

FEDERAL REALTY INVESTMENT TRUST

Form DEF 14A

March 31, 2004

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**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**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

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Federal Realty Investment Trust

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

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(3) Filing party:

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(4) Date filed:

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March 31, 2004

Dear Shareholder:

Please accept our invitation to attend our Annual Meeting of Shareholders on Wednesday, May 5, 2004 at 10:00 a.m. This year's meeting will be held at Woodmont Country Club, 1201 Rockville Pike, Rockville, Maryland.

Although the business to be conducted at the meeting is set forth in the formal notice that follows, we would like to take a moment to bring your attention to several proposals being presented at this year's meeting as part of our ongoing efforts to strengthen the Trust's corporate governance and enhance shareholder rights. They are as follows:

amending the Trust's Declaration of Trust to reduce the permissible size of the Board of Trustees;

amending the Trust's Declaration of Trust to decrease the number of votes necessary for shareholders to remove a Trustee from the Board of Trustees with or without cause; and

ratifying Grant Thornton LLP as the Trust's independent accountant for fiscal year 2004.

In addition, we are asking you to elect two Trustees to serve until the Trust's 2007 Annual Meeting of Shareholders.

These are important matters and we urge you to take the time to vote. In addition, management will provide a review of 2003 operating results and discuss the Trust's 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 may also vote either by telephone (1-800-PROXIES) or on the Internet ([www.voteproxy.com](http://www.voteproxy.com)) by following the instructions on your proxy card.

Again, your vote is important. We urge you to vote by one of the three methods mentioned above.

We look forward to seeing you on May 5.

Sincerely,

Mark S. Ordan  
*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 5, 2004**

To Our Shareholders:

The 2004 Annual Meeting of Shareholders of Federal Realty Investment Trust ( Federal Realty or the Trust ) will be held at Woodmont Country Club, 1201 Rockville Pike, Rockville, Maryland, on Wednesday, May 5, 2004, 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 2007 Annual Meeting of Shareholders.
2. A proposal to amend the Trust's Declaration of Trust to change the permissible size of the Board from a range of 3 to 15 Trustees to a range of 5 to 10 Trustees.
3. A proposal to amend the Trust's Declaration of Trust to decrease the vote required by shareholders to remove a Trustee with or without cause from 80% to 67%.
4. The ratification of the appointment of Grant Thornton LLP as the Trust's independent accountant for the fiscal year ending December 31, 2004.
5. The transaction of such other business as may properly come before the meeting or any adjournment.

Shareholders of record at the close of business on March 24, 2004 are entitled to notice of and to vote at the Annual Meeting.

For the Trustees:

Dawn M. Becker  
*Senior Vice President General Counsel and Secretary*

**Your vote is important. Please vote, even if you plan to attend the meeting, by completing, signing and returning the enclosed proxy card, by telephone (1-800-PROXIES) 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 25, 2004**

Proxies in the form enclosed are solicited by the Board of Trustees of Federal Realty Investment Trust for use at the 2004 Annual Meeting of Shareholders ( Annual Meeting ) to be held at 10:00 a.m., Wednesday, May 5, 2004, 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 31, 2004, together with the Trust's 2003 Annual Report, which includes audited financial statements for the year ended December 31, 2003.

**ABOUT THE 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 2003 and respond to questions from shareholders.

***Who is entitled to vote at the meeting?***

Only holders of record of the Trust's common shares of beneficial interest ( Shares ) at the close of business on March 24, 2004, the record date for the meeting, are entitled to receive notice of and to vote at the annual meeting. On that date, the Trust had 49,320,403 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?***

At the Annual Meeting, the presence, in person or by proxy, of a majority of the outstanding Shares entitled to vote constitutes a quorum, permitting the conduct of the business of the meeting. Abstentions will be counted 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 a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. Street name shareholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their Shares.

If you are a registered shareholder, you may vote by telephone (1-800-PROXIES), or electronically through the Internet ([www.voteproxy.com](http://www.voteproxy.com)), by following the instructions included with your proxy card. If your shares are held in street name, please check your proxy card or contact your broker or nominee to determine whether you will be able to vote by telephone or electronically.

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

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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.

### *What are the Board's recommendations?*

Unless you give other instructions on your proxy card, the persons named as proxies on the proxy card will vote in accordance with the recommendations of the Board of Trustees with respect to the election of each of the

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two Trustees nominated and the ratification of the Trust's independent accountants. In other words, the proxies will vote FOR both of these proposals. With respect to the two proposals to amend the Trust's declaration of trust, the named proxies will not vote on either of these proposals unless you have given instructions on your proxy card specifically directing the proxy how to vote on the applicable amendment.

