Always Thinking Ahead

regency centers

2006 ANNUAL REPORT

At Regency Centers, we're always thinking ahead…

Every day at Regency Centers we renew our commitment to Our Mission of enhancing our position as the leading national owner, operator and developer of quality grocery-anchored and community shopping centers.

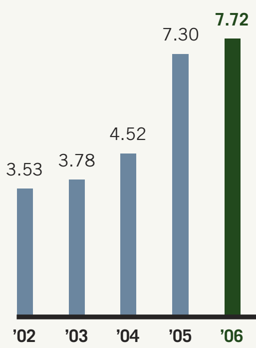
To us, that commitment means *always thinking ahead* to anticipate changes that affect our markets, the economy and the retailers in our centers. It means always thinking ahead to anticipate opportunities to enhance the quality of our portfolio, to expand our development pipeline and to execute our business strategy. And it means fostering a culture within our organization that energizes our employees and enables us to build into our business the enduring strength that produces exceptional returns for our shareholders.

regency centers

Attractive Shareholder Returns

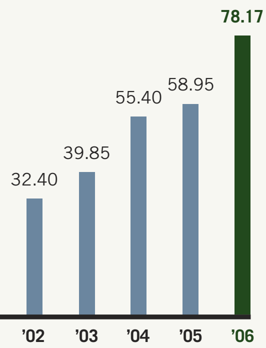
Regency is always thinking ahead on behalf of our shareholders

Total Real Estate Investments Under Management *($ in billions)*



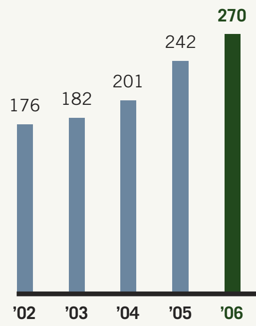
Regency manages nearly $8 billion in properties (at cost) in 37 of the top 50 markets.

Regency Stock Price *($)*



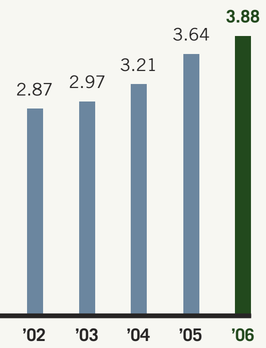
Regency's five-year total return of nearly 30 percent is better than the weighted average for the shopping center sector (28.9 percent) and the entire REIT sector (25.8 percent).

Funds from Operations *($ in millions)*



FFO has grown an average of 16 percent over the past two years and more than 11 percent since 2002.

Funds from Operations Per Diluted Share *($)*



Over the past two years, FFO per share growth has averaged 10 percent and nearly 8 percent since 2002.

Financial Highlights

For the year ended December 31,	2006	2005	2004	2003	2002
(in thousands, except per-share data and number of properties owned)					
Net Income for Common Stockholders	**$ 198,836**	145,903	127,694	126,614	107,666
Earnings Per Share (diluted)	**$ 2.89**	2.23	2.08	2.12	1.84
Funds from Operations (FFO)[(a)]	**$ 269,960**	242,408	200,873	181,826	176,430
FFO Per Share (diluted)[(a)]	**$ 3.88**	3.64	3.21	2.97	2.87
Total Revenue[(b)]	**$ 494,784**	454,724	442,585	423,972	416,085
Revenue Under Management[(c)]	**$ 907,796**	762,528	545,778	491,410	452,393
Real Estate Investments, at Cost	**$3,901,634**	3,775,433	3,332,671	3,166,346	3,094,071
Real Estate Investments Under Management[(c)]	**$7,722,249**	7,302,710	4,516,269	3,776,456	3,532,935
Number of Shopping Centers Owned[(c)]	**405**	393	291	265	262
Gross Leasable Area Owned[(c)]	**47,187**	46,243	33,816	30,348	29,483
Percent Leased—Operating Properties[(c)]	**95.4%**	95.3%	96.1%	95.4%	94.8%

(a) See Selected Financial Data on page 31 for a reconciliation of net income for common stockholders to funds from operations.
(b) Includes revenue from continuing and discontinued operations, management fees and commissions, and gains from the sale of real estate developments and land.
(c) Includes all shopping centers that are wholly owned or owned in joint ventures.

To Our Fellow Shareholders

We're always thinking ahead to set the highest standards of quality throughout our industry

When I reflect upon the idea of **"always thinking ahead,"** I am reminded of lyrics to the 1970s song, "Don't Stop" by Fleetwood Mac. You know the words:

Don't stop, thinking about tomorrow;
Don't stop, it'll soon be here.

In the real estate business—an industry where the very best plans need time to mature and bear fruit—thinking about tomorrow has to be a passionate pursuit. *So every day when we come to work, we are thinking about tomorrow:* what must we do to excel next quarter, next year and in the next decade? As a result, we must constantly focus on the continuum that extends before us: the short-term needs of our retailers and joint venture partners, our shareholders and our employees, as well as those needs that are farther in the future, often years away.

As Regency's operating portfolio and development pipeline grow and its joint venture partnerships expand, we have underscored our commitment to our strategic view of the business while at the same time reminding ourselves of the importance of paying meticulous attention to the multitude of details that come with managing the company.

Thinking Ahead to Build Strong Relationships

As of the end of 2006, Regency's operating portfolio consisted of 405 properties in 29 states, or approximately 54 million square feet of space. ***How much space is 54 million square feet?*** *That's almost two square miles, 775 square city blocks in New York City or the equivalent of more than 11 Sears Towers in Chicago.*

This platform, as it exists today, is no accident; it is the result of our intense focus on maintaining an exceptional level of quality in all of our properties: quality of location, merchandising mix and design. These attributes are the product of a research-driven process that has enabled us to create centers that feature the nation's finest retailers and are situated in trade areas with superior demographics. The result: enduring relationships with nearly 70 leading retailers. These include the nation's top supermarkets, Safeway, Kroger, Publix, Supervalu, H-E-B, Wegman's and Whole Foods; the most productive discount, department stores and home improvement stores, such as Target, Wal-Mart, JCPenney, Kohl's, Lowe's and The Home Depot; and specialty retailers such as Starbucks, UPS, Great Clips and Panera Bread. We have advanced our relationships through our Premier Customer Initiative (PCI), a program that has been highly effective in helping best-in-class operators maximize the potential of their existing locations and meet their expansion goals within our growing portfolio of operating properties. The PCI program provides preferred consideration for new developments and favorable multilocation packages. For Regency, PCI has played a significant role in promoting strong renewal rates, excellent rent growth and productive center merchandising.

Thinking Ahead to Ensure Long-Term Future Growth

A key engine of Regency's growth—the single most important element of our external *long-term* growth—is our development program. This endeavor keeps us at the forefront of our industry by serving the growth needs of our customers and generating returns that are significantly above those realized from acquisitions. We commenced a record $500 million in development starts in 2006, and our pipeline now totals almost $2 billion in projects, another record.

How have we reached this point? As Brian Smith notes elsewhere in this report, "Success breeds success." Retailers, property brokers, landowners and local developers recognize that as a developer and operator, Regency not only attracts the best retailers but also builds state-of-the-art centers. We enjoy a successful track record in dealing with local municipalities to secure entitlements—crucial to converting development plans into reality.

A significant contributor to our success at the local level is our *local* presence. With 21 offices nationwide, our team—property management, leasing and development professionals—is able to stay in close touch with our centers and attuned to the opportunities and the markets in which they operate. Its reach is enhanced by one of Regency's great hidden assets: a technological infrastructure that allows us to more efficiently and effectively manage our growing national operating and development portfolio. This important, constantly evolving component of our operating system is one of Regency's key competitive advantages.

Finally, the joint ventures we have with our institutional partners represent a cost-effective way to finance our growth. At year-end, those joint ventures had 177 properties, representing more than 44 percent of our 54-million square-foot portfolio. These partnerships not only provide an important source of funding, but also generate high-margin, third-party revenue, resulting in more than $31 million in 2006.

Thinking Ahead Delivers Strong Results

All these factors contributed to an excellent year in 2006:

- *Record funds from operations (FFO) of $270 million, or $3.88 per share, resulting in 6.6 percent growth, which is on top of last year's 13.4 percent per share growth;*
- *Same-property net operating income (NOI) growth of 3.8 percent, representing an eight-year average of 3.2 percent growth;*
- *Rent growth of 12.6 percent, reflecting the strength of the portfolio;*
- *Successful disposition of more than $735 million of operating properties and developments at a blended cap rate of 6.48 percent;*
- *Development starts exceeding $500 million and a shadow pipeline now estimated at $1.8 billion;*
- *Development completions of $168 million at a yield of 10.1 percent, realizing an estimated $90 million in value.*

These and other accomplishments fueled an excellent year for Regency, one in which we produced outstanding year-over-year rent growth, occupancy levels, increases in NOI, record development starts and successful capital recycling. These results translated into a 36.6 percent total return to our shareholders.

Thinking Ahead to Build Our Future

But that was yesterday. As Regency looks forward to the remainder of 2007, we're continuing to think ahead with the goal of extending our record of outperforming our peers by continuing to grow our business and to produce and sustain exceptional results. We are particularly pleased with the successful launch at the end of 2006 of our new open-end fund, Regency Retail Partners. We believe this $1.3 billion fund will provide an efficient and dependable source of financing for our growing pipeline of larger community center developments, along with the upside from our 20 percent equity stake in the partnership's portfolio and the revenue from managing the portfolio.

Meanwhile, we are committed to a three-year goal of FFO per share growth of 8–10 percent, an increase over our previous goal of 7–8 percent. Regency's long-term, strategic approach to our business has enabled us to put into place all the elements to sustain this higher level of per share growth: a high-quality portfolio that will generate reliable NOI growth, enduring joint venture relationships that will enable us to profitably grow the platform, a development program that will create significant value and a rock solid balance sheet.

None of this would be possible, of course, without Regency's team of 500 of the most experienced, dedicated and forward-thinking professionals in the real estate industry. I am extremely proud of these loyal and committed individuals who embody the high-performance culture that defines Regency. As we move forward, my fellow shareholders can be assured that our entire team won't stop thinking about tomorrow. We'll always think ahead, working continuously to enhance our retailer, development and joint venture partnerships and to continue to create shareholder value, not just in 2007 but in the years to come.

Martin E. Stein Jr.

Martin E. Stein, Jr.
Chairman and Chief Executive Officer

"At Regency, we're always thinking ahead to set the highest standards of quality throughout our industry. From our state-of-the-art operating systems and developments to our new open-end fund, this philosophy is reflected in every aspect of our business."

—Martin E. Stein, Jr., Chairman and Chief Executive Officer

Questions & Answers

Management expertise: a team effort

People make businesses, and we pride ourselves on the talent and dedication of our world-class team: professionals intensely focused on finding new ways to help our retailers and partners succeed.

Questions to MARY LOU FIALA
Chief Operating Officer

How is Regency always thinking ahead?
Regency is always trying to stay at least one step ahead of our industry, and I think we've been able to do that. Our research-driven approach to selecting our properties, the rigorous way we proactively cull our portfolio, and our state-of-the-art center design all set industry-leading standards. We're now working on a significant initiative to incorporate practical, environmentally friendly design into our centers, which is not only socially responsible but also will be a competitive advantage for our centers.

Rent growth has been very strong. What's driving that?
Quite simply, we have the best locations and the best retailers. In our neighborhood centers, we focus exclusively on market-dominant grocers. Likewise, we're driving our community center developments with best-in-class retailers, such as Target, Wal-Mart, Lowe's and The Home Depot. Our dominant anchors and superior demographics drive long-term growth in rents, which in turn drives net operating income and real estate values.

How does Regency's Premier Customer Initiative contribute to results?
Our PCI program is truly cutting edge. The program helps our retailers fulfill their expansion plans and allows us to more efficiently negotiate leases. By also improving center merchandising and the selection of the best retail operators, our PCI program plays a big role in rent growth and occupancy levels.

Questions to BRIAN SMITH
Chief Investment Officer

Regency's pipeline growth is accelerating—why?
I have always believed that success breeds success. Regency has an impressive record of delivering quality projects regardless of the challenges. Landowners, local developers, brokers and retailers have taken notice and know they can rely on us to do an excellent job.

Regency's pipeline for larger centers is growing significantly. What distinguishes these projects from the company's neighborhood centers?
Our community centers are an extension of Regency's strategy to develop neighborhood centers. Community centers, which are 250,000 square feet up to more than 500,000 square feet, are generally two to four times the size of our grocery-anchored centers and draw shoppers from a much greater distance. They contain multiple anchors, including majors such as Target, Lowe's, Best Buy, Bed Bath & Beyond and T.J. Maxx.

Mary Lou mentioned "environmentally friendly" design. Why is this important?

Mary Lou is referring to the LEED program: Leadership in Energy and Environmental Design. LEED is a set of building standards for improving the energy efficiency and environmental impact of developments. We think we owe it to ourselves and to future generations to develop properties designed in the most responsible way possible. Incorporating practical and environmentally friendly elements into our properties is also good for our tenants; it lowers their operating costs, giving them a competitive advantage while providing them with a great place to do business.

Questions to BRUCE JOHNSON

Chief Financial Officer

How do you view Regency's development program as a source of investor value?

There's a significant amount of intrinsic value in our development program. We currently have $1.1 billion of property under development and $1.8 billion in the pipeline. These two elements combine for a total investment of nearly $3 billion. With returns greater than 9 percent and capitalization rates of less than 7 percent, that translates into approximately $1 billion in intrinsic value in excess of our total investment.

How will the new open-end fund improve Regency's financial profile?

Our open-end fund provides a transparent capital source for our community shopping center developments. This is a rapidly expanding part of our pipeline, and it's important to have a permanent financing source for these properties. In addition, the fund will increase high-margin, third-party revenue. In essence, this additional joint venture allows us to maintain an ownership interest in these high-quality assets while earning attractive fees, which enhance shareholder return.

Technology—how does Regency stay ahead there?

We invest in a platform that allows our people to work more efficiently and to have access to better industry intelligence than any of our peers. That helps our company run better, and it helps the people we have in the field communicate more effectively with one another and with the retailers they serve. All that pays off in better operating margins and satisfied business partners.

Pictured above from left to right: Mary Lou Fiala, Bruce Johnson, Brian Smith

Our Platform: Operating Portfolio

Quality, reliability, consistency…

A Winning Combination

Strong retailers and exceptional demographics produce consistent growth

QUALITY, RELIABILITY, CONSISTENCY: At Regency, we build our portfolio so that every one of our 405 properties exemplifies these virtues. **QUALITY:** We focus on high barrier-to-entry markets such as northern and southern California and Washington, DC. Within our selected markets, average household income within the trade area of Regency's centers exceeds the national average of approximately $64,000 by more than 30 percent, totaling nearly $84,000. **RELIABILITY:** Regency has maintained one of the industry's highest occupancy levels: more than 95 percent in 2006 and never less than 94 percent since 2000. **CONSISTENCY:** For the past eight years, our NOI growth has averaged in excess of 3 percent per year.

Occupancy*

95.2%

Eight years of 95 percent occupancy levels

NOI Growth*

3.8%

Eight years of NOI growth averaging 3.2 percent

Rent Growth*

12.6%

Eight years of rent growth averaging 10 percent

**Includes all wholly owned shopping centers and Regency's pro rata share of properties owned in joint ventures.*

Our Platform: Operating Portfolio

Thinking ahead to build an irreplaceable, high-quality portfolio of properties

Neighborhood and Community Centers: Dominant Retailers, Superior Locations

Regency is known throughout our industry as one of the most experienced and successful operators of neighborhood shopping centers—strong, stable retail centers anchored by dominant grocery stores such as Safeway, Kroger, Publix, H-E-B, Wegman's and Supervalu. In addition to these national chains, we have a growing base of centers featuring such high-performing specialty grocers as Trader Joe's and Whole Foods. In total, Regency operates 322 grocery-anchored shopping centers and 83 community centers anchored by such important retailers as Target, Kohl's, Wal-Mart, The Home Depot, Lowe's and JCPenney. Thinking ahead—with fast-growing retailers and superior locations. The result: strong growth in rents, NOI and property values.

Average Annual Sales Per Grocer

$24 million

17,000 shopper visits per week

Average Regency Household Income

$84,000

National average = $64,000

Our Platform: Development Program and Pipeline

Thinking ahead to build a strong pipeline for future growth

Building Our Future

A high-performing, growing pipeline serves shareholders, partners and retailers

In the past five years, Regency has built an impressive development pipeline, one whose growth rate continues to accelerate. In 2006, we undertook approximately $503 million in development starts, an increase of almost 60 percent over $315 million in development starts in 2002. Moreover, the size, quality and profit margins of our projects continue to improve, with our pipeline of tenant-driven, community centers growing in number. These centers—anchored by best-in-class retailers—are generating 9 percent to 10 percent returns versus returns of 6 percent to 7 percent for acquisitions of comparable properties.

Pipeline

$1.8 billion

In-Process Developments

$1.1 billion

Total Future Value

more than $4 billion*

*Estimated future value of in-process developments and pipeline at a 9 percent return and a 6.5 percent capitalization rate.

Our Platform: Development Program and Pipeline

Creativity and execution: driving the growth of our development platform

Long-Term Value, Long-Term Sustainability

Leading the way in long-term development and design

Our development pipeline extends well beyond development starts in any given year. As of the end of 2006, Regency had an estimated $1.1 billion of properties in development and $1.8 billion in projects in its longer-term development pipeline. This forms a major component of our future growth: new developments producing attractive returns and creating substantial future value for the foreseeable future.

This nearly $3 billion asset is strong evidence of the trust that our partners and customers place in us. Many of the projects in our development pipeline are large and complex, and Regency has established an impressive record of delivering quality projects regardless of the challenges.

Our projects also are recognized for their innovative design, an aspect of our business that is increasingly focused on the need to adhere to environmentally sound and energy-efficient construction. This philosophy makes good sense: it's not only the right thing to do, but also the smart thing to do, helping us speed the development process in many municipalities, promote thoughtful community development and attract high-quality retailers.


H-E-B
Fresh Foods
THE HOME DEPOT
HOME IMPROVEMENT WAREHOUSE
LOWE'S
JCPenney
SHOPPERS
STATER BROS
KROGER
Signature
Publix
SAFEWAY

Our Platform: Partners

Strong partnerships with retailers yield better locations, better results

Premier Customer Initiative: A Creative, Cutting-Edge Program

Regency's partnership with retailers: prospering together

Successful tenants make for successful centers. Regency is always thinking ahead to find better ways to leverage our expertise and analyze the wealth of data about our properties, traffic patterns and local trade area demographics to help our retailers find the best locations within our growing operating and development portfolios. Our Premier Customer Initiative (PCI) has been highly successful in helping to create exactly this sort of win-win situation. PCI helps provide our best retailers with the first opportunity to consider advantageous space within existing centers and new developments, and favorable multilocation packages. ***Our PCI partners include Subway with 113 locations in our centers, The UPS Store (108 locations), and Starbucks (88 locations).*** The success of the PCI program has paid off for shareholders in significantly higher rent growth, higher occupancy levels and lower turnover.

