

FEDERAL REALTY INVESTMENT TRUST

Form DEF 14A

March 24, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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FEDERAL REALTY INVESTMENT TRUST

(Name of Registrant as Specified In Its Charter)

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(1) Amount Previously Paid:

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March 24, 2006

Dear Shareholder:

Please accept our invitation to attend our Annual Meeting of Shareholders on Wednesday, May 3, 2006 at 10:00 a.m. This year's meeting will be held at Woodmont Country Club, 1201 Rockville Pike, Rockville, Maryland.

The business to be conducted at the meeting is set forth in the formal notice that follows. In addition, management will provide a review of 2005 operating results and discuss the outlook for the future. After the formal presentation, our Trustees and management will be available to answer any questions that you may have.

You may vote by mail by completing, signing and returning the enclosed proxy card. You also may 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 proxy card.

Your vote is important and we urge you to vote by one of the three methods mentioned above.

We look forward to seeing you on May 3.

Sincerely,

Joseph S. Vassalluzzo
Non-Executive Chairman of the Board

Donald C. Wood
President and Chief Executive Officer

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FEDERAL REALTY INVESTMENT TRUST

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 3, 2006

To Our Shareholders:

The 2006 Annual Meeting of Shareholders of Federal Realty Investment Trust (the Trust) will be held at Woodmont Country Club, 1201 Rockville Pike, Rockville, Maryland, on Wednesday, May 3, 2006, at 10:00 a.m. for the purpose of considering and acting upon the following:

1. The election of two Trustees to serve until the Trust's 2009 Annual Meeting of Shareholders.
2. The ratification of the appointment of Grant Thornton LLP as the Trust's independent registered public accounting firm for the fiscal year ending December 31, 2006.
3. The transaction of such other business as may properly come before the Annual Meeting or any adjournment.

Shareholders of record at the close of business on March 14, 2006 are entitled to notice of and to vote at the Annual Meeting.

For the Trustees:

Dawn M. Becker

Executive Vice President General

Counsel and Secretary

Your vote is important. Even if you plan to attend the meeting, please vote by completing, signing and returning the enclosed proxy card by mail, by telephone (1-800-PROXIES or 1-800-776-9437) or on the Internet (www.voteproxy.com) by following the instructions on your proxy card. You may revoke your proxy by submitting a proxy bearing a later date, or by voting in person at the Annual Meeting.

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FEDERAL REALTY INVESTMENT TRUST

1626 East Jefferson Street, Rockville, Maryland 20852

PROXY STATEMENT

March 15, 2006

Proxies in the form enclosed are solicited by the Board of Trustees (the Board or Board of Trustees) of Federal Realty Investment Trust for use at the 2006 Annual Meeting of Shareholders (Annual Meeting) to be held at 10:00 a.m., Wednesday, May 3, 2006, at Woodmont Country Club, 1201 Rockville Pike, Rockville, Maryland.

This proxy statement and an accompanying proxy are being mailed to shareholders on or about March 24, 2006, together with the Trust's 2005 Annual Report to Shareholders containing the Trust's Annual Report on Form 10-K for the year ended December 31, 2005.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters outlined in the notice of meeting included in this proxy statement. In addition, management will report on the performance of the Trust during 2005 and respond to questions from shareholders.

Who is entitled to vote at the Annual Meeting?

Only holders of record of the Trust's common shares of beneficial interest (Shares) outstanding at the close of business on March 14, 2006, the record date for the meeting, are entitled to receive notice of and to vote at the Annual Meeting. On March 14, 2006, the Trust had 53,029,303 Shares outstanding. If you were a shareholder of record on that date, you will be entitled to vote all of the Shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of a majority of the outstanding Shares entitled to vote at the Annual Meeting as of the record date constitutes a quorum, permitting the conduct of the business of the Annual Meeting. Properly executed proxy cards marked for, against or abstain and broker non-votes will be counted as present at the Annual Meeting for purposes of determining a quorum.

How do I vote?