With respect to any other matter that properly comes before the meeting, the named proxies will vote as recommended by the Board of Trustees or, if no recommendation is given, in their own discretion.

***What vote is required to approve each item?***

As to each item, shareholders are entitled to cast one vote per Share. The affirmative vote of a plurality of votes cast at the meeting, in person or by proxy, is required for the election of Trustees and the ratification of the Trust's independent accountants. Abstentions will not affect either the outcome of the vote on the election of Trustees or the ratification of the Trust's independent accountants. The affirmative vote of a majority of all Shares outstanding and entitled to vote at the meeting is required to approve each of the amendments to the Trust's declaration of trust. A withheld vote or an abstention on either or both of the amendments to the Trust's declaration of trust will have the effect of a vote against the proposal(s), as applicable.

**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 24, 2004, are as follows:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Morgan Stanley(1) 1585 Broadway New York, New York 10036	5,024,741	10.2%
Cohen & Steers Capital Management, Inc.(2) 757 Third Avenue New York, New York 10017	3,296,544	6.7%
AEW Capital Management L.P.(3) 225 Franklin Street Boston, MA 02110	2,667,793	5.4%

(1) Information based on a Schedule 13G/A filed with the Securities and Exchange Commission ( SEC ) on March 11, 2004 by Morgan Stanley and its wholly owned subsidiary, Morgan Stanley Investment Management Inc. The Schedule 13G/ A indicates that Morgan Stanley is a parent holding company with shared voting power over 3,645,474 Shares and shared dispositive power over 5,024,741 Shares, and that Morgan Stanley Investment Management Inc. is an investment adviser with shared voting power over 3,305,100 Shares and shared dispositive power over 4,579,267 Shares.

(2) Information based on a Schedule 13G/A filed with the SEC on February 17, 2004 by Cohen & Steers Capital Management, Inc. The Schedule 13G/ A indicates that the reporting entity is an investment adviser with sole voting power over 2,930,244 Shares and sole dispositive power over 3,296,544 Shares.

(3) Information based on a Schedule 13G filed with the SEC on February 12, 2004 by AEW Capital Management L.P., AEW Capital Management, Inc., AEW Management and Advisors, L.P. and AEW Investment Group, Inc. The Schedule 13G indicates that the reporting entities have aggregated sole voting power over 2,667,793 Shares and aggregated sole dispositive power over 2,667,793 Shares.

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As of March 24, 2004, 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 Beneficially Owned(1)	Percentage of Outstanding Shares of the Trust
Trustees and executive officers as a group (11 individuals)(2)	1,183,100	2.4%
Dawn M. Becker(3)	65,164	*
Jeffrey S. Berkes(4)	72,249	*
Dennis L. Berman(5)	53,840	*
David W. Faeder (6)	2,500	*
Larry E. Finger(7)	125,681	*
Kristin Gamble(8)	99,867	*
Amy B. Lane(9)	10,531	*
Walter F. Loeb(10)	38,430	*
Mark S. Ordan(11)	21,500	*
Joseph S. Vassalluzzo(12)	6,500	*
Donald C. Wood(13)	686,838	1.4%

\* Less than 1%

- (1) The number and percentage of Shares shown in this table reflect beneficial ownership, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act ) including Shares which are not owned but as to which options are outstanding and may be exercised within 60 days. 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) Includes 720,208 Shares issuable upon exercise of options.
- (3) Includes 44,167 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 6,600 Shares and unvested Restricted Share Awards of 7,425 Shares.
- (4) Includes 16,667 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 6,100 Shares and unvested Restricted Share Awards of 14,192 Shares. Includes 9,887 Shares as to which voting and investment power is shared with Mr. Berkes' wife.
- (5) Includes 5,000 Shares issuable upon exercise of options. Includes 12,500 Shares held in trust as to which Mr. Berman shares voting power with two other trustees. Mr. Berman does not have disposition rights with respect to these Shares. This number also includes 1,000 Shares owned by a partnership in which Mr. Berman is a general partner.
- (6) Includes 2,500 Shares issuable upon exercise of options.
- (7) Includes 83,334 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 24,000 Shares and unvested Restricted Share Awards of 11,561 Shares.
- (8) Includes 22,500 Shares issuable upon exercise of options. Includes 73,467 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 571 Shares and of which 571 Shares are owned by Ms. Gamble's husband.
- (9) Includes 2,500 Shares issuable upon exercise of options.
- (10) Includes 25,000 Shares issuable upon exercise of options.