PCI Rent Growth

14.8%

PCI Renewal Rate

85%

Brewing strong sales, dynamic expansion

In 1999, Starbucks had just 10 locations in Regency nationwide. We saw this as an opportunity for both Regency and for Starbucks. We met with Starbucks' real estate managers and supplied tenant traffic data and information from our centers to pinpoint more than 30 locations in our operating and development portfolio that were ideally suited to Starbucks' target market and demographics. Starbucks agreed with our assessment, and as part of our PCI program Starbucks now has 88 stores in prime locations throughout our portfolio. In the past two years alone, Starbucks signed 17 leases for new locations.

Our Platform: Partners

Joint venture partners add financial flexibility and cost-efficient financing

King Farm Village Center, Rockville, Maryland

Strong Joint Venture Partners Help Regency to Expand Our Portfolio Profitably

When Regency established its first major joint venture in 2000, it was an industry leader in its introduction of a significantly expanded asset management and ownership relationship with institutional investors. These partnerships provide a reliable source of financing for acquisitions and our development projects, but also a highly profitable and growing stream of third-party revenue from managing the assets. These ventures also provide Regency with a significant ownership stake in the properties contributed to the portfolio.

We now have important and growing joint ventures with three strong investment partners: the Oregon Public Employees Retirement Fund, the Macquarie CountryWide Trust of Australia, and the California State Teachers' Retirement System. Not only have these partnerships helped augment our returns on invested capital, but they have also helped lay the groundwork for our fourth joint venture, Regency Retail Partners, our new open-end fund.

	Oregon Public Employees Retirement Fund	**Macquarie CountryWide Trust of Australia**	**California State Teachers' Retirement System**	**Regency Retail Partners**
Established	2000	2001	2004	2006
Gross Assets	$558 million	$3.43 billion	$183 million	$76 million

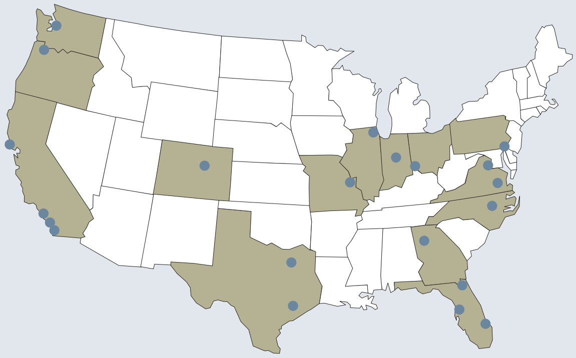
$31.8 million

in third-party revenue in 2006

Our Platform: People

Thinking ahead with an engaged, connected team of professionals

With centers in 37 of the top metropolitan areas, we believe we further distinguish ourselves with a dedicated, experienced and cycle-tested team of more than 500 professionals. The team's effectiveness is bolstered by Regency's network of 21 market offices in key target markets. Regency's local presence allows our management team to stay close to our properties, our tenants and our key markets. It also positions the investment team to capitalize on development and acquisition opportunities and to react quickly and effectively to the market dynamics influencing our business.



21 market offices

329 property management, leasing and development professionals in local offices

● *Market offices*

Nationwide, Regency employs nearly **500** professionals; the average experience of our senior management team exceeds 26 years.

2006 MARTIN E. STEIN, SR. AWARD RECIPIENTS:
Edgar Pejoro, Project Manager and Kathy Miller, Vice President Tax, the winners of the most recent Martin E. Stein, Sr. awards. The award, established in 1998, recognizes exceptional performance, dedicated professionalism, outstanding service to customers, selfless teamwork and strong personal values.

Our Platform: Performance

Always thinking ahead to build a stronger financial model

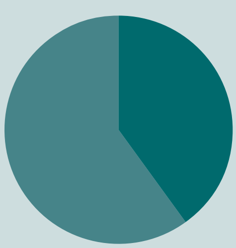
Capital Recycling

Funding growth while strengthening the balance sheet

Growth in the capital-intensive real estate industry must be funded with care. At Regency, we're always thinking ahead to find ways to grow in the most capital-efficient and nondilutive way possible. Our strong joint venture partners, including those now participating in our new open-end fund, provide an embedded market for our developments and acquisitions. These partnerships also generate a growing stream of third-party revenue, currently more than $31 million a year. Our strategy has paid off. In the past six years, Regency has funded nearly $7 billion in investments, and over that period has issued only $301 million in new equity. At the same time, we have been able to strengthen our balance sheet and improve our financial ratios. In 2000, our debt to market cap ratio, including our joint venture equity, was 42.1 percent; in 2006, it was 21.4 percent.

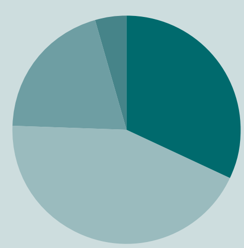
Since 2000: Nearly $7 Billion in Investments and Debt to Market Cap Ratio of 21.4 Percent

Total Investments
($ in millions)



Development Completions and In-Process Developments	$2,717
Acquisitions and JV Contributions	$4,116
Total Investments	**$6,833**

Total Sources of Funds
($ in millions)



Property and Outparcel Sales	$2,193
JV Capital	$2,970
Debt, Preferred, Cash Flow	$1,369
Common Equity and Units	$301
Total Sources	**$6,833**

Our Platform: Performance

Always thinking ahead to add shareholder value

At Regency, shareholder value derives from the total value of our platform and our ability to produce results that consistently exceed industry averages. We're always thinking ahead...

...to operate a superior portfolio

Since 2001, average occupancy level...

Regency: 95%

Industry average: 92%*

Same-store average NOI growth rate...

Regency: 3.0%

Industry average: 1.9%*

...to build a superior development program

Regency: $1.1 billion of in-process developments

Industry average: $793 million** of in-process developments

...to grow with superior joint ventures

Average three-year growth in third-party revenue:

50%

...to generate superior shareholder returns

Five-year total return: nearly 30%, exceeding both REIT and shopping center sector averages

At Regency, we will always be thinking ahead to deliver superior returns. Our goals for the next three years reflect that. We hope to:

- Grow annual per share FFO 8–10 percent;
- Enhance our strong balance sheet and access to reliable capital;
- Exceed the total shareholder return of our peers.

**Industry average according to Green Street Advisors, Inc.*

***Based on company reports for the collective peer group as identified by Green Street Advisors, Inc.*

Corporate Information

GENERAL INFORMATION

Registrar and Stock Transfer Agent
American Stock Transfer
& Trust Company
New York, New York

Independent Auditors
KPMG LLP
Certified Public Accountants
Jacksonville, Florida

General Counsel
Foley & Lardner LLP
Jacksonville, Florida

Stock Listing
New York Stock Exchange
Symbol: REG

The company's Form 10-K filing with the Securities and Exchange Commission is available upon request from the company or from the company's website.

The company offers a dividend reinvestment plan (DRIP) that enables its shareholders to reinvest dividends automatically, as well as to make voluntary cash payments toward the purchase of additional shares. For more information, contact American Stock Transfer & Trust Company's Shareholder Services Group toll free at 1.866.668.6550 or the company's Shareholder Relations Department.

Regency Centers
One Independent Drive, Suite 114
Jacksonville, Florida 32202
Phone: 904.598.7000
regencycenters.com

Annual Meeting
Regency's annual meeting will be held at The River Club, One Independent Drive, 35th Floor, Jacksonville, Florida, in the Florida Room, Salon I at 11:00 a.m. on Tuesday, May 1, 2007.

Regency has included as Exhibit 31 to its Annual Report on Form 10-K for 2006 filed with the Securities and Exchange Commission certificates of its Chief Executive Officer, Chief Operating Officer and Chief Financial Officer certifying the quality of the company's public disclosures. In addition, Regency's Chief Executive Officer has certified to the New York Stock Exchange that he is not aware of any violations by Regency of the Exchange's corporate governance listing standards.

OPERATING COMMITTEE

Martin E. Stein, Jr.
Chairman and Chief Executive Officer

Mary Lou Fiala
President and Chief Operating Officer

Bruce M. Johnson
Managing Director and Chief Financial Officer

Brian M. Smith
Managing Director and Chief Investment Officer

James G. Buis
Managing Director, Investments—Central

Mac Chandler
Managing Director, Investments—Northeast

John F. Euart, Jr.
Managing Director, Investments—Southeast

Mark W. Harrigian
Managing Director, Investments—Pacific

John S. Delatour
Managing Director, Operations—West

James D. Thompson
Managing Director, Operations—East

SENIOR OFFICERS

Taylor Chess
Senior Vice President, Investments—Washington, DC

Thomas K. Engberg
Senior Vice President, Investments—Northern California

Daniel J. Fox
Senior Vice President, Investments—Midwest

N. Andy Hofheimer
Senior Vice President, Retailer Services

J. Christian Leavitt
Senior Vice President, Finance and Treasurer

Snowden Leftwich
Senior Vice President, Investments—Colorado and Arizona

West Miller
Senior Vice President, Investments—Texas

Lisa Palmer
Senior Vice President, Capital Markets

John H. Pharr
Senior Vice President, Operations—Southeast

H. Craig Ramey
Senior Vice President, Investments—Northwest

BOARD OF DIRECTORS

Martin E. (Hap) Stein, Jr.[3]
Director since 1993
Chairman and Chief Executive Officer
Regency Centers

Raymond L. Bank[1,4]
Director since 1997
President
Raymond L. Bank & Associates, Inc.

C. Ronald Blankenship[2,3]
Director since 2001
Co-Chairman
Verde Group

A.R. (Pete) Carpenter[1,2,4a]
Director since 1993
Former Vice Chairman
CSX Corporation, Inc.

J. Dix Druce, Jr.[1a]
Director since 1993
President and Chairman
National P.E.T. Scan, LLC

Mary Lou Fiala
Director since 1997
President and Chief Operating Officer
Regency Centers

Bruce M. Johnson
Director since 2004
Managing Director and
Chief Financial Officer
Regency Centers

Douglas S. Luke[2]
Director since 1993
President and Chief Executive Officer
HL Capital, Inc.

John C. Schweitzer[2a,4,5]
Director since 1999
President
Westgate Corporation
Managing Partner
Campbell Capital, Ltd.

Thomas G. Wattles[1,3a]
Director since 2001
Chairman
DCT Industrial Trust

Terry N. Worrell[3]
Director since 1999
Private Investor

Joan Wellhouse Newton
Director Emeritus
Chairman Emeritus
Regency Centers

(1) Audit Committee
(2) Compensation Committee
(3) Investment Committee
(4) Nominating and Corporate Governance Committee
(5) Lead Director
(a) Committee Chairman

Regency Financials

Selected Financial Data

The following table sets forth Selected Financial Data for Regency on a historical basis for the five years ended December 31, 2006. This information should be read in conjunction with the financial statements of Regency (including the related notes thereto).

(in thousands, except per share data and number of properties)	**2006**	2005	2004	2003	2002
Operating Data:					
Revenues	**$ 420,338**	380,636	357,641	332,853	329,995
Operating expenses	**240,521**	205,560	195,434	174,328	164,500
Other expenses (income)	**14,090**	67,559	40,802	33,545	60,801
Minority interests	**10,582**	10,330	22,028	32,511	35,712
Income from continuing operations	**155,145**	97,187	99,377	92,469	68,982
Income from discontinued operations	**63,366**	65,460	36,950	38,320	41,542
Net income	**218,511**	162,647	136,327	130,789	110,524
Preferred stock dividends	**19,675**	16,744	8,633	4,175	2,858
Net income for common stockholders	**198,836**	145,903	127,694	126,614	107,666
Weighted average common shares outstanding for diluted EPS	**68,432**	64,932	60,992	59,244	60,438
Income per common share—diluted:					
Income from continuing operations	**$ 1.97**	1.22	1.47	1.48	0.99
Net income for common stockholders	**$ 2.89**	2.23	2.08	2.12	1.84
Reconciliation of Net Income for Common Shareholders to Funds from Operations:					
Net income for common stockholders	**$ 198,836**	145,903	127,694	126,614	107,666
Add (less):					
Depreciation expense of real estate including joint ventures	**116,627**	115,922	78,170	72,117	67,907
Amortization of leasing commissions and intangibles	**11,351**	11,781	9,386	7,052	6,029
Minority interest of exchangeable partnership units	**2,876**	3,284	2,579	3,044	2,797
Gain on sale of operating properties	**(59,730)**	(34,482)	(16,956)	(27,001)	(10,827)
Convertible preferred stock dividends	**—**	—	—	2,858	2,965
Funds from Operations	**$ 269,960**	242,408	200,873	184,684	176,537
Weighted average shares outstanding for diluted Funds from Operations	**69,374**	66,277	62,144	60,681	61,550
Balance Sheet Data:					
Real estate investments before accumulated depreciation	**$3,901,633**	3,775,433	3,332,671	3,166,346	3,094,071
Total assets	**3,671,785**	3,616,215	3,243,824	3,098,229	3,068,928
Total debt	**1,575,386**	1,616,386	1,493,090	1,452,777	1,333,524
Total liabilities	**1,734,572**	1,739,225	1,610,743	1,562,530	1,426,349
Minority interests	**83,896**	88,165	134,364	254,721	420,859
Stockholders' equity	**1,853,317**	1,788,825	1,498,717	1,280,978	1,221,720
Other Information:					
Common dividends declared per share	**$ 2.38**	2.20	2.12	2.08	2.04
Common stock outstanding including convertible preferred stock and operating partnership units	**69,759**	69,218	64,297	61,227	61,512
Combined Basis gross leasable area (GLA)	**47,187**	46,243	33,816	30,348	29,483
Combined Basis number of properties owned	**405**	393	291	265	262
Ratio of earnings to fixed charges	**2.3**	2.1	2.1	1.8	1.5

Forward-Looking Statements

In addition to historical information, the following information contains forward-looking statements as defined under federal securities laws. These forward-looking statements include statements about anticipated growth in revenues, the size of our development program, earnings per share, returns and portfolio value and expectations about our liquidity. These statements are based on current expectations, estimates and projections about the industry and markets in which Regency Centers Corporation ("Regency" or "Company") operates, and management's beliefs and assumptions. Forward-looking statements are not guarantees of future performance and involve certain known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, changes in national and local economic conditions; financial difficulties of tenants; competitive market conditions, including pricing of acquisitions and sales of properties and out-parcels; changes in expected leasing activity and market rents; timing of acquisitions, development starts and sales of properties and out-parcels; our inability to exercise voting control over the joint ventures through which we own or develop many of our properties; weather; consequences of any armed conflict or terrorist attack against the United States; the ability to obtain governmental approvals; and meeting development schedules. The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto of Regency Centers Corporation appearing elsewhere within.

Overview and Operating Philosophy

Regency is a qualified real estate investment trust ("REIT"), which began operations in 1993. Our primary operating and investment goal is long-term growth in earnings per share and total shareholder return, which we work to achieve by focusing on a strategy of owning, operating and developing high-quality community and neighborhood shopping centers that are tenanted by market-dominant grocers, category-leading anchors, specialty retailers and restaurants located in areas with above average household incomes and population densities. All of our operating, investing and financing activities are performed through our operating partnership, Regency Centers, L.P. ("RCLP"), RCLP's wholly-owned subsidiaries, and through its investments in joint ventures with third parties. Regency currently owns 99% of the outstanding operating partnership units of RCLP.

At December 31, 2006, we directly owned 218 shopping centers (the "Consolidated Properties") located in 22 states representing 24.7 million square feet of gross leasable area ("GLA"). Our cost of these shopping centers is $3.5 billion before depreciation. Through joint ventures, we own partial interests in 187 shopping centers (the "Unconsolidated Properties") located in 24 states and the District of Columbia representing 22.5 million square feet of GLA. Our investment, at cost, in the Unconsolidated Properties is $434.1 million. Certain portfolio information described below is presented (a) on a Combined Basis, which is a total of the Consolidated Properties and the Unconsolidated Properties, (b) for our Consolidated Properties only and (c) for the Unconsolidated Properties that we own through joint ventures. We believe that presenting the information under these methods provides a more complete understanding of the properties that we wholly-own versus those that we partially-own, but for which we provide full property management, asset management, investing and financing services. The shopping center portfolio that we manage, on a Combined Basis, represents 405 shopping centers located in 28 states and the District of Columbia and contains 47.2 million square feet of GLA.

We earn revenues and generate cash flow by leasing space in our shopping centers to market-leading grocers, major retail anchors, specialty side-shop retailers, and restaurants, including ground leasing or selling building pads (out-parcels) to these tenants. We experience growth in revenues by increasing occupancy and rental rates at currently owned shopping centers, and by acquiring and developing new shopping centers. Community and neighborhood shopping centers generate substantial daily traffic by conveniently offering daily necessities and services. This high traffic generates increased sales, thereby driving higher occupancy and rental-rate growth, which we expect will sustain our growth in earnings per share and increase the value of our portfolio over the long term.

We seek a range of strong national, regional and local specialty retailers, for the same reason that we choose to anchor our centers with leading grocers and major retailers who provide a mix of goods and services that meet consumer needs. We have created a formal partnering process—the Premier Customer Initiative ("PCI")—to promote mutually beneficial relationships with our specialty retailers. The objective of PCI is for Regency to build a base of specialty tenants who represent the "best-in-class" operators in their respective merchandising categories. Such retailers reinforce the consumer appeal and other strengths of a center's anchor, help to stabilize a center's occupancy, reduce re-leasing downtime, reduce tenant turnover and yield higher sustainable rents.

We grow our shopping center portfolio through acquisitions of operating centers and new shopping center development, where we acquire the land and construct the building. Development is customer driven, meaning we generally have an executed lease from the anchor before we start construction. Developments serve the growth needs of our anchors, and specialty retailers, resulting in modern shopping centers with long-term anchor leases that produce attractive returns on our invested capital. This development process can require up to 36 months, or longer, from initial land or redevelopment acquisition through construction, lease-up and stabilization of rental income, depending upon the size of the project. Generally, anchor tenants begin operating their stores prior to the completion of construction of the entire center, resulting in rental income during the development phase.

