awards, in each case determined as of the date of grant. The foregoing limit only applies to compensation for customary Board services, and does not apply to compensation for special Board services, such as chairing the Board. The Board may make exceptions to this limit for individual non-employee members of the Board provided that such non-employee member of the Board may not participate in the decision to award such compensation or in other contemporaneous compensation decisions involving non-employee members of the Board.

7.3. Limitations on Incentive Share Options.

An Option shall constitute an Incentive Share Option only (i) if the Grantee of such Option is an employee of the Trust or any Subsidiary of the Trust; (ii) to the extent specifically designated as such in the applicable Award Agreement; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is

granted) of the Shares with respect to which all Incentive Share Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Trust and its Subsidiaries and any Parent) does not exceed \$100,000, or such other maximum amount as may be specified under Code Section 422(d). This limitation shall be applied by taking Options into account in the order in which they were granted. No Option that is intended to be an Incentive Share Option shall be invalid for failure to qualify as an Incentive Share Option.

7.4. Awards subject to Minimum Vesting Period.

Except as otherwise provided under the Plan, no Award shall vest sooner than one-year after the Grant Date, provided, that (i) up to five percent (5%) of the Shares reserved under Section 4 (as adjusted pursuant to Section 19) may be granted under Awards without any minimum vesting requirements; and (ii) the foregoing 5% limit shall not apply to any Performance Awards that actually vest one year or more after the Grant Date.

7.5. Prohibitions against Repricings.

The Administrator shall not have the power or authority to reduce the Option Price of any outstanding Option or base price of any outstanding SAR, whether through amendment or through granting any new Award or making any cash payment, in substitution for or upon the cancellation of such Options or SARs previously granted except: (a) as approved in advance by a majority of the Shares of the Trust entitled to vote generally in the election of directors; or (b) as permitted under Section 19 hereof.

8. AWARD AGREEMENT

Each Award granted pursuant to the Plan shall be evidenced by an Award Agreement, to be executed by the Trust and, if so required by the Administrator, the Grantee, in such form or forms as the Administrator shall from time to time determine. Award Agreements granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Agreement shall provide that the Award is subject to the terms of the Plan and shall set forth all of the material terms of the Award not otherwise specified in the Plan. Each Award Agreement evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Share Options or Incentive Share Options, and in the absence of such specification such Options shall be deemed Non-qualified Share Options. In the event that the Grantee is required at the discretion of the Administrator to but does not execute the applicable Award Agreement within a reasonable time following grant of the Award or the date established by the Administrator, the Administrator, in its sole discretion, may revoke the grant of the applicable Award.

9. OPTIONS

9.1. Option Price.

The Option Price of each Option shall be fixed by the Administrator and stated in the Award Agreement evidencing such Option. The Option Price shall be at least the aggregate Fair Market Value on the Grant Date of the Shares subject to the Option; *provided, however*, the Option Price of an Option intended to be an Incentive Share Option granted to a Grantee who is a Ten Percent Shareholder shall be not less than 110 percent of the Fair Market Value of a Share on the Grant Date; and provided, furthermore, that in the case of a Non-qualified Share Option, Fair Market Value shall be determined as provided in Code Section 409A and the regulations and other guidance thereunder. In no case shall the Option Price of any Option be less than the par value of a Share.

9.2. Vesting.

Subject to Sections 9.3 and 19.3 hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Administrator and stated in the Award Agreement. For purposes of this Section 9.2, fractional numbers of Shares subject to an Option shall be rounded

down to the next nearest whole number. The Administrator may provide, for example, in the Award Agreement for: (a) accelerated exercisability of the Option in the event the Grantee's Service terminates on account of death, Disability or another event, (b) expiration of the Option prior to its term in the event of the termination of the Grantee's Service, (c) immediate forfeiture of the Option in the event the Grantee's Service is terminated for Cause, or (d) unvested Options to be exercised subject to the Trust's right of repurchase with respect to unvested Shares.

9.3. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase Shares thereunder shall cease, upon the expiration of ten years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Administrator and stated in the Award Agreement relating to such Option; *provided, however*, that an Option intended to be an Incentive Share Option which is granted to a Grantee who is a Ten Percent Shareholder shall not be exercisable after the expiration of five years from its Grant Date.

9.4. Acceleration.

Any limitation on the exercise of an Option contained in any Award Agreement may be rescinded, modified or waived by the Administrator, in its sole discretion, at any time and from time to time after the Grant Date of such Option, so as to accelerate the time at which the Option may be exercised.

9.5. Termination of Service.

Each Award Agreement shall set forth the extent to which the Grantee shall have the right to exercise the Option following termination of the Grantee's Service. Such provisions shall be determined in the sole discretion of the Administrator, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service. Without limiting the generality of the foregoing, the Administrator may, at or after the Grant Date, accelerate or waive any conditions to the exercisability of any Option or SAR granted under the Plan, and may permit all or any portion of any such Option or SAR to be exercised following a Grantee's termination of Service for any reason on such terms and subject to such conditions as the Administrator shall determine for a period up to and including, but not beyond, the expiration of the term of such Options or SARs.

9.6. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part with respect to Options issued prior to the date the Plan is approved by the shareholders of the Trust as provided herein, or after ten years following the Grant Date (or five years following the Grant Date in the case of an Incentive Share Option granted to a Grantee who is a Ten Percent Shareholder), or after the occurrence of an event referred to in Section 19 hereof which results in termination of the Option.