If you complete and properly sign and mail the accompanying proxy card, it will be voted as you direct. If you are the record holder of your Shares (a registered shareholder) and you attend the Annual Meeting, you may deliver your completed proxy card in person instead of returning the proxy card by mail. Alternatively, you may vote by telephone (1-800-PROXIES or 1-800-776-9437), or electronically through the Internet (www.voteproxy.com), by following the instructions included with your proxy card.

If you hold your Shares in the name of a broker or other nominee (often known as holding in street name) and you wish to vote at the Annual Meeting, you must obtain a proxy form from the broker or other nominee that is the record holder of your Shares. Please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.

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Can I change my vote after I return my proxy card?

Yes. A proxy may be revoked by a registered shareholder at any time before it is exercised at the Annual Meeting by submitting a proxy bearing a later date or by voting in person at the Annual Meeting. If you hold your Shares in street name, you must contact your broker or other nominee to determine how to revoke your original proxy. In general, submitting a subsequent proxy executed by the party that executed the original proxy will revoke the earlier proxy.

How many votes do I have?

As to each item, you are entitled to cast one vote per Share. The proxy card indicates the number of Shares you owned on the record date.

SHARE OWNERSHIP

Who are the largest owners of the Trust's Shares?

To the Trust's knowledge, based upon information available to the Trust, beneficial owners of more than 5% of the Trust's Shares as of March 14, 2006 are as follows:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Common Shares of the Trust (1)
Morgan Stanley(2) 1585 Broadway New York, New York 10036	4,213,794	8.0%
Stichting Pensioenfonds ABP(3) Oude Lindestraat 70 Postbus 2889 6401 DL Heerlen The Kingdom of the Netherlands	2,733,500	5.2%
AEW Capital Management, L.P.(4) World Trade Center East	2,674,193	5.0%

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Two Seaport Lane

Boston, MA 02110-2021

Deutsche Bank AG(5)	2,646,800	5.0%
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Taunusanlage 12, D-60325

Frankfurt am Main

Federal Republic of Germany

- (1) Percentage is calculated by taking the number of Shares stated in the Schedule 13G/A or Schedule 13G, as applicable, filed with the Securities and Exchange Commission (SEC) divided by 53,029,303, the total number of Shares outstanding on March 14, 2006.
- (2) Information based on a Schedule 13G/A filed with the SEC on February 15, 2006 by Morgan Stanley and its wholly owned subsidiary, Morgan Stanley Investment Management Inc. The Schedule 13G/A states that Morgan Stanley is a parent holding company with sole voting power and sole dispositive power over 3,060,218 Shares and shared voting power and shared dispositive power over 1,484 Shares, and that Morgan Stanley Investment Management Inc. is an investment adviser with sole voting power and dispositive power over 2,599,740 Shares.
- (3) Information based on a Schedule 13G filed with the SEC on February 15, 2006 by Stichting Pensioenfonds ABP, which states that Stichting Pensioenfonds ABP has sole voting power and sole dispositive power over 2,733,500 Shares.

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- (4) Information based on a Schedule 13G filed with the SEC on February 13, 2006 by AEW Capital Management, L.P., AEW Capital Management, Inc., AEW Management and Advisors, L.P. and AEW Investment Group, Inc. The Schedule 13G states that the reporting entities have aggregated sole voting power over 1,763,000 Shares and aggregated sole dispositive power over 2,674,193 Shares.
- (5) Information based on a Schedule 13G/A filed with the SEC on February 8, 2006 by Deutsche Bank AG and its subsidiaries, RREEF America, L.L.C., Deutsche Bank Trust Company Americas, DWS Holding & Service GmbH and Deutsche Asset Management Inc. The Schedule 13G states that Deutsche Bank AG is the parent holding company of RREEF America, L.L.C., an investment adviser, Deutsche Bank Trust Company Americas, a bank, DWS Holding & Service GmbH, an investment advisor and Deutsche Asset Management Inc., an investment advisor. The Schedule 13G also states that Deutsche Bank AG has sole voting power over 2,642,700 Shares and sole dispositive power over 2,646,800 Shares; RREEF America, L.L.C. has sole voting power and sole dispositive power over 2,618,500 Shares; Deutsche Bank Trust Company Americas has sole dispositive power over 1,300 Shares; DWS Holding & Service GmbH has sole voting power and sole dispositive power over 4,200 Shares; and Deutsche Asset Management Inc. has sole voting power over 20,000 Shares and sole dispositive power over 22,800 Shares.