We intend to maintain a conservative capital structure to fund our growth programs, which should preserve our investment-grade ratings. Our approach is founded on our self-funding business model. This model utilizes center "recycling" as a key component, which requires ongoing monitoring of each center to ensure that it continues to meet our investment standards. We sell the operating properties that no longer measure up to our standards. We also develop certain retail centers because of their attractive profit margins with the intent of selling them to joint ventures or other third parties upon completion. These sale proceeds are re-deployed into new, higher-quality developments and acquisitions that are expected to generate sustainable revenue growth and more attractive returns.

Joint venturing of shopping centers also provides us with a capital source for new developments and acquisitions, as well as the opportunity to earn fees for asset and property management services. As asset manager, we are engaged by our partners to apply similar operating, investment, and capital strategies to the portfolios owned by the joint ventures. Joint ventures grow their shopping center investments through acquisitions from third parties or direct purchases from Regency. Although selling properties to joint ventures reduces our ownership interest, we continue to share in the risks and rewards of centers that meet our high quality standards and long-term investment strategy. We have no obligations or liabilities of the joint ventures beyond our ownership interest percentage.

We have identified certain significant risks and challenges affecting our industry, and we are addressing them accordingly. An economic downturn could result in declines in occupancy levels at our shopping centers, which would reduce our rental revenues; however, we believe that our investment focus on neighborhood and community shopping centers that conveniently provide daily necessities will minimize the impact of a downturn in the economy. Increased competition from super-centers and industry consolidation could result in retailer store closings; however, we closely monitor the operating performance and tenants' sales in our shopping centers that operate near super-centers as well as those tenants operating retail formats that are experiencing significant changes in competition or business practice. We also continue to monitor retail trends and merchandise our shopping centers based on consumer demand. A significant slowdown in retailer demand for new stores could cause a corresponding reduction in our shopping center development program that would likely reduce our future rental revenues and profits from development sales; as well as, increase our operating expenses as a result of reducing our capitalized employee costs (See Critical Accounting Policies and Estimates—Capitalization of Costs described further below). However, based upon our current pipeline of development projects undergoing due diligence, which is our best indication of retailer expansion plans, the presence of our development teams in key markets in combination with their excellent relationships with leading anchor tenants, we believe that we will be able to sustain our development program at current averages in the foreseeable three to five year period.

Shopping Center Portfolio

The following tables summarize general operating statistics related to our shopping center portfolio, which we use to evaluate and monitor our performance. The portfolio information below is presented (a) on a Combined Basis, (b) for Consolidated Properties and (c) for Unconsolidated Properties, the definitions of which are provided above:

	December 31, 2006	December 31, 2005
Number of Properties (a)	**405**	393
Number of Properties (b)	**218**	213
Number of Properties (c)	**187**	180
Properties in Development (a)	**47**	31
Properties in Development (b)	**43**	30
Properties in Development (c)	**4**	1
Gross Leasable Area (a)	**47,187,462**	46,243,139
Gross Leasable Area (b)	**24,654,082**	24,382,276
Gross Leasable Area (c)	**22,533,380**	21,860,863
Percent Leased (a)	**91.0%**	91.3%
Percent Leased (b)	**87.3%**	88.0%
Percent Leased (c)	**95.0%**	95.1%

We seek to reduce our operating and leasing risks through diversification which we achieve by geographically diversifying our shopping centers; avoiding dependence on any single property, market, or tenant, and owning a portion of our shopping centers through joint ventures.

The following table is a list of the shopping centers summarized by state and in order of largest holdings presented on a Combined Basis:

	December 31, 2006				December 31, 2005			
Location	# Properties	GLA	% of Total GLA	% Leased	# Properties	GLA	% of Total GLA	% Leased
California	71	9,521,497	20.2%	88.6%	70	8,855,638	19.2%	93.3%
Florida	55	6,175,929	13.1%	93.1%	51	5,912,994	12.8%	94.5%
Texas	39	4,779,440	10.1%	86.1%	38	5,029,590	10.9%	84.7%
Virginia	33	3,884,864	8.2%	94.1%	31	3,628,732	7.8%	95.0%
Georgia	32	2,735,441	5.8%	92.6%	33	2,850,662	6.2%	95.4%
Colorado	21	2,345,224	5.0%	91.8%	22	2,507,634	5.4%	84.3%
Ohio	16	2,292,515	4.9%	85.3%	16	2,045,260	4.4%	82.3%
Illinois	16	2,256,682	4.8%	95.8%	17	2,410,178	5.2%	95.9%
North Carolina	16	2,193,420	4.6%	92.4%	15	2,114,667	4.6%	91.7%
Maryland	18	2,058,329	4.4%	94.6%	21	2,435,783	5.3%	93.6%
Pennsylvania	13	1,649,570	3.5%	90.1%	13	1,665,005	3.6%	75.3%
Washington	11	1,172,684	2.5%	94.5%	12	1,334,337	2.9%	93.6%
Oregon	10	1,011,678	2.1%	91.5%	8	854,729	1.8%	97.1%
Delaware	5	654,687	1.4%	91.3%	5	654,687	1.4%	90.3%
Massachusetts	3	568,099	1.2%	83.7%	—	—	—	—
South Carolina	9	536,847	1.1%	97.5%	6	624,450	1.4%	97.4%
Arizona	4	496,087	1.1%	99.3%	8	522,027	1.1%	96.0%
Tennessee	7	488,050	1.0%	94.4%	4	496,087	1.1%	99.4%
Minnesota	3	483,938	1.0%	96.5%	2	299,097	0.6%	97.3%
Michigan	4	303,412	0.6%	87.6%	3	282,408	0.6%	95.5%
Kentucky	2	302,670	0.6%	95.0%	2	302,670	0.7%	94.7%
Wisconsin	2	269,128	0.6%	97.3%	3	372,382	0.8%	94.4%
Alabama	2	193,558	0.4%	82.2%	3	267,689	0.6%	84.8%
Indiana	5	193,370	0.4%	70.9%	3	229,619	0.5%	84.3%
Connecticut	1	179,730	0.4%	100.0%	1	167,230	0.4%	100.0%
New Jersey	2	156,482	0.3%	97.8%	2	156,482	0.3%	97.8%
New Hampshire	2	125,173	0.3%	74.8%	2	112,752	0.2%	67.8%
Nevada	1	119,313	0.3%	87.4%	1	93,516	0.2%	73.6%
Dist. of Columbia	2	39,645	0.1%	89.4%	1	16,834	—	100.0%
Total	405	47,187,462	100.0%	91.0%	393	46,243,139	100.0%	91.3%

The following table is a list of the shopping centers summarized by state and in order of largest holdings presented for the Consolidated Properties:

	December 31, 2006				December 31, 2005			
Location	# Properties	GLA	% of Total GLA	% Leased	# Properties	GLA	% of Total GLA	% Leased
California	46	5,861,515	23.8%	84.9%	45	5,319,464	21.8%	91.2%
Florida	34	4,054,604	16.4%	93.6%	35	4,185,221	17.2%	95.6%
Texas	30	3,629,118	14.7%	82.5%	30	3,890,913	16.0%	81.6%
Ohio	14	2,037,134	8.3%	83.6%	15	1,936,337	7.9%	81.5%
Georgia	16	1,408,407	5.7%	89.7%	16	1,410,412	5.8%	93.7%
Colorado	13	1,158,670	4.7%	89.0%	14	1,321,080	5.4%	73.4%
Virginia	9	1,018,531	4.1%	89.1%	9	973,744	4.0%	93.5%
North Carolina	9	947,413	3.8%	95.3%	9	970,506	4.0%	96.6%
Oregon	7	657,008	2.7%	88.8%	5	500,059	2.0%	97.4%
Pennsylvania	4	587,592	2.4%	78.1%	3	573,410	2.3%	37.0%
Washington	6	555,666	2.3%	90.3%	7	717,319	2.9%	89.4%
Tennessee	7	488,050	2.0%	94.4%	6	624,450	2.6%	97.4%
Illinois	3	415,011	1.7%	93.6%	3	415,011	1.7%	95.6%
Arizona	3	388,440	1.6%	99.1%	3	388,440	1.6%	99.3%
Massachusetts	2	382,820	1.5%	76.1%	—	—	—	—
Michigan	4	303,412	1.2%	87.6%	3	282,408	1.1%	95.5%
Delaware	2	240,418	1.0%	98.7%	2	240,418	1.0%	97.8%
Maryland	1	129,940	0.5%	67.0%	1	121,050	0.5%	49.6%
New Hampshire	2	125,173	0.5%	74.8%	2	112,752	0.5%	67.8%
Nevada	1	119,313	0.5%	87.4%	1	93,516	0.4%	73.6%
South Carolina	2	91,361	0.4%	94.7%	2	140,900	0.6%	91.2%
Indiana	3	54,486	0.2%	23.5%	1	90,735	0.4%	72.2%
Alabama	—	—	—	—	1	74,131	0.3%	96.8%
Total	218	24,654,082	100.0%	87.3%	213	24,382,276	100.0%	88.0%

The Consolidated Properties are encumbered by mortgage loans of $255.6 million.

The following table is a list of the shopping centers summarized by state and in order of largest holdings presented for the Unconsolidated Properties owned in joint ventures:

	December 31, 2006				December 31, 2005			
Location	# Properties	GLA	% of Total GLA	% Leased	# Properties	GLA	% of Total GLA	% Leased
California	25	3,659,982	16.2%	94.5%	25	3,536,174	16.2%	96.5%
Virginia	24	2,866,333	12.7%	95.8%	22	2,654,988	12.2%	95.6%
Florida	21	2,121,325	9.4%	92.1%	16	1,727,773	7.9%	91.7%
Maryland	17	1,928,389	8.6%	96.4%	20	2,314,733	10.6%	95.9%
Illinois	13	1,841,671	8.2%	96.3%	14	1,995,167	9.1%	95.9%
Georgia	16	1,327,034	5.9%	95.7%	17	1,440,250	6.6%	97.0%
North Carolina	7	1,246,007	5.5%	90.1%	6	1,144,161	5.2%	87.6%
Colorado	8	1,186,554	5.3%	94.5%	8	1,186,554	5.4%	96.3%
Texas	9	1,150,322	5.1%	97.4%	8	1,138,677	5.2%	95.4%
Pennsylvania	9	1,061,978	4.7%	96.8%	10	1,091,595	5.0%	95.5%
Washington	5	617,018	2.7%	98.3%	5	617,018	2.8%	98.4%
Minnesota	3	483,938	2.2%	96.5%	2	299,097	1.4%	97.3%
South Carolina	7	445,486	2.0%	98.0%	6	381,127	1.7%	97.9%
Delaware	3	414,269	1.8%	87.0%	3	414,269	1.9%	85.9%
Oregon	3	354,670	1.6%	96.5%	3	354,670	1.6%	96.6%
Kentucky	2	302,670	1.3%	95.0%	2	302,670	1.4%	94.7%
Wisconsin	2	269,128	1.2%	97.3%	3	372,382	1.7%	94.4%
Ohio	2	255,381	1.1%	99.0%	1	108,923	0.5%	97.6%
Alabama	2	193,558	0.9%	82.2%	2	193,558	0.9%	80.2%
Massachusetts	1	185,279	0.8%	99.4%	—	—	—	—
Connecticut	1	179,730	0.8%	100.0%	1	167,230	0.8%	100.0%
New Jersey	2	156,482	0.7%	97.8%	2	156,482	0.7%	97.8%
Indiana	2	138,884	0.6%	89.5%	2	138,884	0.6%	92.2%
Arizona	1	107,647	0.5%	100.0%	1	107,647	0.5%	100.0%
Dist. of Columbia	2	39,645	0.2%	89.4%	1	16,834	0.1%	100.0%
Total	187	22,533,380	100.0%	95.0%	180	21,860,863	100.0%	95.1%

The Unconsolidated Properties are encumbered by mortgage loans of $2.4 billion.

The following summarizes the four largest grocery tenants occupying our shopping centers at December 31, 2006:

Grocery Anchor	Number of Stores[(a)]	Percentage of Company-owned GLA[(b)]	Percentage of Annualized Base Rent[(b)]
Kroger	67	9.5%	6.4%
Publix	65	6.3%	4.1%
Safeway	65	5.8%	3.9%
Supervalu	35	3.6%	2.9%

(a) For the Combined Properties including stores owned by grocery anchors that are attached to our centers.
(b) GLA and annualized base rent include the Consolidated Properties plus Regency's pro-rata share of the Unconsolidated Properties.

Although base rent is supported by long-term lease contracts, tenants who file bankruptcy are able to cancel their leases and close their related stores. In the event that a tenant with a significant number of leases in our shopping centers files bankruptcy and cancels its leases, we could experience a significant reduction in our revenues. We continually monitor industry trends and sales data to help us identify declines in retail categories or tenants who might be experiencing financial difficulties. We continue to monitor the video rental industry while its operators transition to different rental formats including on-line rental programs. At December 31, 2006, we had leases with 137 video rental stores representing $9.8 million of annual rental income pertaining to Consolidated Properties and our pro-rata share of the Unconsolidated Properties. We are not aware at this time of the current or pending bankruptcy of any of our tenants that would cause a significant reduction in our revenues, and no tenant represents more than 7% of the total of our annual base rental revenues and our pro-rata share of the base revenues of the Unconsolidated Properties.

Liquidity and Capital Resources

We expect that cash generated from operating activities will provide the necessary funds to pay our operating expenses, interest expense, scheduled principal payments on outstanding indebtedness, capital expenditures necessary to maintain and improve our shopping centers, and dividends to stockholders. Net cash provided by operating activities was $216.8 million, $205.4 million and $181.5 million for the years ended December 31, 2006, 2005 and 2004, respectively. During 2006, 2005 and 2004, we incurred capital expenditures of $14.0 million, $14.4 million and $11.7 million to improve our shopping centers, we paid scheduled principal payments of $4.5 million, $5.5 million and $5.7 million to our lenders on mortgage loans, and we paid dividends to our stockholders and unit holders of $185.2 million, $167.4 million and $154.8 million, respectively. The increase in dividends during 2006 was primarily related to a $200 million equity offering completed during 2005, as described below under Equity Capital Transactions, and an increase in our annual dividend rate of 8.2%.

We intend to continue to grow our portfolio by investing in shopping centers through ground up development of new centers or acquisition of existing centers. Because development and acquisition activities are discretionary in nature, they are not expected to burden the capital resources we have currently available for liquidity requirements. We expect to meet our long-term capital investment requirements for development and acquisitions, as well as, the redemption of preferred stock and the repayment of maturing debt from: (i) residual cash generated from operating activities after the payments described above, (ii) proceeds from the sale of real estate, (iii) joint venturing of real estate, (iv) refinancing of debt, and (v) equity raised in the capital markets.

The following table summarizes net cash flows related to operating, investing and financing activities (in thousands):

	2006	2005	2004
Net cash provided by operating activities	**$ 216,815**	205,403	181,522
Net cash provided by (used in) investing activities	**38,231**	(484,778)	(38,318)
Net cash (used in) provided by financing activities	**(263,458)**	226,513	(77,753)
Net (decrease) increase in cash and equivalents	**$ (8,412)**	(52,862)	65,451

At December 31, 2006, we had an unlimited amount under our shelf registration for equity securities based on the new Securities and Exchange Commission ("SEC") rules and RCLP had $600 million available for debt under its shelf registration. We believe that our ability to access the capital markets as a source of funds to meet capital requirements is good.

At December 31, 2006 we had 47 properties under construction or undergoing major renovations on a Combined Basis, which when completed, will represent a net investment of $1.1 billion after projected sales of adjacent land and out-parcels. This compares to 31 projects that were under construction at the end of 2005 representing an investment of $735.1 million upon completion. We estimate that we will earn an average return on our investment on our current development projects of 7.9% on a fully allocated basis including direct internal costs and the cost to acquire any residual interests held by minority development partners. These average returns are approximately 110 basis points less than the projected yields on the developments that were under construction at the end of 2005, which is primarily the result of higher costs associated with the acquisition of land and construction. While the average return on investment has declined from historical levels, the Company believes that our development returns are sufficient on a risk adjusted basis. Costs necessary to complete the current development projects, net of projected land sales are estimated to be $532 million and will likely be expended through 2010. The costs to complete these developments will be funded from our $500 million line of credit, which had $379 million of available funding at December 31, 2006, and from expected proceeds from the future sale of shopping centers as part of the capital recycling program described above. In February 2007, we increased the commitment of our line of credit to $600 million with the ability to expand it to $750 million as discussed further below in Notes Payable.

On April 11, 2006, we acquired a 100% interest in a shopping center for a purchase price of $63.1 million which includes the assumption of $44.0 million in debt. The acquisition was accounted for as a business combination purchase and the results of its operations are included in the consolidated financial statements from the date of acquisition. During 2006, we also acquired six shopping centers through our joint ventures for a combined purchase price of $159.3 million as further described below.

During 2006, we sold 100% of our interest in 11 properties for proceeds of $149.6 million, net of debt repayments and closing costs. The operating income and gains from these properties and properties classified as held for sale are included in discontinued operations. We also sold partial interests in six completed development properties to our joint ventures for $135.0 million, or $100 million net after excluding our ownership interests in the joint ventures. The details of the sales to joint ventures are further described below.

Investments in Unconsolidated Real Estate Partnerships (Joint Ventures)

At December 31, 2006, we had investments in unconsolidated real estate partnerships of $434.1 million. The following is a summary of unconsolidated combined assets and liabilities of these joint ventures and our pro-rata share (see note below) at December 31, 2006 and 2005 (dollars in thousands):

	2006	2005
Number of Joint Ventures	**18**	15
Regency's Ownership	**20%–50%**	20%–50%
Number of Properties	**187**	180
Combined Assets	**$4,365,675**	$4,318,581
Combined Liabilities	**2,574,860**	2,533,991
Combined Equity	**1,790,815**	1,784,590
Regency's Share of[1]:		
Assets	**$1,106,803**	$1,383,069
Liabilities	**646,346**	818,439

(1) Pro-rata financial information is not, and is not intended to be, a presentation in accordance with generally accepted accounting principles. However, management believes that providing such information is useful to investors in assessing the impact of its unconsolidated real estate partnership activities on the operations of Regency, which includes such items on a single line presentation under the equity method in its consolidated financial statements.