9.7. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery to the Trust of written or electronic notice of exercise on any Business Day, at the Trust's principal executive office, addressed to the attention of the Secretary of the Trust or the Chief Financial Officer of the Trust. Such notice shall specify the number of Shares with respect to which the Option is being exercised and shall be accompanied by payment in full of the Option Price, in accordance with Section 9.8, of the Shares for which the Option is being exercised. The minimum number of Shares with respect to which an Option may be exercised, in whole or in part, at any time shall be the lesser of: (a) 100 Shares or such lesser number set forth in the applicable Award Agreement; and (b) the maximum number of Shares available for purchase under the Option at the time of exercise.

9.8. Form of Payment.

Payment of the Option Price for the Shares purchased pursuant to the exercise of an Option shall be made: (a) in cash or in cash equivalents acceptable to the Trust; (b) through the tender (through attestation or otherwise) to the Trust of unrestricted Shares, which Shares, if acquired from the Trust, shall have been held by the Grantee for at least six months and which shall be valued, for purposes of determining the extent to which the Option Price has been paid thereby, at their Fair Market Value on the date of exercise; (c) by a combination of the methods described in (a) and (b); or (d) in accordance with such other procedures or in such other forms as the Administrator shall from time to time determine, which may include a broker-assisted cashless exercise arrangement. Notwithstanding the foregoing, unless the Administrator provides otherwise in the Award Agreement, payment in full of the Option Price need not accompany the written notice of exercise provided that the notice of exercise directs that the certificate or certificates for the Shares for which the Option is exercised be delivered to a licensed broker acceptable to the Trust as the agent for the individual exercising the Option and, at the time such certificate or certificates are delivered, the broker tenders to the Trust cash (or cash equivalents acceptable to the Trust) equal to the Option Price for the Shares purchased pursuant to the exercise of the Option plus the amount (if any) of federal and/or other taxes which the Trust may in its judgment be required to withhold with respect to the exercise of the Option. An attempt to exercise any Option granted hereunder other than as set forth above shall be invalid and of no force and effect.

9.9. Rights of Holders of Options.

Unless otherwise stated in the applicable Award Agreement, an individual holding or exercising an Option shall have none of the rights of a shareholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject Shares or to direct the voting of the subject Shares) until the Shares covered thereby are fully paid and issued to him. Except as provided in Section 19 hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

9.10. Delivery of Share Certificates.

Promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a share certificate or certificates evidencing his or her ownership of the Shares subject to the Option. Notwithstanding any other provision of this Plan to the contrary, the Trust may elect to satisfy any requirement under this Plan for the delivery of share certificates through the use of book-entry.

9.11. Notice of Disposition for Incentive Share Option Shares.

A Grantee shall notify the Trust of any sale or other disposition of Shares acquired pursuant to an Incentive Share Option if such sale or disposition occurs: (a) within two years of the grant of an Option; or (b) within one year of the issuance of the Share to the Grantee. Such notice shall be in writing and directed to the Secretary of the Trust within ten (10) Business Days of the date of such sale or disposition.

9.12. Transferability of Options.

Except as provided in Section 9.13, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in Section 9.13, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

9.13. Family Transfers.

If authorized in the applicable Award Agreement, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Share Option to any Family Member. For the purpose of this Section 9.13, a "not for value" transfer is a transfer which is: (a) a gift, (b) a transfer under a domestic relations order in settlement of

marital property rights; or (c) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this Section 9.13, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the original Grantee in accordance with this Section 9.13 or by will or the laws of descent and distribution. The events of termination of Service of Section 9.5 hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods, specified in Section 9.5.

10. SHARE APPRECIATION RIGHTS

The Administrator is authorized to grant SARs to Grantees on the following terms and conditions:

10.1. Right to Payment.

A SAR shall confer on the Grantee to whom it is granted a right to receive, upon exercise thereof, an amount not greater than the excess of: (a) the Fair Market Value of one Share on the date of exercise over (b) the grant price of the SAR as determined by the Administrator. The grant price of an SAR shall not be less than the Fair Market Value of a Share on the date of grant (determined as provided in Code Section 409A and the regulations and other guidance thereunder).

10.2. Other Terms.

Except as otherwise provided by the terms of the Award Agreement for a SAR, each SAR granted under the Plan shall terminate on the expiration of ten years from the Grant Date. The Administrator shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Shares will be delivered or deemed to be delivered to Grantees, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. SARs may be either freestanding or in tandem with other Awards.

11. RESTRICTED SHARES AND RESTRICTED SHARE UNITS

11.1. Grant of Restricted Shares or Restricted Share Units.

The Administrator may from time to time grant Restricted Shares or Restricted Share Units to persons eligible to receive Awards under Section 6 hereof, subject to such restrictions, conditions and other terms as the Administrator may determine. To the extent that the Administrator determines that the vesting of a Restricted Share Award or Restricted Share Unit shall be subject to the satisfaction of performance criteria, the Award may be subject to attainment of the performance goals of Section 15.2 and may be designated by the Administrator as an Annual Incentive Award or a Performance Award in accordance with Section 15.

11.2. Restrictions.

At the time a grant of Restricted Shares or Restricted Share Units is made, the Administrator may establish a period of time (the "Restricted Period") applicable to such Restricted Shares or Restricted Share Units. Each Award of Restricted Shares or Restricted Share Units subject to a Restricted Period may be subject to a different Restricted Period. The Administrator may, in its sole discretion, at the time a grant of Restricted Shares or Restricted Share Units is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Shares or Restricted Share Units in accordance with Section 15.1 and 15.2 and deferral periods with respect Restricted Share Units. Neither Restricted Shares nor

Restricted Share Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Administrator with respect to such Restricted Shares or Restricted Share Units, or in the case of Restricted Share Units, prior to payment by the Trust with respect to such Restricted Share Units.