(11) Includes 20,000 Shares issuable upon exercise of options.

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(12) Includes 2,500 Shares issuable upon exercise of options.

(13) Includes 496,040 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 58,500 Shares and unvested Restricted Share Awards of 52,811 Shares. Includes 9,437 Shares owned by Mr. Wood's wife.

**ITEM 1  
Election of Trustees**

***Who are the Trustees standing for election?***

Our Board of Trustees currently consists of eight Trustees. Pursuant to Section 5.2 of the Trust's Declaration of Trust, the Trustees are divided into three classes, with each class serving a three-year term. Two Trustees, both of whom are Class II Trustees, are nominated for election at the 2004 Annual Meeting. Mr. David W. Faeder and Ms. Kristin Gamble have been nominated for election as Trustees to hold office until the 2007 Annual Meeting and until their successors have been elected and qualified. Both nominees are currently serving on the Board. Proxies may not be voted for more than two Trustees. Mr. Dennis L. Berman, the other Class II Trustee, will not be standing for election. The Board hopes to identify a candidate to fill this vacancy; however, if the Board is unable to identify such a candidate by the Annual Meeting, it will decrease its size to seven Trustees. If at any time subsequent to the 2004 Annual Meeting the Board is able to identify a candidate who possesses the qualities described below and can make positive contributions to the Board, the Board will consider increasing its size to accommodate that individual.

Before recommending any individuals for election to the Board, the Nominating and Corporate Governance Committee first makes determinations as to what size the Board should be and what skill sets should be represented on the Board. If the Committee concludes that the current size is appropriate, 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. The primary factors included in the Committee's review 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 whether, based on the most recent individual Trustee evaluations, he or she is performing his or her Trustee responsibilities well and adds value to the Board and its operations. All candidates for election to the Board should, at a minimum, possess public company, real estate, retail and/or other financial experience and must have a history of honesty, integrity and fair dealing with third parties.

If the Committee determines that the Board needs to be expanded or that the incumbent Trustees whose terms are expiring should not be nominated for reelection, the Committee would seek recommendations from other Board members and management for possible candidates, and if no appropriate candidates were identified, the Committee would consider retaining a search firm. In addition, the Committee would consider nominating any candidate proposed by shareholders. To date, no shareholders have proposed any candidate for election to the Board. Any candidate nominated by a shareholder would be evaluated on the same basis as all other Board candidates.

Once a candidate is identified who has not previously served on the Board, the Committee arranges meetings between the candidate and each of the Board members as well as the Trust's 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 the Trust's shareholders. Critical to this whole process is the Committee's determination that any candidate presented to the shareholders for election to the Board satisfy all applicable independence requirements, including those imposed by the New York Stock Exchange ( NYSE ).

Article II, Section 13 of the Trust's Bylaws sets forth procedures shareholders can use to propose a candidate to be nominated for the Board. The Committee will consider any such candidate proposed. Any shareholder wishing to present a candidate for consideration as a Trustee for election at the Trust's 2005 Annual Meeting of Shareholders should 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

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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 as provided in the Bylaws by no later than December 2, 2004 so that she can forward it to the Committee Chairperson for consideration. The Committee will not have sufficient time to evaluate any candidate submitted after that date. A copy of the Trust's Bylaws is available in the Investor Information section of the Trust's website: [www.federalrealty.com](http://www.federalrealty.com).

<b>Name</b>	<b>Age</b>	<b>Principal Occupations and Other Directorships</b>	<b>Trustee Since</b>	<b>Term to Expire</b>
David W. Faeder	47	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. Vice Chairman and Director, Sunrise Assisted Living, Inc.; Director, Vista Care, Inc., a provider of hospice services in the United States.	2003	2007
Kristin Gamble	58	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, Ethan Allen Interiors, Inc., a furniture manufacturer and retailer.	1995	2007

**THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR**

**THE TWO NOMINEES.**



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Terms of office of the six Trustees named below continue until the Annual Meeting in the years indicated.

