

FEDERAL REALTY INVESTMENT TRUST
Form DEF 14A
April 03, 2003
Table of Contents

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:

- | | | | |
|-------------------------------------|---------------------------------------------|--------------------------|----------------------------------------------------------------------------------------|
| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement | | |
| <input type="checkbox"/> | Definitive Additional Materials | | |
| <input type="checkbox"/> | Soliciting Material Pursuant to §240.14a-12 | | |

FEDERAL REALTY INVESTMENT TRUST

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

x 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:

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

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. 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.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

April 3, 2003

Dear Shareholder:

Please accept our invitation to attend our Annual Meeting of Shareholders on Wednesday, May 7, 2003 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 2002 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.

In addition to voting 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) by following the instructions on your proxy card.

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 7.

Sincerely,

Mark S. Ordan	Donald C. Wood
<i>Chairman of the Board</i>	<i>President and Chief Executive Officer</i>

Table of Contents

FEDERAL REALTY INVESTMENT TRUST

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 7, 2003

To Our Shareholders:

The 2003 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 7, 2003, at 10:00 a.m. for the purpose of considering and acting upon the following:

1. The election of three Trustees to serve until the Trust's 2006 Annual Meeting of Shareholders.
2. 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 27, 2003 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.

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
<u>About the Meeting</u>	1
<u>What is the purpose of the Annual Meeting?</u>	1
<u>Who is entitled to vote at the meeting?</u>	1
<u>What constitutes a quorum?</u>	1
<u>How do I vote?</u>	1
<u>Can I change my vote after I return my proxy card?</u>	1
<u>What are the Board's recommendations?</u>	1
<u>What vote is required to approve each item?</u>	2
<u>Share Ownership</u>	2
<u>Who are the largest owners of the Trust's Shares?</u>	2
<u>How many Shares do the Trust's Trustees and executive officers own?</u>	3
<u>Item 1 Election of Trustees</u>	4
<u>Who are the Trustees standing for election?</u>	4
<u>What committees has the Board established, and how often did the Board and committees meet during 2002?</u>	6
<u>How are the Trustees compensated?</u>	6
<u>Executive Officers</u>	7
<u>Who are the Trust's executive officers?</u>	7
<u>Compensation of Executive Officers</u>	8
<u>Summary Compensation Table</u>	8
<u>Option Awards in 2002</u>	10
<u>Aggregated Option Exercises in 2002 and December 31, 2002 Option Values</u>	10
<u>Long-Term Incentive Plans Awards in Last Fiscal Year</u>	10
<u>Equity Compensation Plan Information</u>	11
<u>Employment Agreements; Termination of Employment and Change-in-Control Arrangements</u>	11
<u>Report of the Compensation Committee on Executive Compensation</u>	13
<u>Compensation Committee Interlocks and Insider Participation</u>	16
<u>Performance Graph</u>	17
<u>Certain Relationships and Related Transactions</u>	17
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	19
<u>Corporate Governance</u>	19
<u>Report of the Audit Committee</u>	19
<u>Relationship with Independent Public Accountants</u>	20
<u>Annual Report</u>	21
<u>Solicitation of Proxies, Shareholder Proposals and Other Matters</u>	21
<u>Appendix A Amended and Restated Audit Committee Charter</u>	A-1

Table of Contents

FEDERAL REALTY INVESTMENT TRUST

1626 East Jefferson Street, Rockville, Maryland 20852

PROXY STATEMENT

March 28, 2003

Proxies in the form enclosed are solicited by the Board of Trustees of Federal Realty Investment Trust for use at the 2003 Annual Meeting of Shareholders (Annual Meeting) to be held at 10:00 a.m., Wednesday, May 7, 2003, at Woodmont Country Club, 1201 Rockville Pike, Rockville, Maryland.

This proxy statement and an accompanying proxy are being mailed to shareholders on or about April 3, 2003, together with the Trust's 2002 Annual Report, which includes audited financial statements for the year ended December 31, 2002.

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, including the election of three Trustees. In addition, management will report on the performance of the Trust during 2002 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 27, 2003, 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 45,178,117 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?

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

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), 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?

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, *i.e.*, FOR the election of each of the three Trustees nominated.

Table of Contents

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. Abstentions will not affect the outcome of the vote on the election of Trustees.

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 27, 2003, are as follows:

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Morgan Stanley(1) 1585 Broadway New York, New York 10036	4,397,425	9.7%
Cohen & Steers Capital Management, Inc.(2) 757 Third Avenue New York, New York 10017	2,993,795	6.6%

- (1) Information based on a Schedule 13G/A filed with the Securities and Exchange Commission (SEC) on March 3, 2003 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 3,509,458 Shares and shared dispositive power over 4,397,425 Shares, and that Morgan Stanley Investment Management Inc. is an investment adviser with shared voting power over 3,141,400 Shares and shared dispositive power over 4,007,567 Shares.
- (2) Information based on a Schedule 13G filed with the SEC on February 14, 2003 by Cohen & Steers Capital Management, Inc. The Schedule 13G indicates that the reporting entity is an investment adviser with sole voting power over 2,811,095 Shares and sole dispositive power over 2,993,795 Shares.