11.3. Restricted Share Certificates.

The Trust shall issue, in the name of each Grantee to whom Restricted Shares have been granted, share certificates representing the total number of Restricted Shares granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Administrator may provide in an Award Agreement that either: (a) the Secretary of the Trust or the Chief Financial Officer of the Trust shall hold such certificates for the Grantee's benefit until such time as the Restricted Shares are forfeited to the Trust or the restrictions lapse, or (b) such certificates shall be delivered to the Grantee, *provided, however*, that such certificates shall bear a legend or legends that complies with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Agreement. If the Trust utilizes book-entry form with appropriate restrictions noted in the Trust records, and the Grantee so requests, the Trust will furnish without charge the powers, designations, preferences and relative, participating, optional, or other special rights of the Share and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made in writing to the Trust's Secretary.

11.4. Rights of Holders of Restricted Shares.

Unless the Administrator otherwise provides in an Award Agreement, holders of Restricted Shares shall have the right to vote such Shares and the right to receive any dividends declared or paid with respect to such Shares. The Administrator may provide that any dividends paid on Restricted Shares must be reinvested in Shares, which may or may not be subject to the same vesting conditions and restrictions applicable to such Restricted Shares. All distributions, if any, received by a Grantee with respect to Restricted Shares as a result of any share split, share dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original grant.

11.5. Rights of Holders of Restricted Share Units.

Unless the Administrator otherwise provides in an Award Agreement, holders of Restricted Share Units shall have no rights as shareholders of the Trust. The Administrator may provide in an Award Agreement evidencing a grant of Restricted Share Units that the holder of such Restricted Share Units shall be entitled to receive, upon the Trust's payment of a cash dividend on its outstanding Shares, a cash amount for each Restricted Share Unit held equal to the per-share dividend paid on the Shares. Such Award Agreement may also provide that such cash payment will be deemed reinvested in additional Restricted Share Units at a price per unit equal to the Fair Market Value of a Share on the date that such dividend is paid. Restricted Share Units represent an unfunded and unsecured obligation of the Trust. Grantees of Restricted Share Units shall have no rights other than those of a general creditor of the Trust.

11.6. Termination of Service.

Unless the Administrator otherwise provides in an Award Agreement or in writing after the Award Agreement is issued, upon the termination of a Grantee's Service, any Restricted Shares or Restricted Share Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Shares or Restricted Share Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Shares or any right to receive dividends with respect to Restricted Shares or Dividend Equivalent Rights with respect to Restricted Share Units.

11.7. Delivery of Shares and Settlement of Restricted Share Units.

Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Administrator the restrictions applicable to Restricted Shares shall lapse, and a share certificate for such Shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be. In the alternative, a book-entry no longer reflecting any restrictions may be made. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Administrator the restrictions applicable to Restricted Share Units shall lapse, and at the end of any deferral period applicable to such Restricted Share Units pursuant to the following paragraph, the Restricted Share Units shall be settled in a manner consistent with Code Section 409A by issuance of a share certificate for such Shares to the Grantee or the Grantee's beneficiary or estate, as the case may be. If so provided by the Administrator, Restricted Share Units may also be settled by payment of a cash amount equal to the Fair Market Value per Share for each Restricted Share Unit.

11.8. Deferred Settlement of Restricted Share Units.

In an Award Agreement granting Restricted Share Units, and subject to the terms and conditions set forth in Section 17.3 below, the Administrator may in its sole and absolute discretion either require or permit a Grantee to make a deferral election for, the deferred delivery of the Shares subject to any Award.

12. UNRESTRICTED SHARE AWARDS

Subject to the limitations set forth in Section 7.4 above, the Administrator may, in its sole discretion, grant (or sell at par value or such other higher purchase price determined by the Administrator) an Unrestricted Share Award to any Grantee pursuant to which such Grantee may receive Shares free of any restrictions ("Unrestricted Shares") under the Plan. Unrestricted Share Awards may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration, or in lieu of any cash compensation due to such Grantee.

13. DIVIDEND EQUIVALENT RIGHTS

13.1. Dividend Equivalent Rights.

A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the Shares specified in the Dividend Equivalent Right (or other award to which it relates) if such Shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Grantee as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified at the time of grant. Dividend Equivalent Rights credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional Shares, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. The Award Agreement shall also specify the date or dates on which Dividend Equivalent Rights shall be settled, whether Dividend Equivalent Rights may be settled in cash or Shares or a combination thereof, in a single installment or installments, all determined in the sole discretion of the Administrator. A Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other award, subject to the restrictions set forth in Sections 11.4 and 11.5 above. Notwithstanding the preceding, no payment shall be made by reason of the grant of Dividend Equivalent Rights provided with respect to a Performance Award or other Award for which vesting is conditioned on achievement of Service conditions or performance goals except to extent the recipient earns a vested right to the underlying Share or Shares subject to the Award with respect to which the Dividend Equivalent Rights are granted.

13.2. Interest Equivalents.

Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the Award Agreement for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

13.3. Termination of Service.

Except as may otherwise be provided by the Administrator either in the Award Agreement or in writing after the Award Agreement is issued, a Grantee's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Grantee's termination of Service for any reason.