<b>Name</b>	<b>Age</b>	<b>Principal Occupations and Other Directorships</b>	<b>Trustee Since</b>	<b>Term to Expire</b>
Dennis L. Berman	53	General Partner of Berman Enterprises since 1973, Vingarden Associates since 1975 and GDR Partnerships since 1981, builders/ developers of commercial properties; associated with Beco Management, Inc., a property management company specializing in office, medical and retail environments, since 1986 and Fortress Development Company, an office building developer specializing in CyberFortress facilities, since 1998.	1989	2004
Mark S. Ordan	45	Chairman of the Board of Trustees of the Trust since January 2003; Chief Executive Officer of Sutton Place Group, LLC, a gourmet food store chain operating under the names Sutton Place Gourmet, Balducci's, Hay Day Country Farm Markets and High Noon Always cafes since December 2003; Chairman and Chief Executive Officer of High Noon Always, Inc., an upscale quick-serve healthy 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 Markets; employed in the equities division of Goldman Sachs & Co. from 1983 to 1988.	1996	2005
Donald C. Wood	43	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 the Trump Organization from 1989 to 1990; various positions, including audit manager, with Arthur Andersen LLP from 1982 to 1989.	2003	2005
Amy B. Lane	51	Former Founder and Group Leader of the Global Retailing Investment Banking Group of Merrill Lynch & Co., Inc., from 1997 until her retirement in 2002; Managing Director of Salomon Brothers Inc., specializing in mergers and acquisitions in the retail industry from 1989 to 1991 and founding and leading its retail-industry investment banking unit from 1991 until 1996; various positions with Morgan Stanley & Co. from 1977 until 1989. Director, Borders Group, Inc., a retailer specializing in books, music, movies, and other entertainment items; Director, MFS Funds, a registered investment advisory firm.	2002	2006

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<b>Name</b>	<b>Age</b>	<b>Principal Occupations and Other Directorships</b>	<b>Trustee Since</b>	<b>Term to Expire</b>
Walter F. Loeb	79	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 <i>Loeb Retail Letter</i> , 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; P.K. Halsted & Associates, Inc., an international retail consulting firm with clients throughout the United States and Europe; and executive experience with Macy's, the May Department Stores and Allied Stores. Director, Wet Seal, Inc., a women's apparel retailer; Director, Hudson's Bay Company, a Canadian chain of retail department stores and discount stores.	1991	2006
Joseph S. Vassalluzzo	56	Vice Chairman of Staples, Inc., a retailer specializing in home, office, and computer products, since January 2000, 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; sales, operations and real estate experience with Mobil Corp. and Amanda Hess Corp. from 1969 to 1976.	2002	2006

***Which Trustees are independent?***

The Board, on recommendation of the Nominating and Corporate Governance Committee, has determined that each current Trustee, other than Mr. Wood, the Trust's Chief Executive Officer, is independent as defined by the listing standards of the NYSE. No Trustee has any material relationship with the Trust other than those described in the Certain Relationships and Related Transactions section below.

***What committees has the Board established, and how often did the Board and committees meet during 2003?***

The Board of Trustees has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

The members of the Audit Committee of the Board of Trustees during 2003 were Mr. Loeb (Chair), Ms. Gamble, Mr. Vassalluzzo and Mr. Faeder. Mr. Faeder joined the Board in April 2003 when the Board increased its size from seven to eight Trustees and was appointed to the Audit Committee effective April 15, 2003. The Audit Committee oversees the financial reporting of the Trust, including the audit by the Trust's independent public accountants. Each member of the Audit Committee is independent, as that term is defined in the NYSE listing standards, and Mr. Faeder has been designated as the Trust's audit committee financial expert in accordance with the SEC rules and regulations. The Audit Committee held five meetings in 2003.

The Compensation Committee of the Board of Trustees is composed of Ms. Lane (Chair effective January 3, 2003), Mr. Berman and Mr. Ordan (Chair until January 3, 2003) all of whom are independent as that term is defined in the NYSE listing standards. The Compensation Committee reviews and reports to the Board on incentive plans and remuneration of officers, administers the Trust's 2001 Long-Term Incentive Plan (the 2001



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Plan ) and certain other compensation plans; and approves stock option and other equity-based awards. The Compensation Committee held six meetings in 2003.

The members of the Nominating and Corporate Governance Committee of the Board of Trustees during 2003 were Ms. Gamble (Chair), Ms. Lane, Mr. Ordan and Mr. Vassalluzzo all of whom are independent as that term is defined in the NYSE listing standards. Until March 1, 2003, the Nominating and Corporate Governance Committee was composed of all of the non-employee Trustees. The Nominating and Corporate Governance Committee identifies and recommends to the Board individuals to stand for election to the Board, makes recommendations to the Board regarding committee memberships and chairmanships, makes determinations of independence for purposes of service on the Board and its committees, develops and recommends to the Board corporate governance guidelines and Trust policy governing ethical business conduct, makes recommendations regarding compensation for service on the Board and its committees, and oversees the performance evaluation of the Board and each Trustee on an annual basis. The Nominating and Corporate Governance Committee charter provides that the committee will consider suggestions for Board membership submitted by shareholders in accordance with the notice provisions and procedures set forth in the Trust's Bylaws. The Nominating and Corporate Governance Committee held four meetings in 2003.