Table of Contents***How many Shares do the Trust's Trustees and executive officers own?***

As of March 27, 2003, Trustees and executive officers as a group, and each Trustee and named executive officer, 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(10 individuals)(2)	959,902	2.10%
Dawn M. Becker(3)	45,753	*
Jeffrey S. Berkes(4)	60,870	*
Dennis L. Berman(5)	64,112	*
Larry E. Finger(6)	65,689	*
Kristin Gamble(7)	97,367	*
Steven J. Guttman(8)	1,334,313	2.93%
Amy B. Lane	7,500	*
Walter F. Loeb(9)	38,430	*
Mark S. Ordan(10)	20,307	*
Joseph S. Vassalluzzo	4,000	*
Donald C. Wood(11)	555,874	1.22%

* 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 561,874 Shares issuable upon exercise of options. Does not include Mr. Guttman, who is no longer a Trustee or executive officer of the Trust.
- (3) Includes 30,834 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 8,300 Shares and unvested Restricted Share Awards of 2,809 Shares.
- (4) Includes 10,000 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 7,800 Shares and unvested Restricted Share Awards of 10,416 Shares. Includes 14,145 Shares as to which voting and investment power is shared with Mr. Berkes wife.
- (5) Includes 25,000 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 33,333 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 30,000 Shares and unvested Restricted Share Awards of 2,356 Shares.
- (7) Includes 20,000 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.
- (8) Includes 400,000 Shares issuable upon exercise of options. Includes 12,000 Shares held in trust as to which Mr. Guttman shares voting and investment power with one other trustee and 29,822 Shares held in trust for his children. Includes 6,992 Shares owned by Mr. Guttman's wife. Mr. Guttman resigned from the Trust effective January 1, 2003.
- (9) Includes 25,000 Shares issuable upon exercise of options.
- (10)

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

- Includes 17,500 Shares issuable upon exercise of options. Includes 2,807 Shares as to which voting and investment power is shared with Mr. Ordan s former wife.
- (11) Includes 400,207 Shares issuable upon exercise of options. Includes unvested Performance Share Awards of 68,000 Shares and unvested Restricted Share Awards of 31,449 Shares. Includes 9,437 shares owned by Mr. Wood s wife.

Table of Contents**ITEM 1****Election of Trustees*****Who are the Trustees standing for election?***

Our Board of Trustees consists of seven 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. Three Trustees, comprising one class of Trustees, are nominated for election at the Annual Meeting. Ms. Amy B. Lane, Mr. Walter F. Loeb and Mr. Joseph S. Vassalluzzo have been nominated for election as Trustees to hold office until the 2006 Annual Meeting and until their successors have been elected and qualified. Proxies may not be voted for more than three Trustees.

Name	Age	Principal Occupations and Other Directorships	Trustee Since	Term to Expire
Amy B. Lane	50	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.	2002	2006
Walter F. Loeb	78	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, The Gymboree Corp., a retailer of children's apparel, accessories and developmental play programs; 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	55	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

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR THE THREE NOMINEES.

Table of Contents

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

Name	Age	Principal Occupations and Other Directorships	Trustee Since	Term to Expire
Dennis L. Berman	52	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
Kristin Gamble	57	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	2004
Mark S. Ordan	44	Chairman of the Board of Trustees of the Trust since January 2003; Chairman and Chief Executive Officer of High Noon Always, Inc., an upscale quick-serve healthy lunch operation (formerly known as Bethesda Retail Partners), since 1999; 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. Trustee, Vassar College; Trustee, National Symphony Orchestra.	1996	2005
Donald C. Wood	42	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 1988 to 1990; various positions, including audit manager, with Arthur Andersen LLP from 1982 to 1988.	2003	2005

Table of Contents

What committees has the Board established, and how often did the Board and committees meet during 2002?

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 2002 were Mr. Loeb (Chairman effective May 1, 2002), Ms. Gamble, Mr. Berman (Chairman until May 1, 2002 and member until July 24, 2002) and Mr. Vassalluzzo (effective July 24, 2002). 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 New York Stock Exchange (NYSE) listing standards. The Audit Committee held seven meetings in 2002.