14. CERTAIN PROVISIONS APPLICABLE TO AWARDS

14.1. Stand-Alone, Additional, Tandem, and Substitute Awards.

Awards granted under the Plan may, in the discretion of the Administrator, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Trust, any Affiliate, or any business entity to be acquired by the Trust or an Affiliate, or any other right of a Grantee to receive payment from the Trust or any Affiliate; provided, however, that an Option or SAR may be granted in exchange for or in substitution of another stock option or stock appreciation right only if such substitution or exchange will not be treated as the grant of a new stock option or stock appreciation right for purposes of Code Section 409A. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award, the Administrator shall require the surrender of such other Award in consideration for the grant of the new Award. In addition, subject to all of the applicable requirements of Code Section 409A, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Trust or any Affiliate, in which the value of Shares subject to the Award is equivalent in value to the cash compensation (for example, Restricted Shares), or in which the purchase price of an Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Shares minus the value of the cash compensation surrendered (for example, an Unrestricted Share Award granted with a purchase price, which purchase price is "discounted" by the amount of the cash compensation surrendered); *provided, however*, that in no event may the Option Price of an Option or the grant price of an SAR be less than the Fair Market Value of a Share on the Grant Date determined as provided in Sections 9.1 and 10.1, respectively.

14.2. Form and Timing of Payment Under Awards; Deferrals.

Subject to all of the applicable requirements of Code Section 409A, the terms of the Plan and any applicable Award Agreement, payments to be made by the Trust or an Affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Administrator shall determine, including, without limitation, cash, Shares, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Shares in connection with such settlement, in the discretion of the Administrator or upon occurrence of one or more specified events. Installment or deferred payments may be required by the Administrator or permitted at the election of the Grantee on terms and conditions established by the Administrator consistent with the requirements of Code Section 409A. Payments may include, without limitation, provisions for the payment or crediting of a reasonable interest rate on installment or deferred payments or the grant or crediting of Dividend Equivalent Rights or other amounts in respect of installment or deferred payments denominated in Shares.

15. PERFORMANCE AND ANNUAL INCENTIVE AWARDS AND OTHER PERFORMANCE-BASED AWARDS.

15.1. Performance Conditions.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Administrator. The Administrator may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions. Any power or authority relating to a Performance or Annual Incentive Award shall be exercised by the Administrator.

15.2. Performance or Annual Incentive Awards and Other Performance Based Awards Granted.

- (a) Types of Awards. A grant of an Annual Incentive or Performance Award or other Award may specify that the amount payable with respect thereto may not exceed a maximum specified by the Administrator on the date of grant, which maximum may be specified in terms of Shares in the case of an Award denominated in Shares or units with a value determined by Shares, or a dollar amount in the case of Performance or Annual Incentive Awards. In addition, the Administrator may specify that any other Award (or portion thereof) shall constitute a Performance Award by conditioning the grant to a Grantee or the right of a Grantee to exercise the Award (or any portion thereof) or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Administrator. The Administrator may use such business criteria and other measures of individual, corporate, or other performance as it may deem appropriate under the next paragraph in establishing any performance conditions. Subject to the terms of the Plan, the performance goals to be achieved during any Performance Period, the length of any Performance Period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Administrator.
- (b) Performance Goals. The performance goals for such Performance or Annual Incentive Awards or other Award shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Administrator consistent with this Section 15.2. The Administrator may determine that such Performance or Annual Incentive Awards or other Award shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance or Annual Incentive Awards or other Awards. Each grant may specify in respect of the specified performance goals a minimum acceptable level of achievement below which no grant, exercise and/or settlement of such Performance or Annual Incentive Awards or other Awards will be made and may set forth a formula for determining the amount of any payment to be made if performance is at or above such minimum acceptable level but falls short of the maximum achievement of the specified performance goal. Performance goals may differ for Performance or Annual Incentive Awards or other Awards granted to any one Grantee or to different Grantees. The Administrator may adjust performance objectives and the related minimum acceptable level of achievement if, in the sole judgment of the Administrator, events or transactions have occurred after the date of grant that are unrelated to the performance of the Grantee, such as a change in accounting rules after the date the Award is made, and result in distortion of the performance objectives or the related minimum acceptable level of achievement.
- (c) Change in Business Operations; Etc. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of the Trust or any Affiliate, or

the manner in which the Trust or any Affiliate conducts its business, or other events or circumstances render the performance objectives unsuitable, the Administrator may modify the performance objectives or the related minimum acceptable level of achievement, in whole or in part, as the Administrator deems appropriate and equitable such that it does not provide any undue enrichment or harm. Performance measures may vary from Performance Award to Performance Award and from Grantee to Grantee, and may be established on a stand-alone basis, in tandem or in the alternative. The Administrator shall have the power to impose such other restrictions on Awards subject to this Section 15 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements of any applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

- (d) Performance Period; Timing For Establishing Performance Goals. Achievement of performance goals in respect of Performance Awards shall be measured over a Performance Period of up to fifteen years and achievement of performance goals in respect of Annual Incentive Awards shall be measured over a Performance Period of up to one year, as specified by the Administrator.
- (e) Performance or Annual Incentive Award Pool. The Administrator may establish a Performance or Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring Trust performance in connection with Performance or Annual Incentive Awards.
- (f) Settlement of Performance or Annual Incentive Award and Other Awards; Other Terms. Settlement of such Performance or Annual Incentive Awards and other Awards under this Section 15 shall be in cash, Shares, other Awards or other property, at such time and in such manner as determined by the terms of such Performance or Annual Incentive Awards or other Award and either may reserve to the Administrator or grant to the Grantee the right to elect among such alternative. The Administrator may, in its discretion, reduce, or increase, the amount of a settlement otherwise to be made in connection with such Performance or Annual Incentive Awards or other Award. The Administrator shall specify the circumstances in which such Performance or Annual Incentive Awards or other Award shall be paid or forfeited in the event of termination of Service by the Grantee prior to the end of a Performance Period or settlement of Performance Awards.