How many Shares do the Trust's Trustees and executive officers own?

As of March 14, 2006, Trustees and executive officers as a group, and each Trustee, Trustee nominee and named executive officer individually, beneficially owned the following Shares:

Name of Beneficial Owner	Number of Shares		Percentage of Outstanding Common Shares of the Trust (2)
	Beneficially Owned (1)		
Dawn M. Becker(3)	73,934		*
Jeffrey S. Berkes(4)	76,322		*
Jon E. Bortz(5)	255		*
David W. Faeder(6)	3,195		*
Larry E. Finger(7)	83,609		*
Kristin Gamble(8)	73,337		*
Walter F. Loeb	14,125		*
Mark S. Ordan(9)	4,814		*
Joseph S. Vassalluzzo(10)	8,239		*
Donald C. Wood(11)	600,092		1.1%
Trustees and executive officers as a group (10 individuals)(12)	937,922		1.8%

* Less than 1%.

- (1) The number of Shares shown in this table reflects beneficial ownership, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, the number of Shares beneficially owned by a person or group includes unvested Shares and Shares that have not been issued but as to which options are outstanding and may be exercised within 60 days of the date of this proxy statement. Except as noted in the following footnotes, each Trustee and named executive officer has sole voting and investment power as to all Shares listed. Fractional Shares have been rounded to the nearest full Share.
- (2) Percentage is calculated by taking the number of Shares beneficially owned by a person or group as determined in footnote (1) above divided by 53,029,303 the total number of Shares outstanding on March 14, 2006, plus the number of Shares issuable upon exercise of options by that person or group as shown in footnotes (3) through (12), as applicable.
- (3) Includes 31,350 Shares issuable upon exercise of options. Includes unvested performance Share awards of 3,200 Shares and unvested restricted Share awards of 11,449 Shares.
- (4) Includes 25,555 Shares issuable upon exercise of options. Includes unvested performance Share awards of 2,700 Shares and unvested restricted Share awards of 15,392 Shares. Includes 5,294 Shares as to which voting and investment power is shared with Mr. Berkes' wife.

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- (5) Includes 100 Shares as to which voting and investment power is shared with Mr. Bortz father; however, Mr. Bortz has expressly disclaimed beneficial ownership of these Shares. Includes 155 Shares as to which voting and investment power is shared with Mr. Bortz wife.
- (6) Includes 2,500 Shares issuable upon exercise of options.
- (7) Includes 16,666 Shares issuable upon exercise of options. Includes unvested performance Share awards of 12,000 Shares and unvested restricted Share awards of 15,270 Shares.
- (8) Includes 15,000 Shares issuable upon exercise of options. Includes 53,742 Shares as to which Ms. Gamble shares investment power for clients. Includes 1,400 Shares as to which Ms. Gamble is a trustee of a profit sharing plan, of which Ms. Gamble has a direct interest in 581 Shares and of which 581 Shares are owned by Ms. Gamble's husband.
- (9) Includes 3,400 Shares issuable upon exercise of options.
- (10) Includes 2,500 Shares issuable upon exercise of options.
- (11) Includes 334,110 Shares issuable upon exercise of options. Includes unvested performance Share awards of 24,500 Shares and unvested restricted Share awards of 69,118 Shares. Includes 9,437 Shares owned by Mr. Wood's wife.
- (12) Includes 431,081 Shares issuable upon exercise of options, unvested performance Share awards of 42,400 Shares and unvested restricted Share awards of 111,229 Shares. Unless otherwise indicated, the address of each beneficial owner is 1626 East Jefferson Street, Rockville, MD 20852.

