

**ASSEMBLY ROW
PUBLIC FUNDING AGREEMENT**

This agreement (this "Agreement") for public funding associated with certain roadways, public transit and other infrastructure improvements in and around the Assembly Square district of the City of Somerville is entered into this ___ day of February, 2011 (the "Effective Date"), by and among Street Retail, Inc., a Maryland corporation, FR Sturtevant Street LLC, SRI Assembly Row B2, LLC, SRI Assembly Row B3, LLC, SRI Assembly Row B5, LLC, SRI Assembly Row B6, LLC, SRI Assembly Row B7, LLC, SRI Assembly Row B8, LLC and SRI Assembly Row B9, LLC, each a Delaware limited liability company (jointly and severally, "Developer") and Federal Realty Investment Trust, a Maryland real estate investment trust ("FRIT"), all having an address care of Federal Realty Investment Trust, 1626 East Jefferson Street, Rockville, Maryland 20852, the City of Somerville, a municipal corporation with an address at c/o City Hall, 93 Highland Avenue, Somerville, MA 02143 (the "City"), and the following offices and departments of the Commonwealth of Massachusetts: Massachusetts Executive Office of Administration and Finance, with an address at State House Room 373, Boston, MA 02108 ("A&F"), the Massachusetts Executive Office of Housing and Economic Development, with an address at One Ashburton Place, Suite 2200, Boston, MA 02108 ("HED"), and the Massachusetts Department of Transportation, with an address at 10 Park Plaza, Boston, MA 02110, ("DOT" and, collectively with A&F, HED, the "Commonwealth"; and the Commonwealth collectively with FRIT and the City, and their successors and assigns, the "Parties" and, each individually, a "Party").

Background Developer owns or controls certain parcels of land totaling approximately 54.1 acres in the Assembly Square district of the City.

Developer has invested in excess of \$56.15 million and expects to invest substantially more, including without limitation the \$15.0 million and other sums detailed in this Agreement, in connection with permitting and improving these parcels and investing in abutting public lands and facilities. This investment excludes costs and expenses related to acquiring the land and developing any buildings or structures.

In addition to the commitments to which it covenants in this Agreement, the City has provided necessary support to the redevelopment of the Assembly Square district through implementation of a comprehensive urban renewal plan, customary review and approval of Developer's applications for permits and approvals, and extraordinary efforts including but not limited to approval of Infrastructure Investment Incentive ("I-Cubed") financing.

In addition to the commitments to which it covenants in this Agreement, the Commonwealth has also provided necessary support to the redevelopment of the Assembly Square district through customary review and approval of Developer's applications for permits and approvals and extraordinary efforts including but not limited to application of approximately \$13 million of federal funds available under the American Recovery and Reinvestment Act of 2009 and \$2 million of

Growth District Initiative grant funds to various roadway and other public infrastructure improvements.

Project MBTA Orange Line Station (the “MBTA Station”) – Developer and the Commonwealth (acting by and through DOT and the Massachusetts Bay Transportation Authority (the “MBTA”)) have negotiated a Memorandum of Agreement (the “MOA”) relating to construction and other project management elements for the MBTA Station, including allocation of financial and other responsibilities for the design, bidding of the construction contract (which the MBTA will endeavor to bid on or before April 10, 2011), owner-directed and other change orders, cost overruns in hard construction costs, and other matters.

Public Infrastructure Improvements – Improvements to be made in the Assembly Square district and to be dedicated to and accepted by (or otherwise transferred and conveyed to) the City or, for certain roadway intersections on state-owned property, the Commonwealth’s Division of Capital Asset Management or Department of Conservation and Recreation include:

Assembly Square Drive & Associated Intersection Improvements

Stormwater Outfall Conduit

Internal Street Network, Shared-Use Path, and Public Utilities

MBTA StationThe following sources of public funds have been identified for the MBTA Station:

\$10 million in so-called Federal Highway Administration Flex Funds (expected from the Congestion Mitigation and Air Quality Improvement program) committed by the Boston Metropolitan Planning Organization (the “MPO”) to the design and construction of the MBTA Station in the MPO’s 2010-2030 Long-Range Transportation Plan (the “Flex Funds”);

\$5,007,375 million earmarked for “Assembly Square Multi-Modal Access Improvements” under Section 1702, Item 4281 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (“SAFETEA–LU”) and directed by DOT and the MPO to the design and construction of the MBTA Station (the “High Priority Project Earmark”) [n.b. this earmark requires a match of \$1,251,844 from the Commonwealth];