15.3. Written Determinations.

All determinations by the Administrator as to the establishment of performance goals, the amount of any Performance and Annual Incentive Award pool or potential individual Performance or Annual Incentive Awards or other Awards and as to the achievement of performance goals relating to Performance or Annual Incentive Awards or other Awards, and the amount of any Performance or Annual Incentive Award pool or potential individual Performance or Annual Incentive Awards or other Awards and the amount of final Performance or Annual Incentive Awards or other Awards, shall be made in writing.

16. PARACHUTE LIMITATIONS

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by a Grantee with the Trust or any Affiliate, except: (a) an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph, or (b) an employment or other agreement between the Trust and the Grantee that specifically provides for the payment of taxes due under Code Section 4999 (an "Other Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Grantee (including groups or classes of Grantees or beneficiaries of which the Grantee is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Grantee (a "Benefit Arrangement"), if the Grantee is a "disqualified individual," as defined in Code Section 280G(c), any Option, Restricted Shares or Restricted Share Unit held by that Grantee and any right to receive any payment or other

benefit under this Plan shall not become exercisable or vested: (1) to the extent that such right to exercise, vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Grantee under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Grantee under this Plan to be considered a “parachute payment” within the meaning of Code Section 280G(b)(2) as then in effect (a “Parachute Payment”) and (2) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Grantee from the Trust under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by the Grantee without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to exercise, vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Grantee under any Other Agreement or any Benefit Arrangement would cause the Grantee to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Grantee as described in clause (2) of the preceding sentence, then the Grantee shall have the right, in the Grantee’s sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Grantee under this Plan be deemed to be a Parachute Payment, provided that if the Grantee’s designation of those rights, payments, or benefits to be reduced or eliminated would not comply with Code Section 409A, those rights, payments or benefits with the lowest present value shall be reduced or eliminated so as to avoid having payment under this Plan be a Parachute Payment.

17. REQUIREMENTS OF LAW

17.1. General.

The Trust shall not be required to sell or issue any Shares under any Award if the sale or issuance of such Shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Trust of any provision of any law or regulation of any governmental authority, including without limitation any Federal or state securities laws or regulations. If at any time the Trust shall determine, in its discretion, that the listing, registration or qualification of any Shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of Shares hereunder, no Shares may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Trust, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or SAR that may be settled by the delivery of Shares or the delivery of any Shares underlying an Award, unless a registration statement under such Act is in effect with respect to the Shares covered by such Award, the Trust shall not be required to sell or issue such Shares unless the Administrator has received evidence satisfactory to it that the Grantee or any other individual exercising an Option or SAR may acquire such Shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Administrator shall be final, binding, and conclusive. The Trust may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Trust shall not be obligated to take any affirmative action in order to cause the exercise of an Option or SAR or the issuance of Shares pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option or SAR that may be settled in Shares shall not be exercisable until the Shares covered by such Option or SAR are registered or are exempt from registration, the exercise of such Option or SAR (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

17.2. Rule 16b-3.

During any time when the Trust has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Trust that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of

the Plan or action by the Administrator does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Administrator, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Administrator may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

17.3. Section 409A.

It is the intent of the Trust that all Awards that constitute “deferred compensation” within the meaning of Code Section 409A will satisfy the requirements of that section, and that all Awards that can qualify for an exemption from the definition of “deferred compensation” under that section, including but not limited to Options, Share Appreciation Rights and Restricted Shares, will do so. Accordingly, where reasonably possible and practicable, the terms of the Plan and Award Agreements shall be interpreted by the Administrator in a manner that, to the extent consistent with Code Section 409A and regulations thereunder, avoids the imposition on Grantees of immediate tax recognition and additional taxes pursuant to such section 409A. If as of Grantee’s separation from Service, the Grantee is a “specified employee” as determined by the Trust, then to the extent any amount payable under any Award that is considered “deferred compensation” within the meaning of Code Section 409A, for which payment is triggered by Participant’s separation from Service (other than on account of death), and that under the terms of the Award would be payable prior to the six-month anniversary of the Grantee’s separation from Service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of such separation from Service and (b) the date of the Grantee’s death. In no event may a Grantee, directly or indirectly, designate the calendar year of any payment to be made under any Award that constitutes “deferred compensation” within the meaning of Code Section 409A. Each payment under any Award shall be treated as a separate payment for purposes of Code Section 409A to the extent such payment is subject to such section. Notwithstanding any provision of this Plan (including the foregoing), neither the Trust nor the Administrator shall have any liability to any person in the event Code Section 409A applies to any such Award in a manner that results in adverse tax consequences for the Grantee or any of his or her beneficiaries or transferees.

17.4. Limitation Following a Hardship Distribution.

To the extent required to comply with Treasury Regulation Sections 1.401(k)-1(d)(2)(iv)(B)(4) and 1.409A-3(j)(4)(viii), or any amendments or successors thereto, a Grantee’s “elective and employee contributions” (within the meaning of such Treasury Regulations) under the Plan shall be terminated following such Grantee’s receipt of a hardship distribution made in reliance on such Treasury Regulation from any plan containing a cash or deferred arrangement under Code Section 401(k) maintained by the Trust or a related party within the provisions of subsections (b), (c), (m) or (o) of Code Section 414.

17.5. Compensation Recovery Policy.

Without limiting any other provision of the Plan, any Award granted hereunder shall be subject to any clawback policy or compensation recovery policy or such other similar policy of the Trust in effect from time to time.