The Compensation Committee of the Board of Trustees is comprised of Ms. Lane (effective July 24, 2002; Chair effective January 3, 2003), Mr. Berman and Mr. Ordan (Chairman until May 1, 2002 and from July 24, 2002 through January 3, 2003). Mr. Kenneth Brody, a former Trustee, served as a member of the Compensation Committee until his resignation from the Board of Trustees on July 24, 2002 and as its Chairman from May 1, 2002 until July 24, 2002. 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 Plan), the Amended and Restated 1993 Long-Term Incentive Plan (the 1993 Plan) and certain other compensation plans; and approves stock option and other equity-based awards. That committee held three meetings in 2002.

The Board of Trustees established a Nominating and Corporate Governance Committee on October 29, 2002. Until March 1, 2003, the Nominating and Corporate Governance Committee of the Board of Trustees was comprised of all of the non-employee Trustees and was chaired by Ms. Gamble; effective March 1, 2003, it is comprised of Ms. Gamble (Chair), Ms. Lane, Mr. Ordan and Mr. Vassalluzzo. The Nominating and Corporate Governance Committee identifies and recommends to the Board individuals to stand for election or reelection 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 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 committees, and evaluates the performance 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 no meetings in 2002 but began its regular meeting schedule in 2003.

The Board of Trustees also established a Special Committee on March 11, 2002 to manage the Chief Executive Officer transition. The CEO transition was completed in January 2003 and the Special Committee was discharged of any further responsibilities. The Special Committee of the Board of Trustees was comprised of all of the non-employee Trustees and was chaired by Ms. Gamble. The Special Committee met seven times in 2002.

During 2002 the Board of Trustees held ten meetings. All Trustees attended at least 75% of all meetings of the Board and Board committees on which they served during 2002.

How are the Trustees compensated?

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

Trustees' fees are paid to non-employee Trustees. In accordance with the provisions of the 2001 Plan, Trustees' fees (other than per-meeting fees) are payable in cash or Shares or a combination of both, at the election of the Trustee; the Trust issued Shares for 15% of the Trustees' fees paid in 2002. The annual Trustee fee for 2002 was \$25,000. Each Trustee was paid the fee based on the number of months during the year he or she served as a Trustee. The annual fee in 2002 for service on the Compensation Committee was \$2,500 and \$4,500 for service as its Chairman. The annual fee in 2002 for service on the Audit Committee was \$2,000 and

Table of Contents

\$4,000 for service as its Chairman. Committee fees were also prorated based on the number of months of service. There was no annual fee in 2002 for service on the Nominating and Corporate Governance Committee. There was no annual fee in 2002 for service on the Special Committee; however, members of the Special Committee were awarded a one-time fee of \$25,000, payable in cash, for service on the Special Committee in February 2003. In addition to annual fees for service on the Board of Trustees and Board committees, the non-employee Trustees received fees of \$1,000 per meeting attended in person and \$500 per meeting attended by telephone. In accordance with the 2001 Plan, as of the date of the 2002 Annual Meeting of Shareholders, each non-employee Trustee received an option to purchase 2,500 Shares at an exercise price of \$27.15.

EXECUTIVE OFFICERS*Who are the Trust's executive officers?*

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	39	Senior Vice President General Counsel and Secretary of the Trust since February 2003, with responsibility for overseeing the Trust's legal work relating to acquisitions, dispositions, development, financing, securities and corporate governance; 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	39	Senior Vice President Strategic Transactions of the Trust since February 2002, with responsibility for overseeing acquisitions and dispositions for the Trust; 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 1994 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	49	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; various positions with Washington Real Estate Investment Trust from 1993 through 2001, most recently as Senior Vice President Chief Financial Officer from 1995 to 2001; 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.

Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS**

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

Summary Compensation Table

Name and Principal Position	Year	Long-Term Compensation						
		Annual Compensation			Awards		Payouts	
		Salary (A) (\$)	Bonus (B) (\$)	Other Annual Compensation (\$)	Restricted Share Award(s) (C) (\$)	Options (D) (#)	LTIP Payouts (\$)	All Other Compensation (E) (\$)
Steven J. Guttman(1) Former Chairman of the Board and Chief Executive Officer	2002	\$	\$	\$	\$ 665,000	\$ 180,000	\$	\$ 248,000(F)
	2001				1,008,000	120,000	1,510,000	288,000(F)
	2000				1,197,000	100,000	1,170,000	264,100(F)
Donald C. Wood(2) President and Chief Executive Officer	2002	425,000	340,000		102,000			18,000
	2001	350,000	280,000		77,000	100,000		27,000
	2000	350,000	240,000		66,000	50,000		22,000
Dawn M. Becker(3) Senior Vice President General Counsel and Secretary	2002	196,000	103,000		14,000			8,000
	2001	180,000	73,000		19,000			7,000
	2000	170,000	60,000		90,000	20,000		7,000
Jeffrey S. Berkes(4) Senior Vice President Strategic Transactions	2002	200,000	120,000		36,000			8,000
	2001	175,000	98,000		27,000			7,000
	2000	150,000	138,000		384,000	30,000		6,000
Larry E. Finger(5) Senior Vice President Chief Financial Officer and Treasurer	2002	228,000	220,000		66,000	100,000		25,000