ITEM 1

ELECTION OF TRUSTEES

Our Board of Trustees currently consists of seven Trustees. Pursuant to Section 5.2 of our Declaration of Trust, the Trustees are divided into three classes, with each class serving a three-year term. The following two Trustees, both of whom are Class I Trustees currently serving on the Board, have been nominated for election as trustees to hold office until the 2009 Annual Meeting and until their successors have been duly elected and qualified:

Name	Age	Position	Trustee Since	Term to Expire
Walter F. Loeb	81	Independent Trustee	1991	2009
Joseph S. Vassalluzzo	58	Independent Trustee Non-Executive Chairman of the Board	2002	2009

Walter F. Loeb, President of Loeb Associates Inc., management consultants to domestic and international retail companies, real estate developers, apparel companies and other businesses within the retail industry, and Publisher of the *Loeb Retail Letter*, since 1990; Principal of Morgan Stanley & Co., Inc. from 1984 until 1990 and Senior Retail Analyst from 1974 until 1990, specializing in investment banking and brokerage. Other prior retail industry experience includes: Vice President of Johnson Redbook Service, a publisher of retail industry research; various positions with P.K. Halsted & Associates, Inc., an international retail consulting firm with clients throughout the United States and Europe; and various executive positions with Macy's, the May Department Stores and Allied Stores.

Joseph S. Vassalluzzo, Non-Executive Chairman of the Board of Trustees since February 2006; former Vice Chairman of Staples, Inc., a retailer specializing in home, office, and computer products, from January 2000 through July 2005, with responsibility for overseeing domestic and international growth in its retail and commercial operations; President of Staples Realty & Development, a subsidiary of Staples, Inc., from 1997 to 2000; various other officer positions associated with Staples' growth and worldwide expansion from 1989 to 1997; various officer positions with American Stores Co., a grocery store chain, and its subsidiaries from 1976 to 1989; various positions in sales, operations and real estate with Mobil Corp. and Amerada Hess Corp. from 1969 to 1976; Director of iParty Corp., a premier multi-channel party supply and party planning company; Director of Commerce Bancorp, Inc., a regional financial services organization serving metropolitan Philadelphia, New Jersey, New York, Delaware, Washington, DC and Virginia.

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The affirmative vote of a majority of votes cast at the Annual Meeting, in person or by proxy, is required for the election of Trustees. If you fail to give any instructions on your proxy card on this matter, the proxies identified on the proxy card will vote FOR the election of the named Trustees. An abstention or broker non-vote will have no effect on the outcome of the vote on this proposal. You are entitled to cast one vote per Share for each of the two named Trustees. Proxies may not be voted for more than two Trustees.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE TWO NOMINEES FOR TRUSTEE.

The other five Trustees currently serving on the Board are named below and will continue to serve on the Board until the Trust's annual meeting to be held in the year indicated.

Name	Age	Position	Trustee Since	Term to Expire
Jon E. Bortz	49	Independent Trustee	2005	2007
David W. Faeder	49	Independent Trustee	2003	2007
Kristin Gamble	60	Independent Trustee	1995	2007
Mark S. Ordan	46	Independent Trustee	1996	2008
Donald C. Wood	45	Non-Independent Trustee	2003	2008

President and Chief Executive Officer of the Trust

Jon E. Bortz, President, Chief Executive Officer and a Trustee of LaSalle Hotel Properties since its formation in 1998, including serving as Chairman of the Board since 2001; various other positions within Jones Lang LaSalle Incorporated (formerly known as LaSalle Partners) from 1981 until 1998, including Managing Director of the Investment Advisory Division, founder of the Hotel Group and Senior Vice President of the Investment Division, with various real estate responsibilities that included hotel development and investment activities, development of office and mixed use projects including leasing, construction, arranging and negotiating financing as well as workout and restructuring assignments; consultant and educator for The Mader Group, Inc. from 1979 to 1981; auditor with Touche Ross & Co. from September, 1978 to December 1978; Director of LaSalle Hotel Properties, a multi-tenant, multi-operator hotel REIT.