18. AMENDMENT AND TERMINATION OF THE PLAN

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any Shares as to which Awards have not been made; *provided, however*, that the Board shall not, without approval of the Trust’s shareholders, amend the Plan such that it does not comply with (or in a manner that does not comply with) the rules of any stock exchange or national quotation system on which securities of the Trust are listed for trading or quotation, applicable federal securities laws, or the Code (including requirements necessary to qualify Options as Incentive Share Options). Except as permitted under this Section 18 or Section 19 hereof, no amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, alter or impair rights or obligations under any Award theretofore awarded under the Plan. Furthermore, except as permitted

under Section 19 hereof, no adjustment to decrease the Option Price of an outstanding Option, whether by amending the Option Price or by canceling the outstanding Option and reissuing a replacement or substitute Option having a lower Option Price, may be made without approval of the Trust's shareholders. Notwithstanding the foregoing, the Board or Administrator may take such actions as it deems appropriate to ensure that the Plan and any Awards may comply with any tax, securities or other applicable law. Nothing herein shall restrict the Administrator's ability to exercise its discretionary authority as provided in the Plan.

19. EFFECT OF CHANGES IN CAPITALIZATION

19.1. Changes in Shares.

If the number of outstanding Shares is increased or decreased or the Shares are changed into or exchanged for a different number or kind of shares or other securities of the Trust, in each case on account of any recapitalization, reclassification, share split, reverse split, combination of shares, exchange of shares, share dividend or other distribution payable in capital shares, or other increase or decrease in such shares effected without receipt of consideration by the Trust occurring after the Effective Date, the number and kinds of shares for which grants of Options and other Awards may be made under the Plan and the applicable limitations in Section 7.1 shall be adjusted proportionately and accordingly by the Board or the Committee. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly by the Board or the Committee so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price payable with respect to shares that are subject to the unexercised portion of an Option or the grant price respect to SARs outstanding but shall include a corresponding proportionate adjustment in the Option Price or SAR grant price per share. The conversion of any convertible securities of the Trust shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Trust's shareholders of securities of any other entity or other assets (including an extraordinary dividend but excluding a non-extraordinary dividend) without receipt of consideration by the Trust, the Board or the Committee shall in such manner as the Board or the Committee (as the case may be) deems appropriate, adjust (a) the number and kind of shares subject to outstanding Awards and/or (b) the exercise price or grant price of outstanding Options and SARs, to reflect such distribution.

19.2. Reorganization or Corporate Transaction.

The following provisions shall apply to Awards in the event of a reorganization, merger, or consolidation of the Trust or other Corporate Transaction unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Trust or any Affiliate and the Grantee or unless otherwise expressly provided by the Administrator at the time of grant of an Award. Notwithstanding the foregoing a Performance or Annual Incentive Award shall be subject to the terms of the Award and shall not be subject to the provisions of this Section 19.2. If there is a reorganization, merger, or consolidation of the Trust or Corporate Transaction, then the Board, or the board of directors of any corporation or entity assuming the obligations of the Trust, shall take any one or more of the following actions as to outstanding Awards in its sole and absolute discretion:

- (a) Any surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) may assume or continue any or all Awards outstanding under the Plan or may substitute similar awards for Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the shareholders of the Trust pursuant to the reorganization, merger, consolidation or Corporate Transaction), and any reacquisition or repurchase rights held by the Trust in respect of Shares issued pursuant to Awards may be assigned by the Trust to the successor of the Trust (or the successor's parent company, if any), in connection with such transaction. A surviving entity or acquiring entity (or its parent) may choose to assume or continue only a portion of an Award or substitute a similar stock award for only a portion of an Award, or may assume, continue or substitute some Awards

and not others. The terms of any assumption, continuation or substitution shall be set by the Board or Administrator. If the consideration to be paid to the shareholders of the Trust pursuant to the reorganization, merger, consolidation or Corporate Transaction includes cash or property other than securities of the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company), such assumed, continued or substitute award may be made on securities of the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company).

- (b) The vesting of any or all Awards (and, with respect to Options and SARs, the time at which such Awards may be exercised) may be accelerated in full or in part to a date on or prior to the effective time of such reorganization, merger, or consolidation or Corporate Transaction (contingent upon the effectiveness of the transaction) as the Board or Administrator shall determine, and the Board or Administrator may further determine that any reacquisition or repurchase rights held by the Trust with respect to an Award shall lapse in full or in part as of a date on or prior to the effective time of such transaction (contingent upon the effectiveness of the transaction). Any Award whose vesting has been fully accelerated under this provision may be terminated by the Board or the Administrator in its discretion if such Award is not exercised, if applicable, on or prior to the effective time of the reorganization, merger, consolidation or Corporate Transaction.
- (c) In addition to or instead of the actions in Section 19.2 (a) or (b) or Section 19.3(a), the Board or Administrator may provide for the cancellation or repurchase of any Awards by paying or causing to be delivered to the to the holder of such Award, in such form as may be determined by the Board or Administrator (including cash or securities), in the case of Restricted Shares or Restricted Share Units, an amount equal in value the fixed price or formula amount price per Share paid to holders of the Shares in the transaction, and in the case of Options or SARs, the excess, if any, by which the fixed price or formula amount per Share paid in such transaction to holders of Shares exceeds the Option's exercise price or a SAR's grant price. Notwithstanding anything to the contrary, Restricted Share Units shall be cancelled and paid in the case of such a transaction only if such transaction constitutes a "change of control event" within the meaning of Code Section 409A.