\$1.0 million appropriated under the Fiscal Year 2010 Appropriations Act for the Department of Transportation and programmed by the MPO in the 2010-2014 Transportation Improvement Plan (“TIP”) for design and construction of the MBTA Station in Federal Fiscal Year 2011, as part of the \$25.0 million Section 5309 Capital Investment Grants authorization for Major New Fixed Guideway Capital Projects (a/k/a a “New Starts Authorization”) for “Assembly Square Orange Line Station” under

SAFETEA-LU Sections 3043(c)(23) & (d)(5) (“the FY10 New Starts Appropriation”).

\$1.0 million New Starts Appropriation and \$0.86 million Surface Transportation Investment earmark under the Fiscal Year 2011 Omnibus Appropriations Bill reported by the Senate Appropriations Committee in December 2010 (together, the “Proposed FY11 Project Appropriations”) [n.b. a Continuing Resolution, P.L. 111-322, in effect until March 4, 2011 does not include these funds].

The MPO has programmed the \$10 million Flex Funds and the \$5.0 million High Priority Project Earmark for the design and construction of the MBTA Station.

The Commonwealth has committed, which commitment it ratifies and confirms by its execution and delivery of this Agreement, \$18.0 million in grants (and up to \$2.86 million in additional grants, if and to the extent that the \$1.0 million FY10 New Starts Appropriation and the \$1.86 million Proposed FY11 Project Appropriations are not timely secured and available) for design and construction of the MBTA Station (the “Commonwealth Grants”) from the grant sources listed on **Exhibit A** attached hereto and incorporated as part of this Agreement.

When or before DOT and the MBTA advertise construction of the MBTA Station for bid:

Developer will fund its \$15.0 million obligation (less those documented eligible costs and expenses previously incurred or accrued) for design and construction of the MBTA Station under the MOA; and

The Commonwealth Grants will be paid over to the MBTA or otherwise be available to off-set documented eligible costs and expenses, all in accordance with an Interagency Services Agreement to be negotiated and entered into by and among HED, DOT and the MBTA.

If and to the extent to which design and construction of the MBTA Station costs less than \$52.1 million, the MBTA will reimburse HED up to the amount of the Commonwealth Grants.

If and to the extent to which federal funds in excess of the \$10.0 million Flex Funds, the \$5,007,375 million High Priority Project Earmark, and the \$1.86 million FY11 New Starts Appropriation become available for the MBTA Station, these excess funds will be distributed, if and to the extent allowed by law in the following order of priority; first, to fund those Project Construction Cost Overruns (as defined in the MOA) for elements of the MBTA Station in and immediately adjacent to the railroad right-of-way lying between Draw 7 Park and the Assembly Square district; second, notwithstanding anything to the contrary in the MOA, one half of the remaining funds up to \$12 million to reimburse the City; third, to fund

other Project Construction Cost Overruns (as defined in the MOA); fourth to fund MBTA Changes (as defined in the MOA); and fifth, to uses directed by the Commonwealth.

If and to the extent to which projected state tax revenues from future phases of the redevelopment of the Assembly Square district do not allow some or all of the anticipated I-Cubed bonds to be underwritten under applicable law and sound underwriting practice, Developer and FRIT shall not thereby become liable for repayment of the Commonwealth Grants or any other source of funds from the City, the Commonwealth or any federal agency or authority designated for design and construction of the MBTA Station. Notwithstanding the foregoing, Developer remains liable for (a) repayment to the Commonwealth of the \$10 million Special Obligation Notes due May 1, 2012 under the relevant governing instruments; and (b) as set forth below, reimbursement to the City of all of the First and Second Tranches of DIF bond proceeds (up to \$15 million) that have before then been disbursed if the buildings on Blocks 1, 3 and 4 are not timely completed.

DIF

The City intends to issue general obligation bonds under the District Improvement Financing (“DIF”) program under G.L. c. 40Q that generate net proceeds of not less than \$25 million.

The Board of Aldermen of the City voted on December 2, 2010 to approve the creation of an Assembly Row DIF District and DIF Development Program. The City thereupon forwarded its DIF application to the Commonwealth’s Economic Assistance Coordinating Council (the “EACC”) for approval under G.L. c. 40Q and implementing regulations.