- Mr. Guttman resigned from the Trust effective January 1, 2003. In January 2002, Mr. Guttman received 28,913 Shares valued at \$665,000 and vesting at the end of five years in lieu of his 2002 cash salary of \$500,000. The award was granted under the 1993 Plan. As of December 31, 2002, Mr. Guttman held a total of 363,976 Restricted and Performance Shares valued at \$10,235,000. The restrictions on these shares lapsed on January 1, 2003, in connection with the termination of Mr. Guttman's employment. The terms of these arrangements are described below in Employment Agreements; Termination of Employment and Change-in-Control Arrangements.
- Mr. Wood was promoted to Chief Operating Officer in November 1999, to President in February 2001 and to Chief Executive Officer effective January 1, 2003. In February 2003, Mr. Wood received a Restricted Share Award of 3,642 Shares, valued on the date of grant at \$102,000, in lieu of 20% of his cash bonus for 2002, as described below in (B). As of December 31, 2002, Mr. Wood held a total of 59,479 Restricted and Performance Shares valued at \$1,673,000.
- Ms. Becker was promoted to Vice President-General Counsel and Secretary in March 2002 and to Senior Vice President in February 2003. In February 2003, Ms. Becker received a Restricted Share Award of 514 Shares, valued on the date of grant at \$14,000, in lieu of 15% of her cash bonus for 2002, as described below in (B). As of December 31, 2002, Ms. Becker held a total of 3,095 Restricted and Performance Shares valued at \$87,000.

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

- (4) Mr. Berkes was hired in February 2000 and was promoted to Senior Vice President in February 2002. In February 2003, Mr. Berkes received a Restricted Share Award of 1,285 Shares, valued on the date of grant at \$36,000, in lieu of 20% of his cash bonus for 2002, as described below in (B). As of December 31, 2002, Mr. Berkes held a total of 11,931 Restricted and Performance Shares valued at \$336,000.
- (5) Mr. Finger served as a consultant to the Trust from January 28 to February 28, 2002, and commenced employment with the Trust on March 1, 2002. In February 2003, Mr. Finger received a Restricted Share Award of 2,356 Shares, valued on the date of grant at \$66,000, in lieu of 20% of his cash bonus for 2002, as described below in (B). As of December 31, 2002, Mr. Finger held no Restricted or Performance Shares.

Table of Contents

- (A) Amounts shown include amounts deferred at the election of the named executive officer pursuant to plans available to substantially all employees and pursuant to a non-qualified deferred compensation plan available to all officers and certain other highly compensated employees
- (B) In accordance with the Trust's 2002 Incentive Bonus Plan, Vice Presidents and employees classified as Directors received up to 25% of their bonuses for 2002 (in accordance with their election made in the first quarter of 2002) in Shares vesting equally over a three-year period. In consideration for the vesting provision, they received Shares valued at 120% of the cash value on the date of grant. The President and Senior Vice Presidents, while not covered by the 2002 Incentive Bonus Plan, received up to 25% of their 2002 bonuses (in accordance with their election made in the first quarter of 2002) in Shares as well, on the same terms as those outlined in the 2002 Incentive Bonus Plan. All awards for 2002 referred to in this table were granted under the 1993 Plan.
- (C) Dividends are paid on Restricted Shares.
- (D) Option exercise price is equal to the fair market value of the Shares on the date of grant. All awards in 2002 referred to in this table were granted under the 1993 Plan.
- (E) The amounts shown in this column for the last fiscal year include the following: (1) Mr. Guttman: \$8,000 Trust paid group term life insurance; \$4,000 Trust paid annuity contract premium; \$37,000 interest that would have been payable on interest-free loan made in connection with split-dollar life insurance agreement; \$10,000 Trust paid long-term disability insurance premium; and \$189,000 deferred compensation from forgiveness of loans as described below in (F); (2) Ms. Becker: \$1,000 Trust paid group term life insurance; \$2,000 Trust paid long-term disability insurance premium; \$5,000 Trust contribution to Section 401(k) Plan; (3) Mr. Berkes: \$1,000 Trust paid group term life insurance; \$2,000 Trust paid long-term disability insurance premium; \$5,000 Trust contribution to Section 401(k) Plan; (4) Mr. Finger: \$22,000 consulting fee paid to Mr. Finger pursuant to consulting arrangement referred to in footnote (4) above; \$1,000 Trust paid group term life insurance; \$2,000 Trust paid long-term disability insurance premium; and (5) Mr. Wood: \$1,000 Trust paid group term life insurance; \$9,000 interest that would have been payable on interest-free loan made in connection with split-dollar life insurance agreement; \$3,000 Trust paid long-term disability insurance premium; \$5,000 Trust contribution to Section 401(k) Plan.
- (F) In 1991, Mr. Guttman and certain other Trust officers were awarded the opportunity to purchase Shares of the Trust and the Trust made available loans for 100% of the purchase price. Seventy-five percent of the original principal balance of these loans was forgiven by the Trust as certain conditions were met; the final loan forgiveness occurred in January 2002. Tax loans were made by the Trust for the taxes incurred upon the periodic forgiveness of the indebtedness. The purchase and tax loans were due by their terms over a period from 2003 to 2010. Mr. Guttman repaid all of his share purchase and related tax loans in January 2003.