19.3. Reorganization, Sale of Assets, Sale of Shares or Corporate Transaction Which Involves a Change in Control.

- (a) Double Trigger for Honored, Assumed & Substituted Awards. Upon a Change in Control, no cancellation, termination, acceleration of exercisability or vesting, lapse of any Restricted Period or settlement or other payment shall occur with respect to any outstanding Award, if the Administrator (as constituted immediately prior to the consummation of the transaction constituting the Change in Control) so determines in its sole discretion prior to the Change in Control that such outstanding Awards shall be honored or assumed, or new rights substituted therefor (such honored, assumed or substituted Award being hereinafter referred to as an "Alternative Award") by the New Employer, provided, that any Alternative Award must:
 - (i) be based on shares of common stock that are traded on an established U.S. securities market or another public market determined by the Administrator prior to the Change in Control;
 - (ii) provide the Grantee (or each Grantee in a class of Grantees) with rights and entitlements substantially equivalent to or better than the rights, terms and conditions applicable under such Award, including, but not limited to, an identical or better exercise or vesting schedule and identical or better timing and methods of payment (including liquidity rights with respect to Shares received in settlement of such Award);

- (iii) have substantially equivalent economic value to such Award (determined at the time of the Change in Control);
 - (iv) have, unless the Administrator (as constituted prior to the consummation of the transaction constituting the Change in Control) determines otherwise at or after the Grant Date, terms and conditions which provide that in the event that the Participant suffers an Involuntary Termination without Cause within one year following the Change in Control, any conditions on the Grantee's rights under, or any restrictions on transfer or exercisability applicable to, each such Award held by such Grantee shall be waived or shall lapse, as the case may be; and
 - (v) not result in adverse tax consequences to the Grantee under section 409A of the Code.
- (b) Accelerated Vesting and Payment if Awards Not Honored, Assumed or Substituted.
- (i) If, upon the occurrence of a Change in Control, Alternative Awards are not provided in accordance with Section 19.3(a), then: (A) all Options and SARs shall become immediately exercisable, (B) the Restricted Period on all Restricted Shares and Restricted Share Units shall lapse immediately prior to such Change in Control, and (C) the Shares underlying Awards of Restricted Share Units shall be issued to each Grantee then holding such Award immediately prior to such Change in Control; provided, that, at the discretion of the Administrator (as constituted immediately prior to the Change in Control), each such Option, SAR, Restricted Share Unit and/or Dividend Equivalent Right may be canceled in exchange for an amount equal to the product of (1)(I) in the case of Options and SARs, the excess, if any, of the product of the Fair Market Value at the time of the Change in Control over the Option Price or base Price for such Award, as the case may be, and (II) in the case of other such Awards, the Fair Market Value at the time of the Change in Control multiplied by (2) the aggregate number of Shares covered by such Award. Notwithstanding the foregoing, the Administrator may, in its discretion, instead terminate any outstanding Options or SARs if either (x) the Trust provides holders of such Options and SARs with reasonable advance notice to exercise their outstanding and unexercised Options and SARs or (y) the Administrator reasonably determines that the Fair Market Value at the time of the Change in Control is equal to or less than the per Share Option Price for such Options, or the per Share grant price for SARs, as applicable.
 - (ii) If, upon the occurrence of a Change in Control, Alternative Awards are not provided in accordance with Section 19.3(a), then outstanding Performance Awards shall (A) vest based upon the actual level of achievement of all relevant performance goals compared against applicable pro rata performance targets related to the Performance Period, as determined by the Administrator, measured as of the date of the Change in Control, (B) the payout level shall be pro-rated and determined by multiplying the amount vested as set forth in (A) by a fraction, the numerator of which is the number of full completed months in the Performance Period that has elapsed as of the date of the Change in Control and the denominator of which is the total number of months in the Performance Period; provided, however, the Administrator may determine, at or after the Grant Date, to prorate Awards in a different manner, and (C) the time-vesting restrictions, if any, with respect to the applicable portion of Performance Awards that would become vested as determined in (A) and (B) above shall lapse immediately prior to such Change in Control. The remainder of such Performance Awards not vesting in accordance with the preceding sentence shall be forfeited and canceled as of the Change in Control.

- (c) *Timing of Payments.* Payment of any amounts calculated in accordance with Section 19.3(b) shall be made in cash or, if determined by the Administrator (as constituted immediately prior to the Change in Control), in shares of the common stock of the New Employer having an aggregate fair market value equal to such amount and shall be payable in full, as soon as reasonably practicable, but in no event later than 30 days, following the Change in Control; provided, that where the Change in Control does not constitute a “change in control event” as defined under section 409A of the Code, the shares to be issued, or the amount to be paid, for each Award that constitutes deferred compensation subject to section 409A of the Code shall be paid at the time or schedule applicable to such Awards (assuming for these payment purposes (but not the lapsing of the Restricted Period or determination of the vesting of Awards) that no such Change in Control had occurred). For purposes hereof, the fair market value of one share of common stock of the New Employer shall be determined by the Administrator (as constituted immediately prior to the consummation of the transaction constituting the Change in Control), in good faith.
- (d) Notwithstanding Section 19.3(b) and except as otherwise provided in the Award Agreement or other agreement between the Grantee and the Trust, if a Grantee experiences an Involuntary Termination within one year following the consummation of a Change in Control, upon such Grantee’s Involuntary Termination (i) all outstanding Shares and outstanding Restricted Share Units subject to Awards held by such Grantee shall be deemed to have vested, and all restrictions and conditions applicable to such Shares subject to Awards shall be deemed to have lapsed and (ii) all Options and SARs held by such Grantee shall become immediately fully vested and exercisable to the extent the Options or SARs remain outstanding.

19.4. Adjustments.

Adjustments under this Section 19 related to Shares or securities of the Trust shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share.