We account for all investments in which we own 50% or less and do not have a controlling financial interest using the equity method. We have determined that these investments are not variable interest entities, and therefore are subject to the voting interest model in determining our basis of accounting. Major decisions, including property acquisitions not meeting pre-established investment criteria, dispositions, financings, annual budgets and dissolution of the ventures are subject to the approval of all partners. Investments in real estate partnerships are primarily composed of joint ventures where we invest with three co-investment partners and a recently formed open-end real estate fund ("Regency Retail Partners"), as further described below. In addition to earning our pro-rata share of net income in each of these partnerships, we receive fees for asset management, property management, investment and financing services. During the years ended December 31, 2006, 2005 and 2004, we received fees from these joint ventures of $30.8 million,

$26.8 million and $9.3 million, respectively. Our investments in real estate partnerships as of December 31, 2006 and 2005 consist of the following (in thousands):

	Ownership	2006	2005
Macquarie CountryWide-Regency (MCWR I)	25.00%	**$ 60,651**	61,375
Macquarie CountryWide Direct (MCWR I)	25.00%	**6,822**	7,433
Macquarie CountryWide-Regency II (MCWR II)(1)	24.95%	**234,378**	363,563
Macquarie CountryWide-Regency III (MCWR II)	24.95%	**1,140**	606
Columbia Regency Retail Partners (Columbia)	20.00%	**36,096**	36,659
Cameron Village LLC (Columbia)	30.00%	**20,826**	21,633
Columbia Regency Partners II (Columbia)	20.00%	**11,516**	2,093
RegCal, LLC (RegCal)	25.00%	**18,514**	14,921
Regency Retail Partners (the Fund)	26.80%	**5,139**	—
Other investments in real estate partnerships	50.00%	**39,008**	37,334
Total		**$434,090**	545,617

(1) At December 31, 2005, our ownership interest in Macquarie CountryWide-Regency II was 35% prior to the partial sale which is described below.

We co-invest with the Oregon Public Employees Retirement Fund in three joint ventures (collectively "Columbia"), in which we have ownership interests of 20% or 30%. As of December 31, 2006, Columbia owned 20 shopping centers, had total assets of $558.1 million, and net income of $11.6 million for the year ended. Our share of Columbia's total assets and net income was $123.9 million and $2.3 million, respectively. Our share of Columbia represents 3.4% of our total assets and 1.2% of our net income available for common stockholders. During 2006, Columbia acquired four shopping centers from unrelated parties for $97.0 million. We contributed $9.6 million for our proportionate share of the purchase price, which was net of $36.4 million of assumed mortgage debt and $13.3 million of financing obtained by Columbia. Columbia did not acquire any properties in 2005 and sold two shopping centers to an unrelated party for $47.6 million at a gain of $8.9 million.

We co-invest with the California State Teachers' Retirement System ("CalSTRS") in a joint venture ("RegCal") in which we have a 25% ownership interest. As of December 31, 2006, RegCal owned nine shopping centers, had total assets of $182.9 million, and had net income of $1.7 million for the year ended. Our share of RegCal's total assets and net income was $45.7 million and $516,613, respectively. Our share of RegCal represents 1.2% of our total assets and less than 1% of our net income available for common stockholders, respectively. During 2006, RegCal acquired two shopping centers from unrelated parties for $37.3 million. We contributed $4.1 million for our proportionate share of the purchase price, which was net of financing obtained by RegCal. During 2005, RegCal acquired two shopping centers from an unrelated party for a purchase price of $20.0 million. The Company contributed $1.7 million for its proportionate share of the purchase price, which was net of loan financing assumed by RegCal.

We co-invest with Macquarie CountryWide Trust of Australia ("MCW") in four joint ventures, two in which we have an ownership interest of 25% ("MCWR I"), and two in which we have an ownership interest of 24.95% ("MCWR II").

As of December 31, 2006, MCWR I owned 50 shopping centers, had total assets of $728.3 million, and net income of $18.2 million for the year ended. Our share of MCWR I's total assets and net income was $181.5 million and $5.4 million, respectively. During 2006, MCWR I sold two shopping centers for $28.0 million to unrelated parties for a gain of $7.8 million, and acquired one shopping center from an unrelated party for a purchase price of $25.0 million. We contributed $748,466 for our proportionate share of the purchase price, which was net of $12.5 million of assumed mortgage debt and $10.4 million in 1031 proceeds. During 2005, MCWR I acquired one shopping center from an unrelated party for a purchase price of $24.4 million. The Company contributed $4.5 million for its proportionate share of the purchase price, which was net of loan financing placed on the shopping center by MCWR I. In addition, MCWR I acquired two properties from the Company valued at $31.9 million, for which the Company received cash of $25.7 million for MCW's proportionate share. During 2005, MCWR I sold four shopping centers to unrelated parties for $34.7 million with a gain of $582,910.

On June 1, 2005, MCWR II closed on the acquisition of a retail shopping center portfolio (the "First Washington Portfolio") for a purchase price of approximately $2.8 billion, including the assumption of approximately $68.6 million of mortgage debt and the issuance of approximately $1.6 billion of new mortgage loans on the properties acquired. The First Washington Portfolio acquisition was accounted for as a purchase business combination by MCWR II. At December 31, 2005, MCWR II was owned 64.95% by an affiliate of MCW, 34.95% by Regency and 0.1% by Macquarie-Regency Management, LLC ("US Manager"). US Manager is owned 50% by Regency and 50% by an affiliate of Macquarie Bank Limited. On January 13, 2006, we sold a portion of our investment in MCWR II to MCW for net cash of $113.2 million and reduced our ownership interest from 35% to 24.95%, and recorded a gain of $9.5 million on the partial sale of our interest. The proceeds from the sale were used to reduce our unsecured line of credit. At December 31, 2006, MCWR II is owned 75% by MCW's affiliate, 24.90% by Regency and 0.1% by US Manager. Including our share of US Manager, our effective ownership is 24.95% and is reflected as such under the equity method in the accompanying consolidated financial statements.

As of December 31, 2006, MCWR II owned 97 shopping centers, had total assets of $2.7 billion and a net loss of $24.7 million for the year ended. Our share of MCWR II's total assets and net loss was $676.0 million and $7.0 million, respectively. As a result of the significant amount of depreciation and amortization expense being recorded by MCWR II in connection with the acquisition of the First Washington Portfolio, the joint venture may continue to report a net loss in future years, but is expected to produce positive cash flow from operations. During 2006, MCWR II sold eight shopping centers for $122.4 million to unrelated parties for a gain of $1.5 million. MCWR II acquired four shopping centers from us for a sales price of $62.4 million, or $46.8 million on a net basis after excluding our 24.95% ownership interest. During 2005, MCWR II sold one shopping center for $9.7 million to an unrelated party with a gain of $35,127.

Our investment in the four joint ventures with MCW totals $303.0 million and represents 8.3% of our total assets at December 31, 2006. Our pro-rata share of the assets and net loss of these ventures was $857.5 million and $1.6 million, respectively, which represents 23.4% and less than 1% of our total assets and net income available for common stockholders, respectively.

In December, 2006, we formed Regency Retail Partners (the "Fund"), an open-end, infinite-life investment fund in which we currently have an ownership interest of 26.8%. We expect to reduce our ownership interest to 20% during 2007 as other partners are admitted into the Fund. The Fund will have the exclusive right to acquire all future Regency-developed large format community centers upon stabilization that meet the Fund's investment criteria. A community center is generally defined as a shopping center with at least 250,000 square feet of GLA including tenant-owned GLA.

As of December 31, 2006, the Fund owned two shopping centers, had total assets of $76.1 million and net income of $25,633 for the year ended. The Fund acquired two community shopping centers from us for a sales price of $72.6 million, or $53.1 million on a net basis after excluding our 26.8% ownership interest. Our share of the Fund's total assets and net income was $20.4 million and $6,870, respectively. Our share of the Fund represents less than 1% of our total assets and net income available for common stockholders.

Recognition of gains from sales to joint ventures is recorded on only that portion of the sales not attributable to our ownership interest. The gains and operations are not recorded as discontinued operations because of our continuing involvement in these shopping centers. Columbia, RegCal, the joint ventures with MCW, and the Fund intend to continue to acquire retail shopping centers, some of which they may acquire directly from us. For those properties acquired from unrelated parties, we are required to contribute our pro-rata share of the purchase price to the partnerships.

Contractual Obligations

We have debt obligations related to our mortgage loans, unsecured notes, and our unsecured line of credit as described further below. We have shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to us to construct and/or operate a shopping center. In addition, we have non-cancelable operating leases pertaining to office space from which we conduct our business. The table excludes obligations for approximately $3.8 million related to environmental remediation as discussed below under Environmental Matters as the timing of the remediation is not currently known. The table also excludes obligations related to construction or development contracts because payments are only due upon the satisfactory performance under the contract. Costs necessary to complete the 47 development projects currently in process are estimated to be $532 million and will likely be expended through 2010.

The following table summarizes our debt maturities including interest, (excluding recorded debt premiums that are not obligations), and obligations under non-cancelable operating leases as of December 31, 2006, including our pro-rata share of obligations within unconsolidated joint ventures (in thousands):

Contractual Obligations	2007	2008	2009	2010	2011	Beyond 5 years	Total
Notes Payable:							
Regency [(1)]	$309,306	110,879	147,394	301,393	382,087	936,093	2,187,152
Regency's share of JV	23,337	21,918	34,868	163,854	129,460	234,839	608,276
Operating Leases:							
Regency	4,740	4,478	4,322	4,169	4,094	18,055	39,858
Regency's share of JV	—	—	—	—	—	—	—
Ground Leases:							
Regency	1,205	534	534	541	542	23,456	26,812
Regency's share of JV	261	261	262	270	269	13,383	14,706
Total	$338,849	138,070	187,380	470,227	516,452	1,225,826	2,876,804

(1) Amounts include interest payments based on contractual terms and current interest rates for variable rate debt.

Notes Payable

Outstanding debt at December 31, 2006 and 2005 consists of the following (in thousands):

	2006	2005
Notes Payable:		
Fixed rate mortgage loans	**$ 186,897**	175,403
Variable rate mortgage loans	**68,662**	77,906
Fixed rate unsecured loans	**1,198,827**	1,198,633
Total notes payable	**1,454,386**	1,451,942
Unsecured line of credit	**121,000**	162,000
Total	**$1,575,386**	1,613,942

Mortgage loans are secured and may be prepaid, but could be subject to yield maintenance premiums. Mortgage loans are generally due in monthly installments of interest and principal, and mature over various terms through 2017. Variable interest rates on mortgage loans are currently based on LIBOR, plus a spread in a range of 90 to 130 basis points. Fixed interest rates on mortgage loans range from 5.22% to 8.95% and average 6.53%.

At December 31, 2006, we had an unsecured revolving line of credit (the "Line") with an outstanding balance of $121 million. Contractual interest rates on the Line, which are based on LIBOR plus .75%, were 6.125% and 5.125% at December 31, 2006 and 2005, respectively. The spread that we pay on the Line is dependent upon maintaining specific investment-grade ratings. We are also required to comply, and are in compliance, with certain financial covenants such as Minimum Net Worth, Total Liabilities to Gross Asset Value ("GAV"), Recourse Secured Debt to GAV, Fixed Charge Coverage and other covenants customary with this type of unsecured financing. The Line is used primarily to finance the development and acquisition of real estate, but is also available for general working-capital purposes.

In February 2007, we entered into a new loan agreement under the Line which increased the commitment to $600 million with the right to increase the facility size to $750 million. The contractual interest rate will be reduced to LIBOR plus .55% based upon our current debt ratings and will have an initial term of 48 months followed by a 12 month extension option. The Line will continue to be subject to similar financial covenants and investment-grade ratings as exist currently.

As of December 31, 2006, scheduled principal repayments on notes payable and the Line were as follows (in thousands):

Scheduled Principal Payments by Year	Scheduled Principal Payments	Term Loan Maturities	Total Payments
2007 (includes the Line)	$ 3,505	213,134	216,639
2008	3,352	19,618	22,970
2009	3,352	53,088	56,440
2010	3,190	177,208	180,398
2011	3,191	251,123	254,314
Beyond 5 Years	8,764	834,292	843,056
Unamortized debt premiums	—	1,569	1,569
Total	$25,354	1,550,032	1,575,386

Our investments in real estate partnerships had notes and mortgage loans payable of $2.4 billion at December 31, 2006, which mature through 2028. Our proportionate share of these loans was $610.8 million, of which 94.7% had average fixed interest rates of 5.2% and the remaining had variable interest rates based on LIBOR plus a spread in a range of 90 to 125 basis points. The loans are primarily non-recourse, but for those that are guaranteed by a joint venture, our liability does not extend beyond our ownership percentage of the joint venture.

We are exposed to capital market risk such as changes in interest rates. In order to manage the volatility related to interest-rate risk, we originate new debt with fixed interest rates, or we may enter into interest-rate hedging arrangements. We do not utilize derivative financial instruments for trading or speculative purposes. We engage outside experts who evaluate and make recommendations about hedging strategies when appropriate. We account for derivative instruments under Statement of Financial Accounting Standards SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended ("Statement 133"). On March 10, 2006, we entered into four forward-starting interest rate swaps totaling $396.7 million with fixed rates of 5.399%, 5.415%, 5.399% and 5.415%. The Company designated these swaps as cash flow hedges to fix the rate on $400 million of new financing expected to occur in 2010 and 2011, the proceeds of which will be used to repay maturing debt at that time. The change in fair value of these swaps from inception was a liability of $2.9 million at December 31, 2006, and is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheet and in accumulated other comprehensive income (loss) in the consolidated statement of stockholders' equity and comprehensive income (loss).

At December 31, 2006, 88.0% of our total debt had fixed interest rates, compared with 85.1% at December 31, 2005. We intend to limit the percentage of variable interest-rate debt to be no more than 30% of total debt, which we believe to be an acceptable risk. Currently, our variable rate debt represented 12.0% of our total debt. Based upon the variable interest-rate debt outstanding at December 31, 2006, if variable interest rates were to increase by 1%, our annual interest expense would increase by $1.9 million.

Equity Transactions

From time to time, we issue equity in the form of exchangeable operating partnership units or preferred units of RCLP, or in the form of common or preferred stock of Regency Centers Corporation. As previously discussed, these sources of long-term equity financing allow us to fund our growth while maintaining a conservative capital structure.

Preferred Units

We have issued Preferred Units in various amounts since 1998, the net proceeds of which were used to reduce the balance of the Line. We issue Preferred Units primarily to institutional investors in private placements. Generally, the Preferred Units may be exchanged by the holders for Cumulative Redeemable Preferred Stock at an exchange rate of one share for one unit. The Preferred Units and the related Preferred Stock are not convertible into Regency common stock. At December 31, 2006 and 2005, only the Series D Preferred Units were outstanding with a face value of $50 million and a fixed distribution rate of 7.45%. These Units may be called by us in 2009, and have no stated maturity or mandatory redemption. Included in the Series D Preferred Units are original issuance costs of $842,023 that will be expensed if they are redeemed in the future.

Preferred Stock

As of December 31, 2006, we had three series of Preferred Stock outstanding, two of which underlie depositary shares held by the public. The depositary shares each represent 1/10th of a share of the underlying preferred stock and have a liquidation preference of $25 per depository share. In 2003, we issued 7.45% Series 3 Cumulative Redeemable Preferred Stock underlying 3 million depositary shares. In 2004, we issued 7.25% Series 4 Cumulative Redeemable Preferred Stock underlying 5 million depositary shares. In 2005, we issued 3 million shares, or $75 million of 6.70% Series 5 Preferred Stock, with a liquidation preference of $25 per share. All series of Preferred Stock are perpetual, are not convertible into common stock of the Company and are redeemable at par upon our election five years after the issuance date. The terms of the Preferred Stock do not contain any unconditional obligations that would require us to redeem the securities at any time or for any purpose.

Common Stock

On April 5, 2005, we entered into an agreement to sell 4,312,500 shares of common stock to an affiliate of Citigroup Global Markets Inc. ("Citigroup") at $46.60 per share, in connection with a forward sale agreement (the "Forward Sale Agreement"). On August 1, 2005, we issued 3,782,500 shares to Citigroup for net proceeds of approximately $175.5 million and on September 7, 2005, the remaining 530,000 shares were issued for net proceeds of $24.4 million. The proceeds from these sales were used to reduce the unsecured line of credit and redeem the Series E and Series F Preferred Units.

Critical Accounting Policies and Estimates

Knowledge about our accounting policies is necessary for a complete understanding of our financial results, and discussion and analysis of these results. The preparation of our financial statements requires that we make certain estimates that impact the balance of assets and liabilities at a financial statement date and the reported amount of income and expenses during a financial reporting period. These accounting estimates are based upon, but not limited to, our judgments about historical results, current economic activity, and industry accounting standards. They are considered to be critical because of their significance to the financial statements and the possibility that future events may differ from those judgments, or that the use of different assumptions could result in materially different estimates. We review these estimates on a periodic basis to ensure reasonableness. However, the amounts we may ultimately realize could differ from such estimates.

Revenue Recognition and Tenant Receivables—Tenant receivables represent revenues recognized in our financial statements, and include base rent, percentage rent, and expense recoveries from tenants for common area maintenance costs, insurance and real estate taxes. We analyze tenant receivables, historical bad debt levels, customer credit worthiness and current economic trends when evaluating the adequacy of our allowance for doubtful accounts. In addition, we analyze the accounts of tenants in bankruptcy, and we estimate the recovery of pre-petition and post-petition claims. Our reported net income is directly affected by our estimate of the recoverability of tenant receivables.

Recognition of Gains from the Sales of Real Estate—We account for profit recognition on sales of real estate in accordance with SFAS Statement No. 66, "Accounting for Sales of Real Estate." Profits from sales of real estate will not be recognized by us unless (i) a sale has been consummated; (ii) the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property; (iii) we have transferred to the buyer the usual risks and rewards of ownership; and (iv) we do not have significant continuing involvement with the property. Recognition of gains from sales to joint ventures is recorded on only that portion of the sales not attributable to our ownership interest.

Capitalization of Costs—We capitalize the acquisition of land, the construction of buildings and other specifically identifiable development costs incurred by recording them into "Properties in Development" on our consolidated balance sheets. Other development costs include pre-development costs essential to the development of the property, as well as, interest, real estate taxes, and direct employee costs incurred during the development period. Pre-development costs are incurred prior to land acquisition during the due diligence phase and include contract deposits, legal, engineering and other professional fees related to evaluating the feasibility of developing a shopping center. If we were to determine that the development of a specific project undergoing due diligence was no longer probable, we would immediately expense all related capitalized pre-development costs not considered recoverable. Interest costs are capitalized into each development project based on applying our weighted average borrowing rate to that portion of the actual development costs expended. We cease interest capitalization when the property is available for occupancy upon substantial completion of tenant improvements. We have a large staff of employees who support the due diligence, land acquisition, construction, leasing, financial analysis and accounting of our development program. All direct internal costs related to development activities are capitalized as part of each development project. If future accounting standards limit the amount of internal costs that may be capitalized, or if our development activity were to decline significantly without a proportionate decrease in internal costs, we could incur a significant increase in our operating expenses.