David W. Faeder, Managing Partner of Fountain Square Properties, a diversified real estate company, since 2003 and President of Sunrise Assisted Living Foundation, Inc., a not-for-profit organization, since 2000; President of Sunrise Assisted Living, Inc., a provider of senior living services in the United States, United Kingdom and Canada from 1997 to 2000; Executive Vice President and Chief Financial Officer of Sunrise Assisted Living, Inc. from 1993 to 1997; Vice President of Credit Suisse First Boston (formerly First Boston Corporation) from 1991 to 1993, directing the real estate advisory business for the RTC in the Washington, DC area; Vice President of Morgan Stanley and Company, Inc. from 1984 to 1991 specializing in real estate transactions and financings; MBA student at the Colgate Darden Graduate School of Business Administration of the University of Virginia from 1982 to 1984; Senior Accountant with Ernst and Whinney, an accounting firm, from 1981 to 1982; Vice President Finance/Controller of Better Homes of Virginia, a real estate company, from 1979 to 1981; Staff Accountant with Goodman and Company, an accounting firm, from 1978 to 1979.

Kristin Gamble, President of Flood, Gamble Associates, Inc., an investment counseling firm, since 1984; Senior Vice President of Manufacturers Hanover Corp. with responsibility for all equity investments from 1977 to 1984; Vice President of Research for Foley, Warendorf & Co., a brokerage firm, from 1976 to 1977; Vice President of New Court Capital Management (now Rothschild Inc.), a financial services firm, from 1971 to 1976; Security Analyst with Merrill, Lynch, Pierce, Fenner & Smith from 1968 to 1971; Director of Ethan Allen Interiors, Inc., a furniture manufacturer and retailer.

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Mark S. Ordan, Non-Executive Chairman of the Board of Trustees of the Trust from January 2003 through February 2006; Chief Operating Officer of The Mills Corporation, an owner and manager of regional shopping malls, retail and entertainment centers, and international retail and leisure destinations in the United States, Canada and Europe since March 2006; Chief Executive Officer of Sutton Place Group, LLC, dba Balducci's, a gourmet food store chain operating under the names Balducci's and High Noon, from December 2003 to February 2006; Chairman and Chief Executive Officer of High Noon Always, Inc., an upscale quick-serve lunch operation (formerly known as Bethesda Retail Partners), from 1999 to 2003; Chief Executive Officer of Chartwell Health Management Inc., a health benefits brokerage firm, from 1996 until 1999; Chairman, President and Chief Executive Officer of Fresh Fields Markets, Inc., a natural and organic foods supermarket chain, from 1989 until 1996, when it was acquired by Whole Foods Market; various positions in the equities division of Goldman, Sachs & Co. from 1983 to 1988.

Donald C. Wood, President and Chief Executive Officer of the Trust since January 2003; President and Chief Operating Officer of the Trust from 2001 to 2003; Senior Vice President and Chief Operating Officer of the Trust from 2000 to 2001; Senior Vice President-Chief Operating Officer and Chief Financial Officer of the Trust from 1999 to 2000; Senior Vice President-Treasurer and Chief Financial Officer of the Trust from 1998 to 1999; Senior Vice President and Chief Financial Officer of Caesars World, Inc., a wholly owned subsidiary of ITT Corporation, from 1996 to 1998; various financial positions, including Vice President and Deputy Controller, with ITT Corporation, from 1990 to 1996; Vice President of Finance of Trump Taj Mahal Associates from 1989 to 1990; various positions, including audit manager, with Arthur Andersen LLP from 1982 to 1989.