19.5. No Limitations on Trust.

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Trust to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

20. DISCLAIMER OF RIGHTS

No provision in the Plan or in any Award or Award Agreement shall be construed to confer upon any individual the right to remain in the employ or service of the Trust or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Trust either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Trust. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Agreement, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a Trustee, officer, consultant or employee of the Trust or an Affiliate. The obligation of the Trust to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Trust to transfer any amounts to a third party Trustee or otherwise hold any amounts in trust or escrow for payment

to any Grantee or beneficiary under the terms of the Plan. No Grantee shall have any of the rights of a shareholder with respect to the Shares subject to an Option except to the extent the certificates for such Shares shall have been issued upon the exercise of the Option.

21. NONEXCLUSIVITY OF THE PLAN; NO EMPLOYMENT RIGHTS

Neither the adoption of the Plan nor the submission of the Plan to the shareholders of the Trust for approval shall be construed as creating any limitations upon the right and authority of the Trust or any Affiliate to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Trust in its discretion determines desirable, including, without limitation, the granting of Share options otherwise than under the Plan. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Trust or any Affiliate to terminate any Grantee's employment at any time, nor to confer upon any Grantee any right to continue in the Service of the Trust or any Affiliate (regardless of whether such termination results in (1) the failure of any Award to vest; (2) the forfeiture of any unvested or vested portion of any Award; and/or (3) any other adverse effect on the individual's interests under the Plan). No eligible individual shall have a right to be selected as a Grantee, or, having been so selected, to receive any future Awards.

22. WITHHOLDING TAXES

The Trust or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any Federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any Shares upon the exercise of an Option or pursuant to an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Trust or the Affiliate, as the case may be, any amount that the Trust or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation. Subject to the prior approval of the Trust or the Affiliate, which may be withheld by the Trust or the Affiliate, as the case may be, in its sole discretion, the Grantee may (unless otherwise provided or limited in an Award Agreement) elect to satisfy such obligations, in whole or in part, (a) by causing the Trust or the Affiliate to withhold Shares otherwise issuable to the Grantee to the extent necessary to comply with up to the maximum statutory withholding requirements for supplemental income, (b) tendering back to the Trust Shares received pursuant to an Option or Stock Award to the extent necessary to comply with up to the maximum statutory withholding rate requirements for supplemental income, or (c) by delivering to the Trust or the Affiliate Shares already owned by the Grantee to the extent necessary to comply with up to the maximum statutory withholding rate requirements for supplemental income. The Shares so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the Shares used to satisfy such withholding obligation shall be determined by the Trust or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this Section 22 may satisfy his or her withholding obligation only with Shares that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

23. CAPTIONS

The use of captions in this Plan or any Award Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Agreement.

24. OTHER PROVISIONS; CORRECTION OF ERRORS

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Administrator, in its sole discretion. Notwithstanding anything in any Award Agreement to the contrary, the Administrator may amend an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of correcting errors occurring in connection with the grant or documentation of an Award, including rescinding an Award erroneously granted, including, but not

limited to, an Award erroneously granted to an individual who does not qualify as an eligible Grantee on the Grant Date. By accepting an Award under this Plan, a Grantee agrees to any amendment made pursuant to this Section 24 to any Award, without further consideration or action.

25. BENEFICIARY DESIGNATIONS

Each Grantee may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid or by whom any right under the Plan is to be exercised in case of his or her death. Each designation will revoke all prior designations by the same Grantee, shall be in a form prescribed by the Administrator, and will be effective only when filed by the Grantee in writing with the Administrator during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to or exercised by the Grantee's surviving spouse, if any, or otherwise to or by his or her estate. In its discretion, the Administrator may permit beneficiary designations by a Grantee under the Prior Plan to be effective for such purposes under this Plan.

26. NUMBER AND GENDER

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

27. SEVERABILITY

If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

28. GOVERNING LAW

The validity and construction of this Plan and the instruments evidencing the Grants awarded hereunder shall be governed by the laws of the State of Maryland other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards awarded hereunder to the substantive laws of any other jurisdiction.

Corporate Information

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COMMON STOCK LISTING

New York Stock Exchange
Symbol: FRT

MEMBERSHIPS

International Council of Shopping Centers
National Association of Real Estate Investment Trusts
Urban Land Institute

ANNUAL MEETING

Federal Realty Investment Trust will hold its Annual Shareholder Meeting at 9:00 a.m. on May 6, 2020 at its corporate headquarters, 1626 East Jefferson Street, Rockville, Maryland.

CORPORATE GOVERNANCE

The Trust's Corporate Governance Guidelines and the charters for the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee are available in the Investors section of our website at www.federalrealty.com.

AUTOMATIC CASH INVESTMENT AND DIRECT DEPOSIT

Federal Realty offers automatic cash investment, the option to automatically withdraw funds from a checking/savings or other bank account to purchase additional shares of FRT on the 1st and 15th of each month. Federal Realty also offers shareholders the option to directly deposit their dividends. To sign up for automatic cash investment or direct deposit, please call 800.937.5449 or visit www.astfinancial.com.

INTERNET | WWW.FEDERALREALTY.COM

Visitors to the site can search for and download Securities and Exchange Commission filings, review Federal Realty's Dividend Reinvestment Plan, obtain current stock quotes, read recent press releases, and see a listing of our properties and the properties' respective websites. Printed materials and email news alerts can also be requested.

INVESTOR RELATIONS CONTACT

You may communicate directly with Federal Realty's Investor Relations department via telephone at 800.658.8980 or by email at IR@federalrealty.com.



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