Real Estate Acquisitions—Upon acquisition of operating real estate properties, we estimate the fair value of acquired tangible assets (consisting of land, building and improvements), and identified intangible assets, liabilities (consisting of above- and below-market leases, in-place leases and tenant relationships) and assumed debt in accordance with SFAS No. 141, "Business Combinations" ("Statement 141"). Based on these estimates, we allocate the purchase price to the applicable assets and liabilities. We utilize methods similar to those used by independent appraisers in estimating the fair value of acquired assets and liabilities. We evaluate the useful lives of amortizable intangible assets each reporting period and account for any changes in estimated useful lives over the revised remaining useful life.

Valuation of Real Estate Investments—Our long-lived assets, primarily real estate held for investment, are carried at cost unless circumstances indicate that the carrying value of the assets may not be recoverable. We review long-lived assets for impairment whenever events or changes in circumstances indicate such an evaluation is warranted. The review involves a number of assumptions and estimates used to determine whether impairment exists. Depending on the asset, we use varying methods such as i) estimating future cash flows, ii) determining resale values by market, or iii) applying a capitalization rate to net operating income using prevailing rates in a given market. These methods of determining fair value can fluctuate significantly as a result of a number of factors, including changes in the general economy of those markets in which we operate, tenant credit quality and demand for new retail stores. If we determine that the carrying amount of a property is not recoverable and exceeds its fair value, we will write down the asset to fair value for "held-and-used" assets and to fair value less costs to sell for "held-for-sale" assets.

Discontinued Operations—The application of current accounting principles that govern the classification of any of our properties as held-for-sale on the balance sheet, or the presentation of results of operations and gains on the sale of these properties as discontinued, requires management to make certain significant judgments. In evaluating whether a property meets the criteria set forth by SFAS No. 144 "Accounting for the Impairment and Disposal of Long-Lived Assets" ("Statement 144"), the Company makes a determination as to the point in time that it can be reasonably certain that a sale will be consummated. Given the nature of all real estate sales contracts, it is not unusual for such contracts to allow potential buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period, or may not close at all. Due to these uncertainties, it is not likely that the Company can meet the criteria of Statement 144 prior to the sale formally closing. Therefore, any properties categorized as held for sale represent only those properties that management has determined are likely to close within the requirements set forth in Statement 144. The Company also makes judgments regarding the extent of involvement it will have with a property subsequent to its sale, in order to determine if the results of operations and gain on sale should be reflected as discontinued. Consistent with Statement 144, any property sold to an entity in which the Company has significant continuing involvement (most often joint ventures) is not considered to be discontinued. In addition, any property which the Company sells to an unrelated third party, but retains a property or asset management function, is also not considered discontinued. Therefore, only properties sold, or to be sold, to unrelated third parties that the Company, in its judgment, has no significant continuing involvement with are classified as discontinued.

Investments in Real Estate Joint Ventures—In addition to owning real estate directly, we invest in real estate through our co-investment joint ventures. Joint venturing provides us with a capital source to acquire real estate, and to earn our pro-rata share of the net income from the joint ventures in addition to fees for services. As asset and property manager, we conduct the business of the Unconsolidated Properties held in the joint ventures in the same way that we conduct the business of the Consolidated Properties that are wholly-owned; therefore, the Critical Accounting Policies as described are also applicable to our investments in the joint ventures. We account for all investments in which we own 50% or less and do not have a controlling financial interest using the equity method. We have determined that these investments are not variable interest entities as defined in the FASB Interpretation No. 46(R) "Consolidation of Variable Interest Entities" and do not require consolidation under EITF Issue No. 04-5 "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights", and therefore, are subject to the voting interest model in determining our basis of accounting. Major decisions, including property acquisitions and dispositions, financings, annual budgets and dissolution of the ventures are subject to the approval of all partners, or in the case of The Fund, its advisory committee.

Income Tax Status—The prevailing assumption underlying the operation of our business is that we will continue to operate in order to qualify as a REIT, as defined under the Internal Revenue Code. We are required to meet certain income and asset tests on a periodic basis to ensure that we continue to qualify as a REIT. As a REIT, we are allowed to reduce taxable income by all or a portion of our distributions to stockholders. We evaluate the transactions that we enter into and determine their impact on our REIT status. Determining our taxable income, calculating distributions, and evaluating transactions requires us to make certain judgments and estimates as to the positions we take in our interpretation of the Internal Revenue Code. Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, our positions are subject to change at a later date upon final determination by the taxing authorities.

Recent Accounting Pronouncements

In September 2006, the SEC's staff issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." This Bulletin requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. The guidance in this Bulletin must be applied to financial reports covering the first fiscal year ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on our consolidated financial statements.

In September 2006, the FASB issued Statement No. 157 "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments transactions under FASB Statement No. 123(R). This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. As Statement No. 157 does not require any new fair value measurements or remeasurements of previously computed fair values, we do not believe adoption of this Statement will have a material effect on our consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. We will adopt this

Interpretation in the first quarter of 2007. The cumulative effects, if any, of applying this Interpretation will be recorded as an adjustment to retained earnings as of the beginning of the period of adoption. We have begun the process of evaluating the expected effect of FIN 48 and the adoption is not expected to have a material effect on our consolidated financial statements.

In April 2006, the FASB issued FSP FIN No. 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)", that became effective beginning in the third quarter of 2006. FSP FIN No. 46(R)-6 clarifies that the variability to be considered in applying Interpretation 46(R) shall be based on an analysis of the design of the variable interest entity. The adoption of this FSP has not had a material effect on our consolidated financial statements.

In October 2005, the FASB Issued Staff Position No. FAS 13-1 "Accounting for Rental Costs Incurred during a Construction Period". This FSP requires that rental costs associated with ground or building operating leases incurred during a construction period be recognized as rental expense. However, FSP No. FAS 13-1 does not address lessees that account for the sale or rental of real estate projects under FASB Statement No. 67 "Accounting for Costs and Initial Rental Operations of Real Estate Projects", and therefore we will continue to apply FASB Statement No. 67.

Results from Operations

Comparison of the years ended December 31, 2006 to 2005

At December 31, 2006, on a Combined Basis, we were operating or developing 405 shopping centers, as compared to 393 shopping centers at the end of 2005. We identify our shopping centers as either development properties or operating properties. Development properties are defined as properties that are in the construction or initial lease-up process and have not reached their initial full occupancy (reaching full occupancy generally means achieving at least 93% leased and rent paying on newly constructed or renovated GLA). At December 31, 2006, on a Combined Basis, we were developing 47 properties, as compared to 31 properties at the end of 2005.

Our revenues increased by $39.7 million, or 10%, to $420.3 million in 2006, as summarized in the following table (in thousands):

	2006	2005	Change
Minimum rent	**$295,391**	273,405	21,986
Percentage rent	**4,428**	4,364	64
Recoveries from tenants	**86,134**	77,756	8,378
Management and other fees	**31,805**	28,019	3,786
Equity in income (loss) of investments in real estate partnerships	**2,580**	(2,908)	5,488
Total revenues	**$420,338**	380,636	39,702

The increase in revenues was primarily related to higher minimum rent from growth in rental rates from renewing expiring leases or re-leasing vacant space in the operating properties, and from new minimum rent generated from recently completed developments commencing operations in the current year. In addition to collecting minimum rent from our tenants, we also collect percentage rent based upon their sales volumes. Recoveries from tenants represents reimbursements from tenants for their pro-rata share of the operating, maintenance and real estate tax expenses that we incur to operate our shopping centers.

We earn fees for asset management, property management, leasing, investing and financing services that we provide to our joint ventures and third parties summarized as follows (in thousands):

	2006	2005	Change
Property management fees	**$11,041**	7,496	3,545
Asset management fees	**5,977**	5,106	871
Commissions	**3,104**	947	2,157
Investing and financing fees	**11,683**	14,470	(2,787)
	$31,805	28,019	3,786

Property management fees increased in 2006 as a result of managing the First Washington Portfolio for MCWR II, which was acquired on June 1, 2005. This also resulted in higher leasing commissions earned during 2006. Investing and financing fees are transaction based and not necessarily recurring. The fees earned in 2005 related to the initial acquisition of the First Washington Portfolio by MCWR II. During 2006, we earned additional fees from MCWR II for achieving certain income performance results related to the First Washington Portfolio although lower than the amount earned in 2005.

Our equity in income of real estate partnerships (joint ventures) increased $5.5 million to $2.6 million in 2006 as follows (in thousands):

	2006	2005	Change
Macquarie CountryWide-Regency (MCWR I)	**$ 4,747**	1,601	3,146
Macquarie CountryWide Direct (MCWR I)	**615**	578	37
Macquarie CountryWide-Regency II (MCWR II)	**(7,005)**	(11,228)	4,223
Macquarie CountryWide-Regency III (MCWR II)	**(38)**	(47)	9
Columbia Regency Retail Partners (Columbia)	**2,350**	4,241	(1,891)
Cameron Village LLC (Columbia)	**(119)**	(98)	(21)
Columbia Regency Partners II (Columbia)	**62**	63	(1)
RegCal, LLC (RegCal)	**517**	609	(92)
Regency Retail Partners (the Fund)	**7**	—	7
Other investments in real estate partnerships	**1,444**	1,373	71
Total	**$ 2,580**	(2,908)	5,488

The increase was primarily a result of MCWR II earning revenues for a full year from the First Washington Portfolio as compared to seven months during 2005 and incurring lower amortization expense in the First Washington Portfolio during 2006. MCWR I recorded higher gains in 2006 from the sale of real estate as compared to 2005.

Our operating expenses increased by $35.0 million, or 17%, to $240.5 million in 2006 related to increased operating and maintenance costs, general and administrative costs and depreciation expense, as further described below. The following table summarizes our operating expenses (in thousands):

	2006	2005	Change
Operating, maintenance and real estate taxes	**$ 94,405**	88,062	6,343
General and administrative	**45,495**	37,815	7,680
Depreciation and amortization	**84,694**	76,925	7,769
Other expenses	**15,927**	2,758	13,169
Total operating expenses	**$240,521**	205,560	34,961

The increase in operating, maintenance, and real estate taxes was primarily due to shopping center developments that were recently completed and did not incur operating expenses for a full 12 months during the previous year, and to general price increases incurred by the operating properties. On average, approximately 80% of these costs are recovered from our tenants as expense reimbursements and included in our revenues.

The increase in general and administrative expense is related to additional salary costs for new employees hired to manage the First Washington Portfolio under a property management agreement with MCWR II as well as staffing increases related to increases in our shopping center development program.

The increase in depreciation and amortization expense is primarily related to new development properties recently completed and placed in service in the current year, or if placed in service in the previous year, were not operational for a full 12 months.

The increase in other expenses pertains to an increase in the income tax provision of Regency Realty Group, Inc. ("RRG"), our taxable REIT subsidiary, from $493,709 in 2005 to $11.8 million in 2006. RRG is subject to federal and state income taxes and files separate tax returns. RCLP also incurred intangible taxes of $1.8 million in 2006 as compared to $352,416 in 2005.

Our interest expense, net of interest capitalization decreased $6.8 million to $79.7 million in 2006 from $86.5 million in 2005. This decrease is attributable to a higher level of interest incurred that is directly related to the construction of new shopping centers and therefore capitalized into properties under development.

During 2006, we capitalized interest of $24.0 million as compared to $12.4 million in 2005. The average balance of development in process was $553 million in 2006 as compared to $390 million in 2005. Average interest rates on our outstanding debt increased to 6.45% at December 31, 2006 compared to 6.34% at December 31, 2005. Our weighted average outstanding debt at December 31, 2006 and 2005 was $1.6 billion.

Gains from the sale of real estate were $65.6 million in 2006 as compared to $19.0 million in 2005. 2006 includes $20.2 million from the sale of 30 out-parcels for net proceeds of $53.5 million, $35.9 million from the sale of six shopping centers to joint ventures for net proceeds of $122.7 million; and a $9.5 million gain related to the partial sale of our interest in MCWR II, as discussed previously. 2005 includes $8.7 million in gains from the sale of 26 out-parcels for net proceeds of $29.0 million and $10.3 million in gains related to the sale of three development properties and one operating property. These gains are included in continuing operations rather than discontinued operations because they were either properties that had no operating income, or they were properties sold to joint ventures where we have continuing involvement through our equity investment.

We review our real estate portfolio for impairment whenever events or changes in circumstances indicate that we may not be able to recover the carrying amount of an asset. We determine whether impairment has occurred by comparing the property's carrying value to an estimate of fair value based upon methods described in our Critical Accounting Policies. In the event a property is impaired, we write down the asset to fair value for "held-and-used" assets and to fair value less costs to sell for "held-for-sale" assets. During 2006 and 2005, we established provisions for loss of $500,000 and $550,000 respectively, to adjust operating properties to their estimated fair values.

Income from discontinued operations was $63.4 million in 2006 related to eight operating and three development properties sold to unrelated parties for net proceeds of $149.6 million. Income from discontinued operations was $65.5 million in 2005 related to nine operating and five development properties sold to unrelated parties for net proceeds of $175.2 million and to the operations of shopping centers sold or classified as held-for-sale in 2006 and 2005. In compliance with Statement 144, if we sell an asset in the current year, we are required to reclassify its operating income into discontinued operations for all prior periods. This practice results in a reclassification of amounts previously reported as continuing operations into discontinued operations. Our income from discontinued operations is shown net of minority interest of exchangeable operating partnership units totaling $881,971 and $1.3 million, for the years ended December 31, 2006 and 2005, respectively, and income taxes totaling $3.6 million for the year ended December 31, 2005.

Minority interest of preferred units declined $4.4 million to $3.7 million in 2006 as a result of redeeming $125 million of preferred units in 2005. Preferred stock dividends increased $2.9 million to $19.7 million in 2006 as a result of the issuance of $75 million of preferred stock in 2005.

Net income for common stockholders increased $52.9 million to $198.8 million in 2006 as compared with $145.9 million in 2005 primarily related to increases in revenues described above and higher gains recognized from sale of real estate. Diluted earnings per share was $2.89 in 2006 as compared to $2.23 in 2005, or 30% higher.

Comparison of the years ended December 31, 2005 to 2004

At December 31, 2005, on a Combined Basis, we were operating or developing 393 shopping centers, as compared to 291 shopping centers at the end of 2004. At December 31, 2005, on a Combined Basis, we were developing 31 properties, as compared to 34 properties at the end of 2004.

Our revenues increased by $23 million, or 6%, to $380.6 million in 2005, as summarized in the following table (in thousands):

	2005	2004	Change
Minimum rent	$273,405	259,684	13,721
Percentage rent	4,364	3,738	626
Recoveries from tenants	77,756	73,362	4,394
Management and other fees	28,019	10,663	17,356
Equity in (loss) income of investments in real estate partnerships	(2,908)	10,194	(13,102)
Total revenues	$380,636	357,641	22,995

The increase in revenues was primarily related to higher minimum rent from growth in rental rates from renewing expiring leases or re-leasing vacant space in the operating properties, and from new minimum rent generated from recently completed developments commencing operations in the current year. In addition to collecting minimum rent from our tenants, we also collect percentage rent based upon their sales volumes. During 2005, increased tenant sales volumes resulted in a 17% increase in our percentage rent. Recoveries from tenants represents reimbursements from tenants for their pro-rata share of the operating, maintenance and real estate tax expenses that we incur to operate our shopping centers.

We earn fees for asset management, property management, leasing, investing and financing services that we provide to our joint ventures and third parties summarized as follows (in thousands):

	2005	2004	Change
Property management fees	$ 7,496	3,777	3,719
Asset management fees	5,106	3,101	2,005
Commissions	947	1,263	(316)
Investing and financing fees	14,470	2,522	11,948
	$28,019	10,663	17,356

As a result of MCWR II acquiring the First Washington Portfolio on June 1, 2005, we recorded $13.8 million in fees related to investing and financing services that we provided to MCWR II. MCWR II paid us approximately $21.2 million for these services, however, the amount recognized as fee income includes only that portion of fees paid by the venture not owned by us. We managed the First Washington Portfolio for a period of seven months during 2005, and received property management fees from MCWR II, which accounted for the majority of the increase in property management fees above 2004. We also received higher property management and asset management fees from our other joint ventures during 2005 related to acquisitions that they completed during 2004 and 2005.

Our equity in income of real estate partnerships (joint ventures) declined $13.1 million to a loss of $2.9 million in 2005 as follows (in thousands):

	2005	2004	Change
Macquarie CountryWide-Regency (MCWR I)	$ 1,601	2,997	(1,396)
Macquarie CountryWide Direct (MCWR I)	578	535	43
Macquarie CountryWide-Regency II (MCWR II)	(11,228)	—	(11,228)
Macquarie CountryWide-Regency III (MCWR II)	(47)	—	(47)
Columbia Regency Retail Partners (Columbia)	4,241	4,103	138
Cameron Village LLC (Columbia)	(98)	8	(106)
Columbia Regency Partners II (Columbia)	63	1	62
RegCal, LLC (RegCal)	609	18	591
Other investments in real estate partnerships	1,373	2,532	(1,159)
Total	$ (2,908)	10,194	(13,102)

The loss was a result of the significant amount of depreciation and amortization expense recorded by MCWR II related to its acquisition of the First Washington Portfolio on June 1, 2005. Excluding the depreciation and amortization, MCWR II produced positive cash flow from operations during the period.

Our operating expenses increased by $10.1 million, or 5%, to $205.6 million in 2005 related to increased operating and maintenance costs, general and administrative costs and depreciation expense, as further described below. The following table summarizes our operating expenses (in thousands):

	2005	2004	Change
Operating, maintenance and real estate taxes	$ 88,062	84,340	3,722
General and administrative	37,815	30,282	7,533
Depreciation and amortization	76,925	72,769	4,156
Other expenses	2,758	8,043	(5,285)
Total operating expenses	$205,560	195,434	10,126

The increase in operating, maintenance, and real estate taxes was primarily due to shopping center developments that were recently completed and did not incur operating expenses for a full 12 months during the previous year, and to general price increases incurred by the operating properties. On average, approximately 80% of these costs are recovered from our tenants as expense reimbursements and included in our revenues.

The increase in general and administrative expense is related to additional salary costs for new employees necessary to manage the First Washington Portfolio under a property management agreement with MCWR II and higher stock based compensation expenses associated with the early adoption of Statement 123(R), which requires the expensing of stock options. During 2005, we recorded compensation expense associated with stock options of $1.4 million.

The increase in depreciation and amortization expense is primarily related to new development properties recently completed and placed in service in the current year, or if placed in service in the previous year, were not operational for a full 12 months.