Table of Contents**Option Awards in 2002**

The following table provides information on option awards in 2002 to the named executive officers.

Name	Number of Shares Underlying Options Awarded (#)	% of Total Options Awarded to Employees In Fiscal Year	Exercise Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term (1)(2)	
					5% (\$)	10% (\$)
Steven J. Guttman	180,000(2)	42%	\$25.16	(2)	\$425,000	\$869,000
Donald C. Wood						
Dawn M. Becker						
Jeffrey S. Berkes						
Larry E. Finger	100,000(3)	24%	25.16	2/28/12	1,582,000	4,010,000

- (1) These assumed annual rates of stock price appreciation are specified by the SEC. No assurance can be given that such rates will be achieved.
- (2) Mr. Guttman resigned from the Trust effective January 1, 2003. These options vested on that date in connection with the termination of his employment and will remain exercisable until January 1, 2004. Accordingly, the potential realizable value has been calculated as of January 1, 2004. See Employment Agreements; Termination of Employment and Change-in-Control Arrangements.
- (3) These options vest in three equal annual installments beginning on February 28, 2003.

Aggregated Option Exercises in 2002 and December 31, 2002 Option Values

The following table provides information on option exercises in 2002 by the named executive officers, and the value of each such officer's unexercised options at December 31, 2002.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Shares Underlying Unexercised Options at December 31, 2002 (#)		Value of Unexercised In-the-Money Options at December 31, 2002 (\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Steven J. Guttman(2)	24,739	\$ 115,856	1,202,000	293,000	\$ 4,489,000	\$ 1,536,000
Donald C. Wood			354,000	146,000	1,859,000	903,000
Dawn M. Becker			31,000	7,000	188,000	48,000
Jeffrey S. Berkes	20,000	176,051		10,000		101,000
Larry E. Finger				100,000		296,000

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

- (1) Based on \$28.12 per Share closing price on the NYSE on December 31, 2002.
- (2) Mr. Guttman resigned from the Trust effective January 1, 2003. All of his options became exercisable as of that date in connection with the termination of his employment. See Employment Agreements; Termination of Employment and Change-in-Control Arrangements.

Long-Term Incentive Plans Awards in Last Fiscal Year

(a)	(b)	(c)	(d)
Name	Number of Shares, Units, or Other Rights (#) (A)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans (#)
Donald C. Wood (1)	10,000	5 years	10,000
Dawn M. Becker (1)	1,000	5 years	1,000
Jeffrey S. Berkes (1)	3,500	5 years	3,500

- (1) On February 28, 2002, the Trust granted a Performance Award to Mr. Wood (10,000 Performance Shares), Ms. Becker (1,000 Performance Shares) and Mr. Berkes (3,500 Performance Shares). Pursuant to the terms

Table of Contents

of these awards, 20% of the Performance Shares will vest for any calendar year in which the Trust meets the Performance Target, *i.e.*, the Trust's total return exceeds the Morgan Stanley REIT Index total return for the same period. Any Performance Shares which remain unvested after 2011 will be forfeited. Performance Shares may also be forfeited, or may vest on an accelerated basis, under certain circumstances. These awards were granted under the 2001 Plan. The Performance Target was met for 2002 and in February 2003, 2,000 Performance Shares vested for Mr. Wood, 200 Performance Shares vested for Ms. Becker and 700 Performance Shares vested for Mr. Berkes. The terms of these awards are described in Employment Agreements; Termination of Employment and Change in Control Arrangements.

(A) Dividends are paid on Performance Shares.

Equity Compensation Plan Information

The following table provides information as of December 31, 2002 regarding equity compensation plans approved by the shareholders and equity compensation plans that were not approved by the shareholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	3,220,742	\$ 23.76	2,050,404
Equity compensation plans not approved by security holders			
Total	3,220,742	\$ 23.76	2,050,404

(1) Consists entirely of common shares authorized for issuance under the 1993 Plan and the 2001 Plan.