The Economic Assistance Coordinating Council unanimously approved the City’s DIF application on 21 December 2010.

It is expected that the City Office of Strategic Planning and Community Development (OSPCD), with support and assistance from Developer and its advisors, will present specific plans for the implementation of the Assembly Row DIF to the DIF Governing Board at its meeting on March 10, 2011, at which the Mayor will provide an executed copy of this Agreement. It is further expected that OSPCD will present bond authorization materials to the Board of Alderman at its March 10, 2011 meeting, at which it will refer the matter to its Finance Committee with a request for a vote at its April 14, 2011 meeting.

It is further expected that the Board of Aldermen, with support and assistance from bond counsel, financial advisor and OSPCD staff, will consider the request for authorization to issue general obligation bonds that generate net proceeds of not less than \$25 million, which are expected to be disbursed upon the following schedule:

First Tranche of \$12.0 million expected Fall 2011, after a building permit has been issued and construction has commenced on at least one of Blocks

1, 3, or 4, and upon City Engineer's reviewing and approving VHB's certification of substantial completion in accordance with City-approved plans and specifications of Assembly Square Drive;

Second Tranche of \$3.0 million expected Fall 2011, after a building permit has been issued and construction has commenced for at least one of the Development Blocks (1, 3, or 4) and upon City Engineer's reviewing and approving VHB's certification of substantial completion in accordance with City-approved plans and specifications of the Stormwater Outfall Conduit; and

Third Tranche of \$10,000,000 expected Spring 2013, after substantial completion of (a) core-and-shell construction for buildings on Blocks 1, 3, and 4 (except for the hotel component on Block 3); and roadways and other public infrastructure included in the DIF application, including without limitation the Community Path along G Street but not certain other portions of the roadways and infrastructure shown as excluded in the DIF Application.

If and to the extent to which Developer does not complete core-and-shell construction for buildings on Blocks 1, 3, and 4 (except for the hotel component on Block 3) before Spring 2013, when the Third Tranche is expected to be disbursed, it will reimburse the City for all of the First and Second Tranches (up to \$15.0 million) that have before then been disbursed. By signing this Agreement, Federal Realty Investment Trust hereby provides a written guarantee that if and to the extent to which Developer does not complete core-and-shell construction for buildings on Blocks 1, 3, and 4 (except for the hotel component on Block 3) before Spring 2013, it will forthwith reimburse the City for all of the First and Second Tranches (up to \$15.0 million) that have before then been disbursed.

It is expected that the DIF bond offering memoranda and related legal documentation will require an appraisal of those elements of the roadways, including Assembly Square Drive and related intersections and the internal roadways, the Stormwater Outfall Conduit and other public infrastructure being constructed with the bond proceeds and other funds before dedication or conveyance thereof to the City, in order to demonstrate that the fair market value thereof meets or exceeds the distributed bond proceeds. It is further anticipated that the net bond proceeds of \$25 million will not fully fund the roadways, Stormwater Outfall Conduit or other public infrastructure or reimburse Developer for its costs and expenses in connection therewith, such that certain elements of the roadways, the Stormwater Outfall Conduit and other public infrastructure may be funded or Developer reimbursed therefor through I-Cubed bonds as provided below.

If and to the extent to which any DIF bond proceeds are disbursed to reimburse Developer for costs and expenses previously incurred or accrued, the City may

retain an independent consultant before that disbursement to review and verify the eligibility (under applicable law relating to the tax-exempt status of the bonds) of those costs and expenditures for reimbursement, and Developer will pay for the reasonable costs of the consultant's review, either by direct payment to the consultant, reimbursement to the City, or off-set against future disbursements, as Developer and the City may mutually agree, and this cost of the consultant's review shall be considered an eligible expense for reimbursement from DIF bond proceeds. In addition, it is acknowledged and agreed that the bond proceeds will not be increased (by new or revised underwriting or issuance of additional bonds) above \$25 million, regardless of change orders or cost overruns for the roadways, stormwater outfall conduit or other public infrastructure, regardless of whether any of the parties or other individuals or entities request, compel, cause or contribute to those change orders or cost overruns.

I-Cubed In response to Developer's application for up to \$50 million in proceeds under the I-Cubed program, the Commonwealth has previously issued bond anticipation notes with a face value of \$10 million, which it is anticipated will be repaid from, among other sources, I-Cubed bond proceeds when available in accordance with the terms thereof.