The reduction in other expenses pertains to a decline in the income tax provision of RRG from $6.5 million in 2004 to $493,709 in 2005.

Our interest expense, net of interest capitalization, increased $6.8 million to $86.5 million in 2005 from $79.7 million in 2004 primarily related to the financing of our investment in MCWR II. During 2005, we capitalized interest of $12.4 million as compared to $11.2 million in 2004. Interest incurred that is directly related to the construction of new shopping centers is capitalized into properties under development. On June 1, 2005, we borrowed $275 million on the Bridge Loan and $122 million on the Line to fund our investment. During July and August, we repaid the Bridge Loan and reduced the Line using a portion of the proceeds from the $200 million Forward Sale Agreement, a $75 million preferred stock offering and the issuance of $350 million of 5.48% fixed rate debt. Average interest rates on our outstanding debt increased to 6.34% at December 31, 2005 compared to 6.24% at December 31, 2004. Our weighted average outstanding debt at December 31, 2005 was $1.6 billion compared to $1.5 billion at December 31, 2004.

Gains from the sale of operating properties and properties in development were $19.0 million in 2005 as compared to $39.4 million in 2004. Included in 2005 are gains of $8.7 million from the sale of 26 out-parcels for net proceeds of $29.0 million and gains of $10.3 million related to the sale of three development properties and one operating property. Included in 2004 are gains of $18.9 million from the sale of 41 out-parcels for net proceeds of $60.4 million and gains of $20.5 million from shopping centers sold. These gains are included in continuing operations rather than discontinued operations because they were either properties that had no operating income, or they were properties sold to joint ventures where we have continuing involvement through our equity investment.

We review our real estate portfolio for impairment whenever events or changes in circumstances indicate that we may not be able to recover the carrying amount of an asset. We determine whether impairment has occurred by comparing the property's carrying value to an estimate of fair value based upon methods described in our Critical Accounting Policies. In the event a property is impaired, we write down the asset to fair value for "held-and-used" assets and to fair value less costs to sell for "held-for-sale" assets. During 2005 and 2004, we established provisions for loss of $550,000 and $810,000 respectively, to adjust operating properties to their estimated fair values. The provision for loss on properties subsequently sold to third parties is included in operating income from discontinued operations.

Income from discontinued operations was $65.5 million in 2005 related to 14 properties sold to unrelated parties for net proceeds of $175.2 million and four properties classified as held-for-sale. Income from discontinued operations was $36.9 million in 2004 related to the operations of shopping centers sold or classified as held-for-sale in 2005 and 2004. In compliance with Statement 144, if we sell an asset in the current year, we are required to reclassify its operating income into discontinued operations for all prior periods. This practice results in a reclassification of amounts previously reported as continuing operations into discontinued operations. Our income from discontinued operations is shown net of minority interest of exchangeable partnership units totaling $1.3 million and $699,059, and income taxes totaling $3.6 million and $2.3 million for the years ended December 31, 2005 and 2004, respectively.

Minority interest of preferred units declined $11.7 million to $8.1 million in 2005 as a result of redeeming $54 million of preferred units in 2005 and redeeming $125 million of preferred units in 2004. Preferred stock dividends increased $8.1 million to $16.7 million in 2005 as a result of the issuance of $75 million of preferred stock in 2005 and $125 million of preferred stock in 2004.

Net income for common stockholders increased $18.2 million to $145.9 million in 2005 as compared with $127.7 million in 2004. Diluted earnings per share were $2.23 in 2005, compared with $2.08 in 2004, or 7% higher, a result of the increase in net income.

Environmental Matters

We are subject to numerous environmental laws and regulations as they apply to our shopping centers pertaining to chemicals used by the dry cleaning industry, the existence of asbestos in older shopping centers, and underground petroleum storage tanks (UST's). We believe that the tenants who currently operate dry cleaning plants or gas stations do so in accordance with current laws and regulations. Generally, we use all legal means to cause tenants to remove dry cleaning plants from our shopping centers or convert them to non-chlorinated solvent systems. Where available, we have applied and been accepted into state-sponsored environmental programs. We have a blanket environmental insurance policy that covers us against third-party liabilities and remediation costs on shopping centers that currently have no known environmental contamination. We have also placed environmental insurance, where possible, on specific properties with known contamination, in order to mitigate our environmental risk. We monitor the shopping centers containing environmental issues and in certain cases voluntarily remediate the sites. We also have legal obligations to remediate certain sites and we are in the process of doing so. We estimate the cost associated with these legal obligations to be approximately $3.8 million, all of which has been reserved. We believe that the ultimate disposition of currently known environmental matters will not have a material affect on our financial position, liquidity, or operations; however, we can give no assurance that existing environmental studies with respect to our shopping centers have revealed all potential environmental liabilities; that any previous owner, occupant or tenant did not create any material environmental condition not known to us; that the current environmental condition of the shopping centers will not be affected by tenants and occupants, by the condition of nearby properties, or by unrelated third parties; or that changes in applicable environmental laws and regulations or their interpretation will not result in additional environmental liability to us.

Inflation

Inflation has remained relatively low and has had a minimal impact on the operating performance of our shopping centers; however, substantially all of our long-term leases contain provisions designed to mitigate the adverse impact of inflation. Such provisions include clauses enabling us to receive percentage rent based on tenants' gross sales, which generally increase as prices rise; and/or escalation clauses, which generally increase rental rates during the terms of the leases. Such escalation clauses are often related to increases in the consumer price index or similar inflation indices. In addition, many of our leases are for terms of less than ten years, which permits us to seek increased rents upon re-rental at market rates. Most of our leases require tenants to pay their pro-rata share of operating expenses, including common-area maintenance, real estate taxes, insurance and utilities, thereby reducing our exposure to increases in costs and operating expenses resulting from inflation.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We are exposed to interest-rate changes primarily related to the variable interest rate on the Line and the refinancing of long-term debt, which currently contain fixed interest rates. The objective of our interest-rate risk management is to limit the impact of interest-rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we borrow primarily at fixed interest rates and may enter into derivative financial instruments such as interest-rate swaps, caps or treasury locks in order to mitigate our interest-rate risk on a related financial instrument. We do not enter into derivative or interest-rate transactions for speculative purposes.

Our interest-rate risk is monitored using a variety of techniques. The table below presents the principal cash flows (in thousands), weighted average interest rates of remaining debt, and the fair value of total debt (in thousands) as of December 31, 2006, by year of expected maturity to evaluate the expected cash flows and sensitivity to interest-rate changes.

	2007	2008	2009	2010	2011	Thereafter	Total	Fair Value
Fixed rate debt	$ 26,977	22,970	56,440	180,398	254,314	843,056	1,384,155	1,440,585
Average interest rate for all fixed rate debt	6.61%	6.61%	6.55%	6.26%	5.77%	5.77%		
Variable rate LIBOR debt	$189,662	—	—	—	—	—	189,662	189,662
Average interest rate for all variable rate debt	5.64%	—	—	—	—	—		

We currently have $434.7 million of fixed rate debt maturing in 2010 and 2011. On March 10, 2006, the Company entered into four forward-starting interest rate swaps totaling $396.7 million with fixed rates of 5.399%, 5.415%, 5.399% and 5.415%. The Company designated these swaps as cash flow hedges to fix $400 million of fixed rate financing expected to occur in 2010 and 2011, the proceeds of which will be used to repay debt maturing in those years. The change in fair value of these swaps from inception has generated a liability of $2.9 million at December 31, 2006, which is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheet. As the table incorporates only those exposures that exist as of December 31, 2006, it does not consider those exposures or positions that could arise after that date. Moreover, because firm commitments are not presented in the table above, the information presented above has limited predictive value. As a result, our ultimate realized gain or loss with respect to interest-rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time, and actual interest rates.

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors
Regency Centers Corporation:

We have audited the accompanying consolidated balance sheets of Regency Centers Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Regency Centers Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Regency Centers Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated, February 27, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Certified Public Accountants
Jacksonville, Florida
February 27, 2007

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors of
Regency Centers Corporation:

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Regency Centers Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Regency Centers Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that Regency Centers Corporation maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Regency Centers Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Regency Centers Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2006, and our report dated February 27, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Certified Public Accountants
Jacksonville, Florida
February 27, 2007

Consolidated Balance Sheets

December 31, 2006 and 2005

(in thousands, except share data)	2006	2005
Assets		
Real estate investments at cost (notes 2, 4 and 12):		
Land	**$ 862,851**	853,275
Buildings and improvements	**1,963,634**	1,926,297
	2,826,485	2,779,572
Less: accumulated depreciation	**427,389**	380,613
	2,399,096	2,398,959
Properties in development, net	**615,450**	413,677
Operating properties held for sale, net	**25,608**	36,567
Investments in real estate partnerships (note 4)	**434,090**	545,617
Net real estate investments	**3,474,244**	3,394,820
Cash and cash equivalents	**34,046**	42,458
Notes receivable (note 5)	**19,988**	46,473
Tenant receivables, net of allowance for uncollectible accounts of $3,532 and $3,849 at December 31, 2006 and 2005, respectively	**67,162**	56,878
Deferred costs, less accumulated amortization of $36,227 and $31,846 at December 31, 2006 and 2005, respectively	**40,989**	41,657
Acquired lease intangible assets, less accumulated amortization of $10,511 and $6,593 at December 31, 2006 and 2005, respectively (note 6)	**12,315**	10,182
Other assets	**23,041**	23,747
	$3,671,785	3,616,215
Liabilities and Stockholders' Equity		
Liabilities:		
Notes payable (note 7)	**$1,454,386**	1,451,942
Unsecured line of credit (note 7)	**121,000**	162,000
Accounts payable and other liabilities	**140,940**	110,800
Acquired lease intangible liabilities, net (note 6)	**7,729**	4,207
Tenants' security and escrow deposits	**10,517**	10,276
Total liabilities	**1,734,572**	1,739,225
Preferred units (note 9)	**49,158**	49,158
Exchangeable operating partnership units	**16,941**	27,919
Limited partners' interest in consolidated partnerships	**17,797**	11,088
Total minority interest	**83,896**	88,165
Commitments and contingencies (notes 12 and 13)		
Stockholders' equity (notes 8, 9, 10 and 11):		
Preferred stock, $.01 par value per share, 30,000,000 shares authorized; 3,000,000 and 800,000 shares issued and outstanding at both December 31, 2006 and 2005 with liquidation preferences of $25 and $250 per share, respectively	**275,000**	275,000
Common stock, $.01 par value per share, 150,000,000 shares authorized; 74,431,787 and 73,263,472 shares issued at December 31, 2006 and 2005, respectively	**744**	733
Treasury stock at cost, 5,413,792 and 5,297,129 shares held at December 31, 2006 and 2005, respectively	**(111,414)**	(111,414)
Additional paid in capital	**1,744,201**	1,713,620
Accumulated other comprehensive loss	**(13,317)**	(11,692)
Distributions in excess of net income	**(41,897)**	(77,422)
Total stockholders' equity	**1,853,317**	1,788,825
	$3,671,785	3,616,215

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

For the years ended December 31, 2006, 2005 and 2004

(in thousands, except per share data)	**2006**	2005	2004
Revenues:			
Minimum rent (note 12)	**$295,391**	273,405	259,684
Percentage rent	**4,428**	4,364	3,738
Recoveries from tenants	**86,134**	77,756	73,362
Management, acquisition and other fees	**31,805**	28,019	10,663
Equity in income (loss) of investments in real estate partnerships (note 4)	**2,580**	(2,908)	10,194
Total revenues	**420,338**	380,636	357,641
Operating expenses:			
Depreciation and amortization	**84,694**	76,925	72,769
Operating and maintenance	**51,580**	49,501	48,219
General and administrative	**45,495**	37,815	30,282
Real estate taxes	**42,825**	38,561	36,121
Other expenses	**15,927**	2,758	8,043
Total operating expenses	**240,521**	205,560	195,434
Other expense (income):			
Interest expense, net of interest income of $4,312, $2,361 and $3,125 in 2006, 2005 and 2004, respectively	**79,690**	86,530	79,739
Gain on sale of operating properties and properties in development	**(65,600)**	(18,971)	(39,387)
Provision for loss on operating properties	**—**	—	450
Total other expense (income)	**14,090**	67,559	40,802
Income before minority interests	**165,727**	107,517	121,405
Minority interest of preferred units	**(3,725)**	(8,105)	(19,829)
Minority interest of exchangeable operating partnership units	**(1,994)**	(1,962)	(1,880)
Minority interest of limited partners	**(4,863)**	(263)	(319)
Income from continuing operations	**155,145**	97,187	99,377
Discontinued operations, net (note 3):			
Operating income from discontinued operations	**4,999**	12,220	18,074
Gain on sale of operating properties and properties in development	**58,367**	53,240	18,876
Income from discontinued operations	**63,366**	65,460	36,950
Net income	**218,511**	162,647	136,327
Preferred stock dividends	**(19,675)**	(16,744)	(8,633)
Net income for common stockholders	**$198,836**	145,903	127,694
Income per common share—basic (note 11):			
Continuing operations	**$ 1.98**	1.23	1.47
Discontinued operations	**0.93**	1.02	0.61
Net income for common stockholders per share	**$ 2.91**	2.25	2.08
Income per common share—diluted (note 11):			
Continuing operations	**$ 1.97**	1.22	1.47
Discontinued operations	**0.92**	1.01	0.61
Net income for common stockholders per share	**$ 2.89**	2.23	2.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)

For the years ended December 31, 2006, 2005 and 2004

(in thousands, except per share data)	Preferred Stock
Balance at December 31, 2003	$ 75,000
Comprehensive Income:	
Net income	—
Loss on settlement of derivative instruments	—
Amortization of loss on derivative instruments	—
Total comprehensive income	
Restricted stock issued	—
Amortization of restricted stock deferred compensation	—
Common stock redeemed for taxes withheld for stock based compensation, net	—
Tax benefit for issuance of stock options	—
Common stock issued for partnership units exchanged	—
Common stock issued in stock offering	—
Series 4 preferred stock issued (note 9)	125,000
Reallocation of minority interest	—
Cash dividends declared:	
Preferred stock	—
Common stock ($2.12 per share)	—
Balance at December 31, 2004	$ 200,000
Comprehensive Income (note 8):	
Net income	—
Loss on settlement of derivative instruments	—
Amortization of loss on derivative instruments	—
Total comprehensive income	
Reclassification of unearned deferred compensation upon adoption of FAS 123(R)	—
Restricted stock issued, net of amortization (note 10)	—
Common stock redeemed for taxes withheld for stock based compensation, net	—
Tax benefit for issuance of stock options	—
Common stock issued for partnership units exchanged	—
Common stock issued for stock offering (note 9)	—
Series 5 preferred stock issued (note 9)	75,000
Reallocation of minority interest	—
Cash dividends declared:	
Preferred stock	—
Common stock ($2.20 per share)	—
Balance at December 31, 2005	$ 275,000
Comprehensive Income (note 8):	
Net income	—
Amortization of loss on derivative instruments	—
Change in fair value of derivative instruments	—
Total comprehensive income	
Restricted stock issued, net of amortization (note 10)	—
Common stock redeemed for taxes withheld for stock based compensation, net	—
Tax benefit for issuance of stock options	—
Common stock issued for partnership units exchanged	—
Reallocation of minority interest	—
Cash dividends declared:	
Preferred stock	—
Common stock ($2.38 per share)	—
Balance at December 31, 2006	**$ 275,000**

See accompanying notes to consolidated financial statements.

Common Stock	Treasury Stock	Additional Paid In Capital	Restricted Stock Deferred Compensation	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Net Income	Total Stockholders' Equity
650	(111,414)	1,409,421	(15,060)	175	(77,794)	1,280,978
—	—	—	—	—	136,327	136,327
—	—	—	—	(5,895)	—	(5,895)
—	—	—	—	429	—	429
						130,861
3	—	11,935	(11,938)	—	—	—
—	—	—	10,154	—	—	10,154
9	—	8,482	—	—	—	8,491
—	—	4,376	—	—	—	4,376
3	—	7,151	—	—	—	7,154
15	—	67,395	—	—	—	67,410
—	—	(4,288)	—	—	—	120,712
—	—	6,684	—	—	—	6,684
—	—	—	—	—	(8,633)	(8,633)
—	—	—	—	—	(129,470)	(129,470)
680	(111,414)	1,511,156	(16,844)	(5,291)	(79,570)	1,498,717
—	—	—	—	—	162,647	162,647
—	—	—	—	(7,310)	—	(7,310)
—	—	—	—	909	—	909
						156,246
—	—	(16,844)	16,844	—	—	—
4	—	16,951	—	—	—	16,955
3	—	1,484	—	—	—	1,487
—	—	305	—	—	—	305
3	—	6,383	—	—	—	6,386
43	—	199,632	—	—	—	199,675
—	—	(2,284)	—	—	—	72,716
—	—	(3,163)	—	—	—	(3,163)
—	—	—	—	—	(16,744)	(16,744)
—	—	—	—	—	(143,755)	(143,755)
733	(111,414)	1,713,620	—	(11,692)	(77,422)	1,788,825
—	—	—	—	—	218,511	218,511
—	—	—	—	1,306	—	1,306
—	—	—	—	(2,931)	—	(2,931)
						216,886
3	—	16,581	—	—	—	16,584
3	—	1,169	—	—	—	1,172
—	—	1,624	—	—	—	1,624
5	—	21,490	—	—	—	21,495
—	—	(10,283)	—	—	—	(10,283)
—	—	—	—	—	(19,675)	(19,675)
—	—	—	—	—	(163,311)	(163,311)
744	**(111,414)**	**1,744,201**	**—**	**(13,317)**	**(41,897)**	**1,853,317**