CORPORATE GOVERNANCE***Independence of Trustees***

Article III, Section 1 of our Bylaws provides that no more than one of our Trustees can fail to satisfy the independence requirements established by the New York Stock Exchange (NYSE), our Corporate Governance Guidelines and other applicable rules and regulations. The Board, on recommendation of the Nominating and Corporate Governance Committee, and after considering all relevant facts and circumstances, has determined that each current Trustee, other than Mr. Wood, the Trust's Chief Executive Officer, satisfies all applicable requirements to be considered independent. Further, the Board has concluded that no Trustee has any material relationship with the Trust other than those described in the Certain Relationships and Related Transactions section below. In making that determination, the Board concluded that a Trustee's position as a director of a company with which we do business does not constitute a material relationship so long as payments made by such entity do not account for more than five percent (5%) of our gross revenues or more than ten percent (10%) of the gross revenues of the other entity. This standard is set forth in our Corporate Governance Guidelines. There are no relationships between the Trust and any of the Trustees, other than Mr. Wood, except for situations where the Trustee is a director or executive officer of a tenant that leases spaces from the Trust. All of those relationships were considered by the Board in making its determination that all Trustees other than Mr. Wood are independent. The specific relationships considered by the Board in making its independence determinations were the following which include all of those relationships described in the Certain Relationships and Related Transactions section below:

Name	Relationship	Square Footage	
		Leased	Locations Leased
Kristin Gamble	Director of Ethan Allen Interiors, Inc.	16,600	2
Mark S. Ordan	Former CEO of Balducci's	49,200	2
Joseph S. Vassalluzzo	Former Vice Chairman of Staples, Inc.	148,300	8
		7,600	2
	Director of Commerce Bancorp, Inc.	8,500	1
	Director of iParty Corp.	2,000	1

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In no instance did the payments made by these tenants to the Trust account for more than five percent (5%) of our gross revenues or more than ten percent (10%) of the gross revenues of the tenant. Further, the payments made by Balducci's and Staples to the Trust accounted for less than 2% of the consolidated gross revenues of the Trust and each of Balducci's and Staples for each of the last three fiscal years. Neither Mr. Bortz, Mr. Faeder nor Mr. Loeb has any relationship with the Trust other than his service as a Trustee and interest as a shareholder.

Board of Trustees and Board Committees

During 2005, the Board of Trustees held ten meetings and the non-management Trustees (all of which are independent) held four executive sessions. Mr. Ordan, as Non-Executive Chairman of the Board, presided over all Board meetings as well as all executive sessions of the non-management Trustees through February 2006. Mr. Vassalluzzo, as the current Non-Executive Chairman of the Board, will preside over all future Board meetings and executive sessions of non-management Trustees for so long as he remains the Non-Executive Chairman of the Board. Each Trustee attended at least 75% of all meetings of the Board and the Board committees on which he or she served during 2005. On an aggregate basis, the Trustees attended 93% of all Board and Board committee meetings. The Trust's Corporate Governance Guidelines provide that all Trustees are expected to attend all meetings of the Board and the Board committees on which he or she serves as well as the Annual Meeting of Shareholders. All Trustees other than Mr. Bortz, who was not a Trustee at the time, attended the 2005 Annual Meeting of Shareholders.

Audit Committee

Our Board of Trustees has established an Audit Committee which is responsible for, among other things: (a) selecting the independent accountants and approving and overseeing their work; (b) overseeing our financial reporting, including reviewing results with management and the independent accountants; and (c) overseeing our internal systems of accounting and controls. The Audit Committee operates under a written charter which is available in the Investor Information section of our website at www.federalrealty.com. In addition, a copy of the Audit Committee charter is attached to this Proxy Statement as Appendix A. You may also obtain a print copy of the Audit Committee charter by sending a written request to the Trust at 1626 East Jefferson Street, Rockville, Maryland 20852, Attention: Mr. Andrew Blocher, Vice President Capital Markets and Investor Relations.

The Audit Committee members are David W. Faeder, the current Chairman of the Committee beginning February 2006, Jon E. Bortz, Kristin Gamble, Walter F. Loeb and Joseph S. Vassalluzzo. Mr. Bortz joined the Committee in July 2005 and Mr. Vassalluzzo served as Committee Chairman throughout 2005. Our Board has designated Mr. Faeder as an audit committee financial expert under the rules of the SEC. Each member of the Audit Committee meets, and throughout 2005 met, the independence, experience and financial literacy requirements of the NYSE, the SEC and our Corporate Governance Guidelines. During 2005, the Committee met five times.