Employment Agreements; Termination of Employment and Change-in-Control Arrangements

The Trust has entered into severance agreements with Ms. Becker, Mr. Berkes, Mr. Finger and Mr. Wood, which provide, among other things, that if the officer is terminated without cause (as defined in the agreements), the officer will be entitled to receive his or her salary (as defined in the agreements) for one year (18 months in the case of Mr. Wood) and benefits for nine months. The officer also will receive the benefits payable upon termination without cause under certain additional circumstances, including, among other things, a demotion or a substantial reduction in the officer's responsibilities without his or her written consent, relocation of the Trust's principal office outside the Washington, D.C. area, or the decrease of the officer's base salary below a percentage specified in each officer's severance agreement. The Trust may terminate the officer's employment with cause without payment to the employee.

The severance agreements with Ms. Becker, Mr. Berkes and Mr. Finger also provide that, if any of these officers leave the employment of the Trust within six months following a change in control (generally defined to include control of a specified percentage of the outstanding Shares), he or she will be entitled to receive a lump sum cash payment equal to the payment to which he or she would have been entitled upon a termination without cause, benefits and executive perquisites for a specified period following such termination, to have the restrictions on the exercise or receipt of any stock options or stock grants lapse and, at the option of the officer, to have the Trust redeem all Shares owned at

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

termination at a formula price. These agreements also provide that if benefits paid pursuant thereto are determined to be subject to an excise or similar tax, the Trust will provide the officer with such additional compensation as is necessary to place him or her in the same after-tax position as he or she would have been had such tax not been paid or incurred. The Trust has entered into an agreement with Mr. Wood providing for the same benefits upon a change in control, except that Mr. Wood's cash payment would be equal to two years' salary and bonus.

Table of Contents

The Trust granted a restricted share award of 10,000 Shares (the Restricted Share Award) to Mr. Wood in May 1998 upon the commencement of his employment. Pursuant to the terms of the Restricted Share Award, the Shares will vest in five equal annual installments, subject to accelerated vesting if any of the following events occur after the first anniversary of the date of grant: a change in control or the termination of Mr. Wood's employment due to death, disability or without cause (as such terms are defined in the Restricted Share Award). If Mr. Wood voluntarily resigns from his employment with the Trust or his employment is terminated for cause prior to the end of the five-year vesting period, his rights to any unvested Shares are forfeited.

In February 2000, the Trust granted a performance share award (Performance Award) to Mr. Wood for 37,500 Shares (Performance Shares). Pursuant to the terms of this award, a specified number of Performance Shares will vest each year from 2000 through 2007 if the Trust meets or exceeds the threshold-level Performance Target, and over a shorter period of time if the Trust meets a higher level. Both levels are established annually by the Compensation Committee at the beginning of the year to which they will apply. Any Performance Shares which remain unvested after 2007 vest in five equal annual installments through 2012. All Performance Shares vest in the event of a change in control (as defined in the Performance Award), or the termination of Mr. Wood's employment due to disability (as defined in the Performance Award) or without cause (as defined in the Performance Award). If Mr. Wood's employment is terminated for cause, his rights to any unvested Performance Shares are forfeited. If Mr. Wood dies or voluntarily resigns from his employment with the Trust, a pro rata number of Performance Shares for that year will vest if the Performance Target is met, and his rights to any future unvested Shares are forfeited.

In February 2000, the Trust granted a restricted share award (Service Award) to Mr. Wood for 37,500 Shares. Pursuant to the terms of the Service Award, 391 Shares vest each month over an eight-year period, subject to accelerated vesting in the event of a change in control (as defined in the Service Award) or the termination of Mr. Wood's employment due to disability or without cause (each as defined in the Service Award). If Mr. Wood voluntarily resigns from his employment with the Trust or his employment is terminated for cause prior to the end of the aforementioned eight-year period, his rights to any unvested Shares are forfeited. If Mr. Wood dies, the number of Shares which would have vested in the month of his death vest and his rights to any future unvested Shares are forfeited.

In February 2000, the Trust granted Service Awards to Ms. Becker (3,800 Shares) and Mr. Berkes (20,000 Shares). These Service Awards vest in five equal annual installments, subject to accelerated vesting in the event of a change in control (as defined in the Service Awards) or the termination of the officer's employment due to death, disability or without cause (each as defined in the Service Awards). If the officer voluntarily resigns from his or her employment with the Trust or his or her employment is terminated for cause prior to the end of the aforementioned five-year period, his or her rights to any unvested Shares are forfeited.