During 2003 the Board of Trustees held nine meetings. Each Trustee attended at least 75% of all meetings of the Board and the Board committees on which he or she served during 2003. On an aggregate basis, the Trustees attended 95% of all Board and Board committee meetings. The Trust's Corporate Governance Guidelines provide that all Trustees are to attend all meetings of the Board and the Board committees on which he or she serves. In addition, each Trustee is expected to attend the Annual Meeting of Shareholders, and in 2003 the Annual Meeting of Shareholders was attended by all eight Trustees.

### ***How are the Trustees compensated?***

**2003** In 2003, each non-employee Trustee other than the non-executive Chairman of the Board received an annual fee of \$25,000. Each Trustee was paid the fee based on the number of months during the year he or she served as a Trustee. Mr. Ordan, the Trust's non-executive Chairman of the Board, was paid an annual fee in 2003 of \$200,000. Mr. Ordan's fee was established by the Board based on market data and taking into account the leadership and oversight role the Board required Mr. Ordan to provide after the transition of the Trust's CEO responsibilities effective January 1, 2003. The annual fee in 2003 for service on each of the Compensation and Nominating and Corporate Governance Committees was \$3,000 and \$6,000 for service as the Chairman of those committees. The annual fee in 2003 for service on the Audit Committee was \$4,000 and \$8,000 for service as its Chairman. In addition, Mr. Loeb received a special one-time fee of \$15,000 for service as Chairman of the Audit Committee in recognition of the additional work required by Mr. Loeb in that capacity to oversee, among other things, the creation of the Trust's internal audit function. Committee fees were also prorated based on the number of months of service. In accordance with the provisions of the 2001 Plan, the annual fees of the non-executive Chairman of the Board and all other Trustees for service on the Board and its committees are payable in cash or Shares or a combination of both, at the election of the Trustee. The Trust issued Shares for 10% of the Trustees' annual service fees paid in 2003. In addition to annual fees for service on the Board of Trustees and Board committees, the non-employee Trustees received cash fees of \$1,000 per meeting attended in person and \$500 per meeting attended by telephone. Mr. Ordan did not receive any fees for service on any of the Board committees or any per meeting attendance fees. In accordance with the 2001 Plan, as of the date of the 2003 Annual Meeting of Shareholders, each non-employee Trustee, including the non-executive Chairman of the Board, received an option to purchase 2,500 Shares at an exercise price of \$31.31. Mr. Wood did not receive any fees or option awards for his service on the Board. The total amount of non-employee Trustee compensation paid by the Trust in 2003, including an estimated Black-Sholes value of \$1.40 per option, was \$500,500 or approximately \$72,000 per non-employee Trustee.

**2004** The Board, working through the Nominating and Corporate Governance Committee, hired FPL Associates, a compensation consultant, to evaluate all aspects of non-employee Trustee compensation. Taking into account FPL's recommendations, the Board restructured its compensation program to reflect current market levels of compensation and to better align Trustee compensation with the long term interests of shareholders. In 2004 each non-employee Trustee (other than the non-executive Chairman of the Board) will receive an annual fee

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for Board service of \$70,000 and the non-executive Chairman of the Board will receive an annual fee of \$125,000. In addition, the chairperson of each of the Trust's Audit, Compensation and Nominating and Corporate Governance Committees will receive \$5,000 for serving as chair of that committee. All annual fees will be pro-rated based on the number of months during the year he or she serves as a Trustee, non-executive Chairman or chair of a committee, as applicable. Except for the fee described for serving as chair of a committee, there will be no additional fees paid to any Trustee, including the non-executive Chairman, for service on any of the Board committees or for attendance at any Board or committee meetings. At least 20% of the annual Trustee fee for each Trustee, including the non-executive Chairman of the Board, will be paid in Shares, subject to the Trust's achieving the performance criteria described below, and each Trustee has the option to receive any or all of the remaining fee in the form of cash or Shares. Total Trustee fees for 2004 are estimated to be \$545,000, a 9% increase over aggregate 2003 Trustee compensation; however, the maximum guaranteed portion of that amount is only \$436,000. The remainder will only be paid if the Trust achieves its performance objectives. Mr. Wood will not receive any compensation for his service on the Board in 2004.