Compensation Committee

Our Board of Trustees has established a Compensation Committee which is responsible for, among other things: (a) reviewing and recommending compensation for our officers; (b) administering the 2001 Long-Term Incentive Plan, including making awards under that plan; and (c) administering other benefit programs of the Trust. The Compensation Committee operates under a written charter which is available in the Investor Information section of our website at www.federalrealty.com. You may also obtain a print copy of the Compensation Committee charter by sending a written request to the Trust at 1626 East Jefferson Street, Rockville, Maryland 20852, Attention: Mr. Andrew Blocher, Vice President Capital Markets and Investor Relations.

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The Compensation Committee members are Jon E. Bortz, the current Chairman of the Committee, David W. Faeder and Mark S. Ordan. Mr. Bortz joined the Committee in July 2005 and became Chairman in February

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2006. Ms. Amy B. Lane, a former Trustee, served as Chairman of the Committee throughout 2005. Each member of the Compensation Committee meets, and throughout 2005 met, the independence requirements of the NYSE, the SEC and our Corporate Governance Guidelines. During 2005, the Committee met three times.

Nominating and Corporate Governance Committee

Our Board of Trustees has established a Nominating and Corporate Governance Committee which is responsible for, among other things: (a) recommending individuals to stand for election to the Board; (b) making recommendations regarding committee memberships; and (c) overseeing the Trust's corporate governance policies and procedures, including Board and Trustee evaluations. The Nominating and Corporate Governance Committee operates under a written charter which is available in the Investor Information section of our website at www.federalrealty.com. You may also obtain a print copy of the Nominating and Corporate Governance Committee charter by sending a written request to the Trust at 1626 East Jefferson Street, Rockville, Maryland 20852, Attention: Mr. Andrew Blocher, Vice President - Capital Markets and Investor Relations.

The Nominating and Corporate Governance Committee members are Kristin Gamble, Chairman of the Committee, Mark S. Ordan and Joseph S. Vassaluzzo. Ms. Amy B. Lane, a former Trustee, served as a member of the Committee throughout 2005. Each member of the Nominating and Corporate Governance Committee meets, and throughout 2005, met the independence requirements of the NYSE, the SEC and our Corporate Governance Guidelines. During 2005, the Committee met three times.

Standard to elect Trustees

In 2005 a shareholder proposal was submitted for a vote to our shareholders requesting that the Board adopt a majority vote standard in lieu of a plurality standard for electing Trustees. That proposal won support from approximately 51% of the votes cast at the 2005 Annual Meeting of Shareholders. Given the support for the proposal shown by our shareholders last year and the growing acceptance of the majority vote standard in board elections, the Board, on recommendation of the Nominating and Corporate Governance Committee, amended the Trust's Bylaws to require that all Trustee nominees in an uncontested election must receive a majority of the votes cast in order to be elected. The majority vote standard will be used for the election of Trustees at the 2006 Annual Meeting of Shareholders.

Identifying individuals to stand for election as Trustees

The Nominating and Corporate Governance Committee is responsible for identifying individuals to stand for election as Trustees. It begins the process by determining whether there are any changes that should be made to the Board in terms of size or skill sets in order for the Board to appropriately perform its responsibilities. If the Committee concludes that no changes are needed, it first reviews each of the incumbent Trustees whose terms are expiring to determine whether those individuals should be nominated for reelection to the Board. If the Committee determines that the Board should be expanded or that the incumbent Trustees whose terms are expiring should not be nominated for reelection and those positions need to be filled, the Committee will seek recommendations from other Board members for possible candidates, and if no appropriate candidates are identified, the Committee will consider retaining a search firm. Recommendations provided by shareholders will also be considered and will be evaluated on the same basis as all other Board candidates.