In February 2002, the Trust granted a Performance Award to Mr. Wood (10,000 Performance Shares), Ms. Becker (1,000 Performance Shares) and Mr. Berkes (3,500 Performance Shares). Pursuant to the terms of these awards, 20% of the Performance Shares will vest for any calendar year in which the Trust's total return exceeds the Morgan Stanley REIT Index total return for the same period. Any Performance Shares which remain unvested after 2011 will be forfeited. In all other respects, the Performance Awards are identical to Mr. Wood's 2000 Performance Award described above, except that the agreements with Mr. Wood and Mr. Berkes provide that tax notes given in connection with the vesting of Performance Shares will not be forgiven in the event of change in control or termination, and the agreement with Ms. Becker does not provide for the making of tax loans. Although the agreements with Mr. Wood and Mr. Berkes provide for the making of tax loans in connection with the vesting of Performance Shares, recent changes in federal law prohibit the Trust from making any such loans.

In February 2003, the Trust granted a Performance Award to Mr. Wood (37,500 Performance Shares), Ms. Becker (7,500 Performance Shares), Mr. Berkes (5,000 Performance Shares) and Mr. Finger (30,000 Performance Shares). Pursuant to the terms of these awards, 20% of the Performance Shares will vest for any

Table of Contents

calendar year in which the Trust's total return exceeds the Bloomberg REIT Shopping Center Index total return for the same period. Any Performance Shares which remain unvested after 2012 will be forfeited. In all other respects, the Performance Awards are identical to the 2002 Performance Awards described above except that the agreements do not provide for the making of tax loans.

In 1998, the Trust entered into a split-dollar life insurance agreement with Mr. Wood pursuant to which the Trust makes certain premium payments on his behalf relating to certain insurance policies and is reimbursed for those premiums after fifteen years. The Trust's funding obligations end, and it is entitled to immediate reimbursement, in the event of termination of Mr. Wood's employment under certain circumstances. The Trust's funding obligations do not end, however, in the event of termination without cause or in connection with a change in control of the Trust, provided in either case that Mr. Wood has been employed by the Trust for at least five years at the time of termination. The Trust has made no premium payments on behalf of Mr. Wood pursuant to this agreement since July 29, 2002 and is currently evaluating whether recent changes in federal law relating to loans to executive officers prohibit the Trust from making any further premium payments.

Effective January 1, 2003, Mr. Guttman resigned as a Trustee, Chairman of the Board and Chief Executive Officer of the Trust. Pursuant to the terms of Mr. Guttman's resignation agreement, employment agreement and various other agreements with the Trust in existence prior to his resignation, he received or will receive (i) payment of three years' salary and bonus in the aggregate amount of \$3,345,452, (ii) accelerated vesting of all unvested stock options, (iii) accelerated vesting of all restricted shares and performance shares, a payment for taxes due as a result thereof in the amount of \$1,687,200, and forgiveness of existing tax notes in connection with previously vested shares in the aggregate amount of approximately \$1,913,600, (iv) payment over time of the remaining two annual premiums on the split-dollar life insurance policy obtained for Mr. Guttman's benefit (for which the Trust must be reimbursed in 2013), (v) reimbursement of relocation and legal expenses in the aggregate amount of \$275,000 and payment for accrued unused vacation in the amount of approximately \$78,000; and (vi) medical, life and disability insurance benefits and administrative support for three years.

The 1993 Plan provides that all stock options granted pursuant to it shall vest in the event of a change in control, as defined in the 1993 Plan. All Restricted Shares granted under the 1993 Plan pursuant to the Trust's Incentive Bonus Plans vest in the event of a termination without cause or a change in control.

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The following Report of the Compensation Committee and the performance graph included elsewhere in this proxy statement do not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Trust filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Trust specifically incorporates this Report or the performance graph by reference in the specified filing.

In 2002, the Compensation Committee was responsible for determining the level of compensation paid to the Trust's executive officers. The Compensation Committee is comprised entirely of independent Trustees.

Philosophy: The fundamental objective of the Compensation Committee is to create a compensation program for executive officers that will attract and retain qualified executives while ensuring that they are compensated in a way that advances both the short- and long-term interests of our shareholders. We believe these objectives are best achieved through a compensation program that consists of the following three key elements:

Edgar Filing: FEDERAL REALTY INVESTMENT TRUST - Form DEF 14A

- base salary;
- a performance-based annual bonus which may be paid in cash, Shares or both; and
- periodic grants of stock-based compensation such as stock options and/or shares of restricted stock which may be subject to performance-based vesting requirements.

Table of Contents

Under this approach, compensation for these officers involves a high proportion of pay that is at-risk, in the form of the annual bonus, which takes into account personal performance but is also based in significant part on the performance of the Trust and may be paid in part in the form of stock that vests over time. In addition, stock-based compensation such as stock options relate a significant portion of long-term remuneration directly to stock price appreciation realized by all of the Trust's shareholders. The other form of stock-based compensation currently used by the Trust includes restricted stock that is subject to vesting only if the Trust achieves certain performance goals.