The portion of the Trustee fee to be paid in Shares will only be payable if the Trust achieves pre-established performance hurdles relating to the relative total return to shareholders (taking into account both stock price appreciation and dividends) generated by the Trust as compared with the Bloomberg REIT Shopping Center Index, the Trust's absolute total return to shareholders (taking into account both stock price appreciation and dividends) and the Trust's return on invested capital, all of which are generally determined based on performance for the prior three year period, subject to certain phase-in provisions. If those hurdles are not achieved, the Trustees will not receive any of the portion of the fee they elected to have paid in the form of Shares. By tying a portion of each Trustee's fee to the performance of the Trust over a three year period, the interests of the Trustees are aligned with the long term interests of shareholders.

The actual amount of the annual fee to be paid to each Trustee in Shares may decrease or increase by as much as 50% depending on the Trust's actual performance as measured against the established performance hurdles. The final number of Shares to be awarded to each Trustee will be determined by dividing the final amount of the fee to be paid in Shares determined as described above by the closing price of the Trust's shares on the date the determination is made as to whether the Trust satisfied the established performance hurdles. All Shares will vest immediately on making the award. The compensation to be paid to the Trustees in the form of Shares will be determined in the same manner and subject to the same performance hurdles as the long term equity incentive compensation paid to the Trust's officers and described in the Compensation Committee Report included below. The Trustees will no longer receive the options that are described in the 2001 Plan.

***How can shareholders communicate with the Trustees?***

The Trust's procedure for shareholders to send communications to the Board or any individual Trustee can be found in the Investor Information section of the Trust's website: [www.federalrealty.com](http://www.federalrealty.com).

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The following sets forth certain information with regard to the current executive officers of the Trust:

Name	Age	Principal Occupations and Other Directorships
Dawn M. Becker	40	Senior Vice President General Counsel and Secretary of the Trust since February 2003, with responsibility for overseeing the Trust's legal work and due diligence relating to acquisitions, dispositions, development and financing, securities law compliance and corporate governance matters; Vice President General Counsel and Secretary of the Trust from 2002 to February 2003; Vice President Real Estate and Finance Counsel of the Trust from 2000 to 2002; Senior Legal Counsel with the Trust from 1997 to 2000; attorney with Andrews & Kurth LLP from 1993 to 1997, Davis Wright Tremaine from 1992 to 1993, Bingham Dana & Gould from 1991 to 1992 and Shaw Pittman LLP from 1988 to 1991, practicing law in the real estate and creditors rights areas.
Jeffrey S. Berkes	40	Senior Vice President Chief Investment Officer since June 2003, with responsibility for overseeing acquisitions, dispositions and other investment activity for the Trust; Senior Vice President Strategic Transactions of the Trust from February 2002 to June 2003; Vice President-Strategic Transactions of the Trust from 2000 to February 2002; Vice President of Acquisitions and Finance for Velsor Properties LLC, a private real estate investment firm, from 1998 until 2000; Director of Acquisitions with the Trust from 1997 to 1998; Vice President of Acquisitions for Heitman Financial Services, Ltd. (formerly JMB Institutional Realty Advisors, Inc., which was acquired by United Asset Management and merged with Heitman Financial), a private real estate investment firm, from 1993 until 1997. Other prior real estate experience from 1985 to 1993 with ITT Real Estate Services, CB Commercial and Joseph Farber and Company.
Larry E. Finger	50	Senior Vice President Chief Financial Officer and Treasurer of the Trust, with responsibility for overseeing the Trust's capital markets, financial reporting and investor relations functions, since March 2002; Senior Vice President-Chief Financial Officer of Washington Real Estate Investment Trust from 1995 to 2001; various positions with Washington Real Estate Investment Trust from 1993 to 1994; Founder and owner of a multi-restaurant delivery service from 1991 to 1993; various positions with Savage/ Fogarty Cos., a real estate development, investment, asset management, property management and leasing company, from 1978 to 1991, most recently as Chief Operating Officer from 1984 to 1991.

Information for Mr. Wood is provided above in Item 1 Election of Trustees.

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**COMPENSATION OF EXECUTIVE OFFICERS**

The following table describes the compensation of the Chief Executive Officer and the three other most highly paid executive officers ( named executive officers ).

**Summary Compensation Table**

Annual Compensation	Long-Term Compensation	
	Awards	Payouts
Other	Restricted Share	