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The primary factors included in the Committee's determination are whether the individual possesses skills which are desirable for the effective oversight of the Trust's operation and complementary to the skills of the other Trustees and if the individual is an incumbent Trustee, whether he or she is performing his or her responsibilities as a Trustee well and adding value to the Board and its operations as reflected on the most recent individual Trustee evaluations. All candidates for election to the Board should, at a minimum, possess public company, real estate, retail and/or other financial experience and have a history of honesty, integrity and fair dealing with third parties.

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Once a candidate is identified who has not previously served on the Board, the Committee arranges meetings between the candidate and Board members as well as our senior management. The Committee also undertakes whatever investigative and due diligence activities it deems necessary to verify the candidate's credentials and determine whether the candidate would be a positive contributor to the operations of the Board and a good representative of our shareholders. Critical to this whole process is the Committee's determination that any candidate presented to the shareholders for election to the Board satisfies all of the independence requirements imposed by the NYSE, the SEC, our Corporate Governance Guidelines and other applicable rules and regulations.

Any shareholder may propose a candidate to be nominated for election to the Board by following the procedures outlined in Article II, Section 13 of our Bylaws. Any shareholder wishing to present a candidate for consideration as a Trustee for election at the Trust's 2007 Annual Meeting of Shareholders must provide the Committee with the name of the shareholder proposing the candidate as well as contact information for that shareholder, the name of the individual proposed for election, a resume or similar summary that includes the individual's qualifications and such other factual information that would be necessary or helpful for the Committee to evaluate the individual. The information should be sent to the Committee, in care of the Trust's Secretary, by no later than November 17, 2006 so that the Secretary can forward it to the Committee chair for consideration. The Committee will not have sufficient time to evaluate any candidate submitted after that date. A copy of our Bylaws is available in the Investor Information section of the Trust's website at www.federalrealty.com.

Trustee Compensation

In 2005 the Non-Executive Chairman of the Board was eligible to receive an annual fee for Board service of \$125,000 and each other non-employee Trustee was eligible to receive an annual fee of \$70,000. A minimum of 20% of that annual fee was required to be paid in Shares; however, each non-employee Trustee had the option to take a larger portion of the fee in Shares. For 2005, each non-employee Trustee elected to take between 20% and 50% of his or her fee in Shares. In addition, the chair of the Audit Committee received \$15,000 for his service as Audit Committee chair and the chairs of each of the Compensation and Nominating and Corporate Governance Committees received \$10,000 for their service as chairs of those committees. The actual annual fee and chair fee that a non-employee Trustee was eligible to receive was prorated based on the number of months during the year he or she served as a Trustee, Non-Executive Chairman or chair of a committee, as applicable. Each non-employee Trustee also was reimbursed for expenses incurred in connection with performing his or her responsibilities as a Trustee. Mr. Wood did not receive any compensation for his service on the Board in 2005.

Payment of the portion of the annual fee each non-employee Trustee elected to receive in Shares (Equity Fee) was contingent on the Trust's achieving pre-established performance levels for three separate performance measures with those performance levels generally calculated for the prior 3-year period, subject to phase-in provisions for 2005. Fifty percent (50%) of the Equity Fee was contingent on our relative total return to shareholders (taking into account both stock price appreciation and dividends, assuming all dividends are reinvested) as compared with the Bloomberg REIT Shopping Center Index; twenty-five percent (25%) of the Equity Fee was contingent on our absolute total return to shareholders (taking into account both stock price appreciation and dividends, assuming all dividends are reinvested); and the remaining twenty-five percent (25%) of the Equity Fee was contingent on our return on invested capital. For each of these performance measures, a threshold, target and stretch level of performance was established at the beginning of 2005. Target levels of performance are intended to reflect the performance required by the Trust to meet its business objectives for the coming year, stretch levels of performance represent a substantial achievement that puts the Trust at or near the top of its peer group, and threshold levels of performance represent minimally acceptable levels of performance.

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The portion of the Equity Fee allocable to any performance measure that each Trustee was entitled to receive was determined on the basis of the level of performance achieved on each of the performance measures as follows:

Level of Performance Achieved on a

Performance Measure