The Compensation Committee will evaluate on an annual basis the appropriate mix of cash and stock-based compensation in order to maintain the total compensation package for executive officers at a level which is competitive with other successful real estate investment trusts and other national and regional companies that the Committee concludes possess revenues, profitability and growth that are comparable to those of the Trust. In determining 2002 salaries and 2001 bonuses, the Compensation Committee took into account compensation information available through the National Association of Real Estate Investment Trusts. FPL Associates was retained in 2002 to perform a benchmarking study against comparable real estate investment trusts to serve as the basis for determining 2003 salaries and 2002 bonuses.

Base Salaries and Annual Bonuses (other than for the Chief Executive Officer). The base salaries and annual bonuses of executive officers (other than the Chief Executive Officer) are set each year by the Compensation Committee, taking into account the recommendation of the Chief Executive Officer, based upon an evaluation of the Trust's performance, each executive officer's individual performance, the nature of each officer's position, the contribution made by such officer to the Trust's overall corporate performance, and the competitive market salaries for that position. The recommendations for 2002 salaries and 2001 bonuses were made by Mr. Guttman, who was Chief Executive Officer at that time, and the recommendations for 2003 salaries and 2002 bonuses were made by Mr. Wood, who became Chief Executive Officer effective January 1, 2003.

Beginning in 1999, the Compensation Committee adopted an Incentive Bonus Plan for most Trust employees other than the executive officers. Under this program, if certain corporate objectives, such as achieving a pre-determined level of FFO or regional net operating income, are met in a given year, a bonus pool will be established. If the objectives are not met, no pool is established and no bonuses will be paid. The size of the bonus pool can be increased if the Trust's actual performance exceeds the pre-determined objectives by a specified amount. The amount each individual is actually paid as a bonus is largely determined on the basis of that individual's performance. Although the Incentive Bonus Plan is not directly applicable to executive officers, the Compensation Committee has applied the same general approach in determining bonuses of all executive officers (other than the Chief Executive Officer).

In accordance with the 2002 Incentive Bonus Plan, Vice Presidents and employees classified as Directors received up to 25% (in accordance with their election made in the first quarter of 2002) of their bonuses for 2002 in Shares vesting over a three-year period. In consideration for the vesting provision, they received Shares valued at 120% of the cash value on the date of grant. In February 2002 the Compensation Committee determined that the executive officers, while not covered by the 2002 Incentive Bonus Plan, should receive up to 25% (in accordance with their election made in the first quarter of 2002) of their 2002 bonuses in Shares as well, on the same terms as those outlined in the 2002 Incentive Bonus Plan. Shares awarded as a portion of the annual bonus are not part of long-term incentive compensation; however, the Compensation Committee believes that the issuance of these Shares with their staggered vesting helps the Trust to retain valued employees and gives a wider range of employees an equity stake in the Trust. In 2003, the Compensation Committee intends to review, with the help of an outside consultant, the existing annual bonus plan to be sure it provides appropriate incentives for employees to maximize the Trust's performance.

Stock Options and Performance-Based Stock. The Compensation Committee generally awards stock options and performance-based stock to executive officers, Vice Presidents and a few other key employees to reward exceptional corporate and individual performance in a given year. Before awarding any equity-based

Table of Contents

compensation, the Compensation Committee takes into account the total Share usage under the Trust's existing equity plans as well as any shareholder dilution that will result from the award.

Stock option awards are issued at fair market value on the date of the grant and typically vest in equal installments over a 3-year period and expire after 10 years. The performance-based stock grants vest only if the Trust meets or exceeds a specified performance target during a designated performance period. Those performance targets have included the Trust's generating a total annual return in excess of a specified index or the Trust's achieving a specified percentage of growth in FFO established by the Compensation Committee at the beginning of each year. If the performance targets are not achieved during the term of the award, the unvested shares are forfeited.

As a result of the transition in senior management that occurred at the Trust in 2002, very few of the Trust's current senior managers have a substantial equity stake in the Trust and therefore, little compensation that creates an appropriate alignment of interests with the Trust's shareholders. In 2003, the Compensation Committee has endeavored to rectify that situation by making both stock option and performance-based stock awards to all of the Trust's senior managers. The Compensation Committee also intends to retain an outside consultant during 2003 to create a more formal long-term incentive award plan for the Trust's senior managers with appropriately structured incentives.

Chief Executive Officer.

Mr. Guttman was the Trust's Chief Executive Officer through December 31, 2002. As Chief Executive Officer, Mr. Guttman was compensated pursuant to his employment agreement and in accordance with the performance factors discussed earlier. Mr. Guttman's compensation package was comprised of a base salary component commensurate with other non-founder chief executive officers in the industry, an annual incentive bonus awarded at the discretion of the Compensation Committee which has historically approximated 40-80% of base pay, and a long-term performance share component which vested based on FFO performance hurdles.