Consolidated Statements of Cash Flows

For the years ended December 31, 2006, 2005 and 2004

(in thousands)	**2006**	2005	2004
Cash flows from operating activities:			
Net income	**$ 218,511**	162,647	136,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**87,413**	84,449	82,890
Deferred loan cost and debt premium amortization	**4,411**	2,740	1,739
Stock based compensation	**17,950**	18,755	14,425
Minority interest of preferred units	**3,725**	8,105	19,829
Minority interest of exchangeable operating partnership units	**2,876**	3,284	2,579
Minority interest of limited partners	**4,863**	263	319
Equity in (income) loss of investments in real estate partnerships	**(2,580)**	2,908	(10,194)
Net gain on sale of properties	**(124,781)**	(76,664)	(60,539)
Provision for loss on operating properties	**500**	550	810
Distributions in excess of earnings from operations of investments in real estate partnerships	**28,788**	28,661	13,342
Hedge settlement	**—**	(7,310)	(5,720)
Changes in assets and liabilities:			
Tenant receivables	**(10,284)**	(1,186)	(5,849)
Deferred leasing costs	**(7,285)**	(6,829)	(6,199)
Other assets	**(3,508)**	(13,426)	1,449
Accounts payable and other liabilities	**(2,638)**	(818)	(2,946)
Above and below market lease intangibles, net	**(1,387)**	(954)	(954)
Tenants' security and escrow deposits	**241**	228	214
Net cash provided by operating activities	**216,815**	205,403	181,522
Cash flows from investing activities:			
Acquisition of operating real estate	**(19,337)**	—	(60,358)
Development of real estate including land acquired	**(404,836)**	(326,662)	(340,217)
Proceeds from sale of real estate investments	**455,972**	237,135	317,178
Repayment (issuance) of notes receivable, net	**14,770**	(8,456)	64,009
Investments in real estate partnerships	**(21,790)**	(417,713)	(66,299)
Distributions received from investments in real estate partnerships	**13,452**	30,918	47,369
Net cash provided by (used in) investing activities	**38,231**	(484,778)	(38,318)
Cash flows from financing activities:			
Net proceeds from common stock issuance	**5,994**	205,601	81,662
Redemption of preferred units	**—**	(54,000)	(125,000)
Redemption of exchangeable operating partnership units	**—**	—	(20,402)

(in thousands)	**2006**	2005	2004
Cash flows from financing activities *(continued)*:			
(Distributions to) contributions from limited partners in consolidated partnerships	**(2,619)**	(50)	373
Distributions to exchangeable operating partnership unit holders	**(2,270)**	(2,918)	(2,509)
Distributions to preferred unit holders	**(3,725)**	(6,709)	(16,593)
Dividends paid to common stockholders	**(159,507)**	(141,003)	(127,091)
Dividends paid to preferred stockholders	**(19,675)**	(16,744)	(8,633)
Net proceeds from issuance of preferred stock	**—**	72,716	120,712
Repayment of fixed rate unsecured notes	**—**	(100,000)	(200,000)
Proceeds from issuance of fixed rate unsecured notes	**—**	349,505	148,646
(Repayment) proceeds of unsecured line of credit, net	**(41,000)**	(38,000)	5,000
Proceeds from notes payable	**—**	10,000	84,223
Repayment of notes payable	**(36,131)**	(43,169)	(8,176)
Scheduled principal payments	**(4,516)**	(5,499)	(5,711)
Deferred loan costs	**(9)**	(3,217)	(4,254)
Net cash (used in) provided by financing activities	**(263,458)**	226,513	(77,753)
Net (decrease) increase in cash and cash equivalents	**(8,412)**	(52,862)	65,451
Cash and cash equivalents at beginning of the year	**42,458**	95,320	29,869
Cash and cash equivalents at end of the year	**$ 34,046**	42,458	95,320
Supplemental disclosure of cash flow information—cash paid for interest (net of capitalized interest of $23,952, $12,400 and $11,228 in 2006, 2005 and 2004, respectively)	**$ 82,285**	84,839	85,416
Supplemental disclosure of non-cash transactions:			
Mortgage debt assumed by purchaser on sale of real estate	**$ —**	—	44,684
Common stock issued for partnership units exchanged	**$ 21,495**	6,386	7,154
Mortgage loans assumed for the acquisition of real estate	**$ 44,000**	—	61,717
Real estate contributed as investments in real estate partnerships	**$ 15,967**	10,715	31,312
Exchangeable operating partnership units issued for the acquisition of real estate	**$ —**	—	38,400
Common stock issued for dividend reinvestment plan	**$ 3,806**	2,752	2,379
Notes receivable taken in connection with out-parcel sales	**$ 490**	12,370	3,255
Change in fair value of derivative instrument	**$ 2,931**	—	—

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Organization and Principles of Consolidation

General
Regency Centers Corporation ("Regency" or the "Company") began its operations as a Real Estate Investment Trust ("REIT") in 1993, and is the managing general partner of its operating partnership, Regency Centers, L.P. ("RCLP" or the "Partnership"). Regency currently owns approximately 99% of the outstanding common partnership units ("Units") of the Partnership. Regency engages in the ownership, management, leasing, acquisition, and development of retail shopping centers through the Partnership, and has no other assets or liabilities other than through its investment in the Partnership. At December 31, 2006, the Partnership directly owned 218 retail shopping centers and held partial interests in an additional 187 retail shopping centers through investments in joint ventures.

Consolidation
The accompanying consolidated financial statements include the accounts of the Company and the Partnership and its wholly-owned subsidiaries, and joint ventures in which the Partnership has a majority ownership or controlling interest. The equity interests of third parties held in the Partnership or its majority owned joint ventures are included in the consolidated financial statements as preferred units, exchangeable operating partnership units or limited partners' interest in consolidated partnerships. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

Investments in joint ventures not controlled by the Company ("Unconsolidated Joint Ventures") are accounted for under the equity method. The Company has evaluated its investment in the Unconsolidated Joint Ventures and has concluded that they are not variable interest entities as defined in the Financial Accounting Standards Board ("FASB") Interpretation No. 46(R) "Consolidation of Variable Interest Entities" ("FIN 46R"). The venture partners in the Unconsolidated Joint Ventures have significant ownership rights, including approval over operating budgets and strategic plans, capital spending, sale or financing, and admission of new partners; therefore, the Company has concluded that the equity method of accounting is appropriate for these interests which do not require consolidation under EITF Issue No. 04-5 "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights". Under the equity method of accounting, investments in the Unconsolidated Joint Ventures are initially recorded at cost, and subsequently increased for additional contributions and allocations of income and reduced for distributions received and allocation of losses. These investments are included in the consolidated financial statements as Investments in real estate partnerships.

Ownership of the Company
Regency has a single class of common stock outstanding and three series of preferred stock outstanding (Series 3, 4, and 5 Preferred Stock). The dividends on the Series 3, 4, and 5 Preferred Stock are cumulative and payable in arrears on the last day of each calendar quarter. The Company owns corresponding Series 3, 4, and 5 preferred unit interests ("Series 3, 4, and 5 Preferred Units") in the Partnership that entitle the Company to income and distributions from the Partnership in amounts equal to the dividends paid on the Company's Series 3, 4, and 5 Preferred Stock.

Ownership of the Operating Partnership
The Partnership's capital includes general and limited common partnership Units, Series 3, 4, and 5 Preferred Units owned by the Company, and Series D Preferred Units owned by institutional investors.

At December 31, 2006, the Company owned approximately 99% or 69,017,995 Partnership Units of the total 69,758,821 Partnership Units outstanding. Each outstanding common Partnership Unit not owned by the Company is exchangeable for one share of Regency common stock. The Company revalues the minority interest associated with the Units each quarter to maintain a proportional relationship between the book value of equity associated with common stockholders relative to that of the Unit holders since both have equivalent rights and Units are convertible into shares of common stock on a one-for-one basis.

Net income and distributions of the Partnership are allocable first to the Preferred Units, and the remaining amounts to the general and limited partners' Units in accordance with their ownership percentage. The Series 3, 4, and 5 Preferred Units owned by the Company are eliminated in consolidation.

(b) Revenues

The Company leases space to tenants under agreements with varying terms. Leases are accounted for as operating leases with minimum rent recognized on a straight-line basis over the term of the lease regardless of when payments are due. Accrued rents are included in tenant receivables. As part of the leasing process, the Company may provide the lessee with an allowance for the construction of leasehold improvements. Leasehold improvements are capitalized as part of the building and recorded as tenant improvements and depreciated over the shorter of the useful life of the improvements or the lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of rental revenue. Factors considered during this evaluation include, among others, who holds legal title to the improvements, and other controlling rights provided by the lease agreement (e.g. unilateral control of the tenant space during the build-out process). Determination of the appropriate accounting for a tenant allowance is made on a case-by-case basis, considering the facts and circumstances of the individual tenant lease. Lease revenue recognition commences when the lessee is given possession of the leased space upon completion of tenant improvements when the Company is the owner of the leasehold improvements; however, when the leasehold improvements are owned by the tenant, the lease inception date is when the tenant obtains possession of the leased space for purposes of constructing its leasehold improvements.

Substantially all of the lease agreements contain provisions that provide for additional rents based on tenants' sales volume (percentage rent) and reimbursement of the tenants' share of real estate taxes, insurance and common area maintenance ("CAM") costs.

Percentage rents are recognized when the tenants achieve the specified targets as defined in their lease agreements. Recovery of real estate taxes, insurance and CAM costs are recognized as the respective costs are incurred in accordance with the lease agreements.

The Company accounts for profit recognition on sales of real estate in accordance with Statement of Financial Accounting Standards ("SFAS") Statement No. 66, "Accounting for Sales of Real Estate." In summary, profits from sales will not be recognized by the Company unless a sale has been consummated; the buyer's initial and continuing investment is adequate to demonstrate a commitment to pay for the property; the Company's receivable, if applicable, is not subject to future subordination; the Company has transferred to the buyer the usual risks and rewards of ownership; and the Company does not have substantial continuing involvement with the property.

The Company has been engaged by joint ventures under agreements to provide asset management, property management; and leasing, investing and financing services for such ventures' shopping centers. The fees are market based and generally calculated as a percentage of either revenues earned or the estimated values of the properties managed, and are recognized as services are rendered, when fees due are determinable and collectibility is reasonably assured.

(c) Real Estate Investments

Land, buildings and improvements are recorded at cost. All specifically identifiable costs related to development activities are capitalized into properties in development on the consolidated balance sheets. The capitalized costs include pre-development costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, and direct employee costs incurred during the period of development.

The Company incurs costs prior to land acquisition including contract deposits, as well as legal, engineering and other external professional fees related to evaluating the feasibility of developing a shopping center. These pre-development costs are included in properties in development. If the Company determines that the development of a particular shopping center is no longer probable, any related pre-development costs previously incurred are immediately expensed. At December 31, 2006 and 2005, the Company had capitalized pre-development costs of $23.3 million and $12.2 million, respectively of which $10.0 million and $5.7 million, respectively were refundable deposits.

The Company's method of capitalizing interest is based upon applying its weighted average borrowing rate to that portion of the actual development costs expended. The Company ceases cost capitalization when the property is available for occupancy upon substantial completion of tenant improvements. In no event would the Company capitalize interest on the project beyond 12 months after substantial completion of the building shell.

Maintenance and repairs that do not improve or extend the useful lives of the respective assets are recorded in operating and maintenance expense.

Depreciation is computed using the straight-line method over estimated useful lives of up to 40 years for buildings and improvements, term of lease for tenant improvements, and three to seven years for furniture and equipment.

The Company and the unconsolidated joint ventures allocate the purchase price of assets acquired (net tangible and identifiable intangible assets) and liabilities assumed based on their relative fair values at the date of acquisition pursuant to the provisions of SFAS No. 141, "Business Combinations" ("Statement 141"). Statement 141 provides guidance on allocating a portion of the purchase price of a property to intangible assets. The Company's methodology for this allocation includes estimating an "as-if vacant" fair value of the physical property, which is allocated to land, building and improvements. The difference between the purchase price and the "as-if vacant" fair value is allocated to intangible assets. There are three categories of intangible assets to be considered: (i) value of in-place leases, (ii) above and below-market value of in-place leases and (iii) customer relationship value.

The value of in-place leases is estimated based on the value associated with the costs avoided in originating leases compared to the acquired in-place leases as well as the value associated with lost rental and recovery revenue during the assumed lease-up period. The value of in-place leases is recorded to amortization expense over the remaining initial term of the respective leases.

Above-market and below-market in-place lease values for acquired properties are recorded based on the present value of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the comparable in-place leases, measured over a period equal to the remaining non-cancelable term of the lease. The value of above-market leases is amortized as a reduction of minimum rent over the remaining terms of the respective leases. The value of below-market leases is accreted as an increase to minimum rent over the remaining terms of the respective leases, including renewal options.

The Company allocates no value to customer relationship intangibles if it has pre-existing business relationships with the major retailers in the acquired property since they provide no incremental value over the Company's existing relationships.

The Company follows the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"). In accordance with Statement 144, the Company classifies an operating property as held-for-sale when it determines that the property is available for immediate sale in its present condition, the property is being actively marketed for sale and management is reasonably certain that a sale will be consummated. Operating properties held-for-sale are carried at the lower of cost or fair value less costs to sell. Depreciation and amortization are suspended during the held-for-sale period. The operations of properties held-for-sale are reclassified into discontinued operations for all periods presented.

In accordance with Statement 144, when the Company sells a property and will not have continuing involvement or significant cash flows after disposition, the operations and cash flows of the property are eliminated and its operations and gain on sale are reported in discontinued operations so that the operations and cash flows are clearly distinguished. Once classified in discontinued operations, these properties are eliminated from ongoing operations. Prior periods are also represented to reflect the operations of these properties as discontinued operations. When the Company sells operating properties to its joint ventures or to third parties, and it will have continuing involvement, the operations and gains on sales are included in income from continuing operations.

The Company reviews its real estate portfolio for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable based upon expected undiscounted cash flows from the property. The Company determines impairment by comparing the property's carrying value to an estimate of fair value based upon varying methods such as i) estimating future cash flows, ii) determining resale values by market, or iii) applying a capitalization rate to net operating income using prevailing rates in a given market. These methods of determining fair value can fluctuate significantly as a result of a number of factors, including changes in the general economy of those markets in which the Company operates, tenant credit quality and demand for new retail stores. In the event that the carrying amount of a property is not recoverable and exceeds its fair value, the Company will write down the asset to fair value for "held-and-used" assets and to fair value less costs to sell for "held-for-sale" assets. During 2006, 2005 and 2004, the Company established a provision for loss of $500,000, $550,000 and $810,000 based upon the criteria described above. The provision for loss on properties subsequently sold to third parties is included in operating income from discontinued operations.

(d) Income Taxes

The Company believes it qualifies, and intends to continue to qualify, as a REIT under the Internal Revenue Code (the "Code"). As a REIT, the Company will generally not be subject to federal income tax, provided that distributions to its stockholders are at least equal to REIT taxable income.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which these temporary differences are expected to be recovered or settled.

Earnings and profits, which determine the taxability of dividends to stockholders, differs from net income reported for financial reporting purposes primarily because of differences in depreciable lives and cost bases of the shopping centers, as well as other timing differences.

The net book basis of real estate assets exceeds the tax basis by approximately $158.4 million and $161.9 million at December 31, 2006 and 2005, respectively, primarily due to the difference between the cost basis of the assets acquired and their carryover basis recorded for tax purposes.

The following summarizes the tax status of dividends paid during the respective years:

	2006	2005	2004
Dividend per share	**$2.38**	2.20	2.12
Ordinary income	**64%**	79%	82%
Capital gain	**21%**	11%	6%
Return of capital	**—**	—	3%
Unrecaptured Section 1250 gain	**15%**	10%	9%

Regency Realty Group, Inc. ("RRG"), a wholly-owned subsidiary of RCLP, is a Taxable REIT Subsidiary as defined in Section 856(l) of the Code. RRG is subject to federal and state income taxes and files separate tax returns. Income tax expense consists of the following for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
Income tax expense			
Current	**$10,256**	4,980	10,730
Deferred	**1,516**	(891)	(1,978)
Total income tax expense	**$11,772**	4,089	8,752

Income tax expense is included in either other expenses if the related income is from continuing operations or discontinued operations on the consolidated statements of operations as follows for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	2006	2005	2004
Income tax expense from:			
Continuing operations	**$11,772**	494	6,487
Discontinued operations	**—**	3,595	2,265
Total income tax expense	**$11,772**	4,089	8,752

Income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 35% to pretax income for the years ended December 31, 2006 and 2005, respectively, and 34% for the year ended December 31, 2004 as follows (in thousands):

	2006	2005	2004
Computed expected tax expense	**$ 4,094**	3,304	5,759
Increase in income tax resulting from state taxes	**456**	368	913
All other items	**7,222**	417	2,080
Total income tax expense	**$11,772**	4,089	8,752

All other items principally represent the tax effect of gains associated with the sale of properties to unconsolidated ventures.

RRG had net deferred tax assets of $9.7 million and $11.2 million at December 31, 2006 and 2005, respectively. The majority of the deferred tax assets relate to deferred interest expense and tax costs capitalized on projects under development. No valuation allowance was provided and the Company believes it is more likely than not that the future benefits associated with these deferred tax assets will be realized.

(e) Deferred Costs

Deferred costs include leasing costs and loan costs, net of accumulated amortization. Such costs are amortized over the periods through lease expiration or loan maturity, respectively. Deferred leasing costs consist of internal and external commissions associated with leasing the Company's shopping centers. Net deferred leasing costs were $33.3 million and $30.6 million at December 31, 2006 and 2005, respectively. Deferred loan costs consist of initial direct and incremental costs associated with financing activities. Net deferred loan costs were $7.7 million and $11.1 million at December 31, 2006 and 2005, respectively.

(f) Earnings per Share and Treasury Stock

Basic net income per share of common stock is computed based upon the weighted average number of common shares outstanding during the period. Diluted net income per share also includes common share equivalents for stock options, restricted stock and exchangeable operating partnership units, if dilutive. See note 11 for the calculation of earnings per share ("EPS").

Repurchases of the Company's common stock are recorded at cost and are reflected as Treasury stock in the consolidated statements of stockholders' equity and comprehensive income (loss). Outstanding shares do not include treasury shares.

(g) Cash and Cash Equivalents

Any instruments which have an original maturity of 90 days or less when purchased are considered cash equivalents. Cash distributions of normal operating earnings from investments in real estate partnerships are included in cash flows from operations in the consolidated statements of cash flows. Cash distributions from the sale or loan proceeds from the placement of debt on a property included in investments in real estate partnerships is included in cash flows from investing activities in the consolidated statements of cash flows.

(h) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Stock-Based Compensation

Regency grants stock-based compensation to its employees and directors. When Regency issues common shares as compensation, it receives a comparable number of common units from the Partnership including stock options. Regency is committed to contribute to the Partnership all proceeds from the exercise of stock options or other stock-based awards granted under Regency's Long-Term Omnibus Plan. Accordingly, Regency's ownership in the Partnership will increase based on the amount of proceeds contributed to the Partnership for the common units it receives. As a result of the issuance of common units to Regency for stock-based compensation, the Partnership accounts for stock-based compensation in the same manner as Regency.

In December 2004, the FASB issued SFAS No. 123(R) "Share-Based Payment" ("Statement 123(R)"), which is an amendment of SFAS No. 123. Statement 123(R) supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("Opinion 25"). Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, be recognized in the consolidated statements of operations based on their fair values and pro-forma disclosure is no longer an alternative. The Company elected early adoption of Statement 123(R) on January 1, 2005, even though it was not effective until January 1, 2006. As permitted by Statement 123(R), the Company applied the "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date. See Note 10 for further discussion.