Developer will prepare a supplemental application for an increase in I-Cubed bond proceeds (expected to be up to \$58 million in total), for which (as expeditiously as possible) it is expected that (i) A&F in conjunction with the Massachusetts Development Finance Agency ("MDFA"), will review and (if and to the extent authorized under applicable law, including without limitation through reasonable and appropriate underwriting) give preliminary approval, (ii) the Board of Aldermen will thereafter give approval, (iii) after an independent consultant's review, A&F, MDFA, and the Massachusetts Department of Revenue will thereafter give final approval.

I-Cubed bond proceeds will be disbursed in the following order of priority, upon the satisfaction of the conditions set forth in an amended I-Cubed Infrastructure Development Assistance Agreement:

First to Developer to repay the bond anticipation notes up to \$10 million;

Second to Developer up to \$50 million less: (i) \$10 million disbursed to repay the bond anticipation notes; and (ii) up to \$18 million dollars to reimburse HED for the Commonwealth Grants less (a) any cost savings in the design and construction of the MBTA Station reimbursed to HED by the MBTA, and (b) any available additional federal funds distributed to the Commonwealth;

Third to the Commonwealth up to \$18 million dollars to reimburse HED for the Commonwealth Grants less (a) any cost savings in the design and

construction of the MBTA Station reimbursed to HED by the MBTA, and (b) any available additional federal funds distributed to the Commonwealth

Fourth to Developer the remaining I-Cubed bond proceeds.

Mortgagee Protection

If the City or the Commonwealth gives written notice of a default by Developer or FRIT under any agreement or other arrangement contemplated by this Agreement, the City or the Commonwealth shall simultaneously furnish a copy of the notice to any mortgagee of record if the City or the Commonwealth has prior written notice (from Developer or FRIT or the mortgagee) of the name and address of that mortgagee. If Developer or FRIT has received notice from the City or the Commonwealth of a default by Developer or FRIT thereunder, and the breach is not timely cured, a mortgagee may cure that breach reasonably promptly after giving written notice of its intention to do so to the City or the SRA within 60 days of the mortgagee receiving notice of the breach.

Cooperation

Each of the parties covenants and agrees to continue working cooperatively and in good faith with each other on an ongoing basis to facilitate and implement both the specific terms and conditions and the intent and purposes of this Agreement.

Successors and Assigns

The agreements and other arrangements contemplated by this Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

Independent Authority

Nothing contained in this Agreement shall in any way negate, limit or restrict the City's or the Commonwealth's jurisdiction and authority over the project. This Agreement shall not bind or affect the independent powers of any authority, board, commission or official of the City or the Commonwealth.

Duration

This Agreement and the agreements and other arrangements contemplated by this Agreement shall be enforceable for the maximum period permitted by applicable law, except that: (a) if permits for the Master Plan expire, then any party may terminate the agreements and other arrangements upon ten days' written notice to the other parties and (b) upon the full performance by Developer of all of its obligations hereunder and thereunder, the City and the Commonwealth shall, at Developer's request, issue a statement in a form appropriate for recording with the Middlesex South Registry of Deeds stating that all of the terms and conditions hereof and thereof have been satisfied and that this Agreement and the agreements and other arrangements are of no further force and effect. Notwithstanding the foregoing, nothing in this paragraph shall negate, limit or restrict Developer's obligation, as set forth above, to reimburse the City all of the First and Second Tranches of DIF bond proceeds (up to \$15 million) if the buildings on Blocks 1, 3 and 4 are not timely completed.

Severability If any term or condition of this Agreement or the agreements or other arrangements contemplated thereby, or the application thereof to any person or circumstance shall, to any extent, be invalid, inoperative or unenforceable, the remainder thereof, or the application thereof to other persons or circumstances, shall not be affected thereby; it shall not be deemed that any such invalid, inoperative or unenforceable terms or conditions affects the consideration therefor; and each term and condition thereof shall be valid and enforceable to the fullest extent permitted by law.

Time of the Essence All times set forth herein shall be of the essence.

Counterparts This Agreement may be executed in any number of counterparts, which, when taken together, shall constitute one and the same instrument.

Costs Except if and to the extent expressly agreed in any agreement contemplated by this Agreement, each party will be responsible for all of its own costs and expenses in connection with the matters contemplated herein.