(j) Segment Reporting

The Company's business is investing in retail shopping centers through direct ownership or through joint ventures. The Company actively manages its portfolio of retail shopping centers and may from time to time make decisions to sell lower performing properties or developments not meeting its long-term investment objectives. The proceeds from sales are reinvested into higher quality retail shopping centers through acquisitions or new developments, which management believes will meet its planned rate of return. It is management's intent that all retail shopping centers will be owned or developed for investment purposes; however, the Company may decide to sell all or a portion of a development upon completion. The Company's revenue and net income are generated from the operation of its investment portfolio. The Company also earns fees from third parties for services provided to manage and lease retail shopping centers owned through joint ventures.

The Company's portfolio is located throughout the United States; however, management does not distinguish or group its operations on a geographical basis for purposes of allocating resources or measuring performance. The Company reviews operating and financial data for each property on an individual basis, therefore, the Company defines an operating segment as its individual properties. No individual property constitutes more than 10% of the Company's combined revenue, net income or assets, and thus the individual properties have been aggregated into one reportable segment based upon their similarities with regard to both the nature and economics of the centers, tenants and operational processes, as well as long-term average financial performance. In addition, no single tenant accounts for 7% or more of revenue and none of the shopping centers are located outside the United States.

(k) Derivative Financial Instruments

The Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("Statement 133") as amended by SFAS No. 149. Statement 133 requires that all derivative instruments, whether designated in hedging relationships or not, be recorded on the balance sheet at their fair value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company's use of derivative financial instruments is normally to mitigate its interest rate risk on a related financial instrument or forecasted transaction through the use of interest rate swaps. The Company designates these interest rate swaps as cash flow hedges.

Statement 133 requires that changes in fair value of derivatives that qualify as cash flow hedges be recognized in other comprehensive income ("OCI") while the ineffective portion of the derivative's change in fair value be recognized in the income statement as interest expense. Upon the settlement of a hedge, gains and losses associated with the transaction are recorded in OCI and amortized over the underlying term of the hedge transaction. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of the hedged items.

In assessing the hedge, the Company uses standard market conventions and techniques such as discounted cash flow analysis, option pricing models and termination costs at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized. See Note 8 for further discussion.

(l) Financial Instruments with Characteristics of Both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" ("Statement 150"). Statement 150 affects the accounting for certain financial instruments, which requires companies having consolidated entities with specified termination dates to treat minority owners' interests in such entities as liabilities in an amount based on the fair value of the entities. Although Statement 150 was originally effective July 1, 2003, the FASB has indefinitely deferred certain provisions related to classification and measurement requirements for mandatory redeemable financial instruments that become subject to Statement 150 solely as a result of consolidation, including minority interests of entities with specified termination dates.

At December 31, 2006, the Company held a majority interest in two consolidated entities with specified termination dates of 2017 and 2049. The minority owners' interests in these entities will be settled upon termination by distribution or transfer of either cash or specific assets of the underlying entities. The estimated fair value of minority interests in entities with specified termination dates was approximately $8.3 million at December 31, 2006. The related carrying value is $1.3 million and $1.1 million as of December 31, 2006 and 2005, respectively, which is included within limited partners' interest in consolidated partnerships in the accompanying consolidated balance sheet. The Company has no other financial instruments that are affected by Statement 150.

(m) Recent Accounting Pronouncements

In September 2006, the Securities and Exchange Commission's ("SEC") staff issued Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." This Bulletin requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. The guidance in this Bulletin must be applied to financial reports covering the first fiscal year ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued Statement No. 157 "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies to accounting pronouncements that require or permit fair value measurements, except for share-based payments transactions under FASB Statement No. 123(R). This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. As Statement No. 157 does not require any new fair value measurements or remeasurements of previously computed fair values, the Company does not believe adoption of this Statement will have a material effect on its consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This Interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company will adopt this Interpretation in the first quarter of 2007. The cumulative effects, if any, of applying this Interpretation will be recorded as an adjustment to retained earnings as of the beginning of the period of adoption. The Company has begun the process of evaluating the expected effect of FIN 48 and the adoption is not expected to have a material effect on the Company's consolidated financial statements.

In April 2006, the FASB issued FSP FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)", which became effective in the third quarter of 2006. FSP FIN No. 46(R)-6 clarifies that the variability to be considered in applying Interpretation 46(R) shall be based on an analysis of the design of the variable interest entity. The adoption of this FSP did not have an effect on the Company's consolidated financial statements.

In October 2005, the FASB issued FSP No. FAS 13-1 "Accounting for Rental Costs Incurred during a Construction Period". This FSP requires that rental costs associated with ground or building operating leases incurred during a construction period be recognized as rental expense. However, FSP No. FAS 13-1 does not address lessees that account for the sale or rental of real estate projects under FASB Statement No. 67 "Accounting for Costs and Initial Rental Operations of Real Estate Projects", and therefore the Company will continue to apply FASB Statement No. 67.

(n) Reclassifications

Certain reclassifications have been made to the 2005 and 2004 amounts to conform to classifications adopted in 2006.

2. Real Estate Investments

During 2006, the Company acquired one shopping center for a purchase price of $63.1 million which included the assumption of $44.0 million in debt. In accordance with Statement 141, acquired lease intangible assets and acquired lease intangible liabilities of $6.1 million and $5.0 million, respectively, were recorded for this acquisition. The acquisition was accounted for as a purchase business combination and the results of its operations are included in the consolidated financial statements from the date of acquisition. During 2005, the Company's acquisition activity was through its joint ventures discussed further in Note 4.

3. Discontinued Operations

Regency maintains a conservative capital structure to fund its growth programs without compromising its investment-grade ratings. This approach is founded on a self-funding business model which utilizes center "recycling" as a key component and requires ongoing monitoring of each center to ensure that it meets Regency's investment standards. This recycling strategy calls for the Company to sell properties that do not measure up to its standards and re-deploy the proceeds into new, higher-quality developments and acquisitions that are expected to generate sustainable revenue growth and more attractive returns.

During 2006, the Company sold 100% of its interest in 11 properties for net proceeds of $149.6 million. The combined operating income and gains from these properties and properties classified as held-for-sale are included in discontinued operations. The revenues from properties included in discontinued operations, including properties sold in 2006, 2005 and 2004, as well as operating properties held for sale, were $14.6 million, $32.8 million and $44.2 million for the three years ended December 31, 2006, 2005 and 2004, respectively. The operating income and gains from properties included in discontinued operations are reported net of minority interest of exchangeable operating partnership units and income taxes, if the property is sold by RRG, as follows for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	2006		2005		2004	
	Operating Income	**Gain on sale of properties**	Operating Income	Gain on sale of properties	Operating Income	Gain on sale of properties
Operations and gain	**$5,067**	**59,181**	12,684	57,693	18,763	21,151
Less: Minority Interest	**68**	**814**	281	1,041	355	344
Less: Income taxes	**—**	**—**	183	3,412	334	1,931
Discontinued operations, net	**$4,999**	**58,367**	12,220	53,240	18,074	18,876

4. Investments in Real Estate Partnerships

The Company accounts for all investments in which it owns 50% or less and does not have a controlling financial interest using the equity method. The Company has determined that these investments are not variable interest entities as defined in FIN 46(R) and do not require consolidation under EITF 04-5, and therefore, subject to the voting interest model in determining its basis of accounting. Major decisions, including property acquisitions and dispositions, financings, annual budgets and dissolution of the ventures are subject to the approval of all partners. The Company's combined investment in these partnerships was $434.1 million and $545.6 million at December 31, 2006 and 2005, respectively. Any difference between the carrying amount of these investments and the underlying equity in net assets is amortized or accreted to equity in income (loss) of investments in real estate partnerships over the expected useful lives of the properties and other intangible assets which range in lives from 10 to 40 years.

Net income from these partnerships, which includes all operating results, as well as gains and losses on sales of properties within the joint ventures, is allocated to the Company in accordance with the respective partnership agreements. Such allocations of net income or loss are recorded in equity in income (loss) of investments in real estate partnerships in the accompanying consolidated statements of operations.

Investments in real estate partnerships are comprised primarily of joint ventures with three unrelated co-investment partners and a recently formed open-end real estate fund ("Regency Retail Partners"), as further described below. In addition to the Company earning its pro-rata share of net income (loss) in each of the partnerships, these partnerships pay the Company fees for asset management, property management, investing and financing services. During 2006, 2005 and 2004, the Company received fees from these joint ventures of $30.8 million, $26.8 million and $9.3 million, respectively.

The Company co-invests with the Oregon Public Employees Retirement Fund in three joint ventures (collectively "Columbia") in which the Company has ownership interests of 20% or 30%. As of December 31, 2006, Columbia owned 20 shopping centers, had total assets of $558.1 million, and net income of $11.6 million for the year ended. The Company's share of Columbia's total assets and net income was $123.9 million and $2.3 million, respectively. During 2006, Columbia acquired four shopping centers from third parties for $97.0 million. The Company contributed $9.6 million for its proportionate share of the purchase price, which was net of $36.4 million of assumed mortgage debt and $13.3 million of financing obtained by Columbia. Columbia did not acquire any properties in 2005 and sold two shopping centers to an unrelated party for $47.6 million at a gain of $8.9 million.

The Company co-invests with the California State Teachers' Retirement System ("CalSTRS") in a joint venture ("RegCal") in which the Company has an ownership interest of 25%. As of December 31, 2006, RegCal owned nine shopping centers, had total assets of $182.9 million, and net income of $1.7 million for the year ended. The Company's share of RegCal's total assets and net income was $45.7 million and $516,613, respectively. During 2006, RegCal acquired two shopping centers from unrelated parties for a purchase price of $37.3 million. The Company contributed $4.1 million for its proportionate share of the purchase price, which was net of financing obtained by RegCal. During 2005, RegCal acquired two shopping centers from an unrelated party for a purchase price of $20.0 million. The Company contributed $1.7 million for its proportionate share of the purchase price, which was net of loan financing assumed by RegCal.

The Company co-invests with Macquarie Country-Wide Trust of Australia ("MCW") in four joint ventures, two in which the Company has an ownership interest of 25% (collectively, "MCWR I"), and two in which it has an ownership interest of 24.95% (collectively, "MCWR II").

As of December 31, 2006, MCWR I owned 50 shopping centers, had total assets of $728.3 million, and net income of $18.2 million for the year ended. Regency's share of MCWR I's total assets and net income was $181.5 million and $5.4 million, respectively. During 2006, MCWR I purchased one shopping center from a third party for $25.0 million. The Company contributed $748,466 for its proportionate share of the purchase price, which was net of $12.5 million of assumed mortgage debt and $10.4 million in 1031 proceeds. During 2006, MCWR I sold two shopping centers to unrelated parties for $28.0 million for a gain of $7.8 million. During 2005, MCWR I acquired one shopping center from an unrelated party for a purchase price of $24.4 million. The Company contributed $4.5 million for its proportionate share of the purchase price, which was net of loan financing placed on the shopping center by MCWR I. In addition, MCWR I acquired two properties from the Company valued at $31.9 million, for which the Company received cash of $25.7 million for MCW's proportionate share. During 2005, MCWR I sold four shopping centers to unrelated parties for $34.7 million with a gain of $582,910.

On June 1, 2005, MCWR II closed on the acquisition of a retail shopping center portfolio (the "First Washington Portfolio") for a purchase price of approximately $2.8 billion, including the assumption of approximately $68.6 million of mortgage debt and the issuance of approximately $1.6 billion of new mortgage loans on the properties acquired. The First Washington Portfolio acquisition was accounted for as a purchase business combination by MCWR II. At December 31, 2005, MCWR II was owned 64.95% by an affiliate of MCW, 34.95% by Regency and 0.1% by Macquarie-Regency Management, LLC ("US Manager"). US Manager is owned 50% by Regency and 50% by an affiliate of Macquarie Bank Limited. On January 13, 2006, the Company sold a portion of its investment in MCWR II to MCW which reduced its ownership interest from 35% to 24.95% for net cash of $113.2 million which is reflected in proceeds from sale of real estate investments in the consolidated statements of cash flows. The proceeds from the sale were used to reduce the unsecured line of credit. At December 31, 2006, MCWR II is owned 75% by a MCW affiliate, 24.90% by Regency and 0.1% by US Manager. Including its 50% share of US Manager, Regency's effective ownership is 24.95% and is reflected as such under the equity method in the accompanying consolidated financial statements.

Regency was paid an acquisition fee by MCWR II related to the acquisition of the First Washington Portfolio in 2005. Regency has the ability to receive additional acquisition fees of approximately $14.2 million (the "Contingent Acquisition Fees") subject to achieving certain targeted income levels in 2006 and 2007. The Contingent Acquisition Fees will only be recognized if earned, and the recognition of income will be limited to that percentage of MCWR II, or 75.05%, of the joint venture not owned by the Company. During 2006, $9.0 million of the Contingent Acquisition Fees was earned and approximately $6.8 million was recognized by the Company.

As of December 31, 2006, MCWR II owned 97 shopping centers, had total assets of $2.7 billion and recorded a net loss of $24.7 million for the year ended. Regency's share of MCWR II's total assets and net loss was $676.0 million and $7.0 million, respectively. As a result of the significant amount of depreciation and amortization expense recorded by MCWR II in connection with the acquisition of the First Washington Portfolio, the joint venture may continue to report a net loss in future years, but is expected to produce positive cash flow from operations. During 2006, MCWR II acquired four development properties from the Company for a net sales price of $62.4 million and Regency received cash of $58.4 million. During 2006, MCWR II sold eight shopping centers for $122.4 million to unrelated parties for a gain of $1.5 million. During 2005, MCWR II sold one shopping center for $9.7 million to an unrelated party with a gain of $35,127.

In December 2006, Regency formed Regency Retail Partners (the "Fund"), an open-end, infinite-life investment fund in which its ownership interest is 26.8%. The Company expects to reduce its ownership interest to 20% during 2007 as other partners invest in the Fund. The Fund will have the exclusive right to acquire all Regency-developed large format community centers upon stabilization that meet the Fund's investment criteria.

As of December 31, 2006, the Fund owned two shopping centers, had total assets of $76.1 million, and recorded net income of $25,633 for the year ended. Regency's share of the Fund's total assets and net income was $20.4 million and $6,870, respectively. At closing, the Fund acquired two properties from the Company valued at $72.6 million, for which the Company received cash of $63.7 million for the Fund's proportionate share.

Recognition of gains from sales to joint ventures is recorded on only that portion of the sales not attributable to the Company's ownership interest. The gains, operations and cash flows are not recorded as discontinued operations because of Regency's substantial continuing involvement in these shopping centers. Columbia, RegCal, and the joint ventures with MCW and the Fund intend to continue to acquire retail shopping centers, some of which they may acquire directly from the Company. For those properties acquired from third parties, the Company is required to contribute its pro-rata share of the purchase price to the partnerships.

The Company's investment in real estate partnerships as of December 31, 2006 and 2005 consists of the following (in thousands):

	Ownership	**2006**	2005
Macquarie CountryWide-Regency (MCWR I)	25.00%	**$ 60,651**	61,375
Macquarie CountryWide Direct (MCWR I)	25.00%	**6,822**	7,433
Macquarie CountryWide-Regency II (MCWR II)(1)	24.95%	**234,378**	363,563
Macquarie CountryWide-Regency III (MCWR II)	24.95%	**1,140**	606
Columbia Regency Retail Partners (Columbia)	20.00%	**36,096**	36,659
Cameron Village LLC (Columbia)	30.00%	**20,826**	21,633
Columbia Regency Partners II (Columbia)	20.00%	**11,516**	2,093
RegCal, LLC (RegCal)	25.00%	**18,514**	14,921
Regency Retail Partners (the Fund)	26.80%	**5,139**	—
Other investments in real estate partnerships	50.00%	**39,008**	37,334
Total		**$434,090**	545,617

(1) At December 31, 2005, Regency's ownership interest in Macquarie CountryWide-Regency II was 35%.

Summarized financial information for the unconsolidated investments on a combined basis, is as follows (in thousands):

	December 31, 2006	December 31, 2005
Investment in real estate, net	**$4,029,389**	3,957,507
Acquired lease intangible assets, net	**200,835**	259,033
Other assets	**135,451**	102,041
Total assets	**$4,365,675**	4,318,581
Notes payable	**$2,435,229**	2,372,601
Acquired lease intangible liabilities, net	**69,336**	86,108
Other liabilities	**70,295**	75,282
Members' capital	**1,790,815**	1,784,590
Total liabilities and equity	**$4,365,675**	4,318,581

Unconsolidated investments in real estate partnerships had notes payable of $2.4 billion as of December 31, 2006 and 2005 and the Company's proportionate share of these loans was $610.8 million and $764.2 million, respectively. The loans are primarily non-recourse, but for those that are guaranteed by a joint venture, Regency's guarantee does not extend beyond its ownership percentage of the joint venture.

The revenues and expenses for the unconsolidated investments on a combined basis are summarized as follows (in thousands):

	2006	2005	2004
Total revenues	**$413,864**	303,448	110,939
Operating expenses:			
Depreciation and amortization	**173,812**	145,669	28,538
Operating and maintenance	**57,844**	42,206	16,513
General and administrative	**6,839**	6,119	3,628
Real estate taxes	**48,983**	33,726	13,448
Total operating expenses	**287,478**	227,720	62,127
Other expense (income):			
Interest expense, net	**125,378**	83,352	20,000
Gain on sale of real estate	**(9,225)**	(9,499)	(18,977)
Other income	**384**	(356)	—
Total other expense (income)	**116,537**	73,497	1,023
Net income	**$ 9,849**	2,231	47,789

5. Notes Receivable

The Company has notes receivables outstanding of $20.0 million and $46.5 million at December 31, 2006 and 2005, respectively. The notes bear interest ranging from 6.75% to 8.0% with maturity dates through November 2014.

6. Acquired Lease Intangibles

During 2006, the Company acquired one shopping center and in accordance with Statement 141, acquired lease intangible assets and acquired lease intangible liabilities of $6.1 million and $5.0 million, respectively, were recorded for the acquisition. The Company has acquired lease intangible assets of $12.3 million of which $11.7 million relates to in-place leases at December 31, 2006. These in-place leases have a remaining weighted average amortization period of approximately 6.3 years and the aggregate amortization expense was approximately $3.8 million, $4.0 million and $2.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. The Company has above-market lease intangible assets of $623,130 recorded net of a reduction to minimum rent of $81,753 at December 31, 2006. The remaining weighted average amortization period is approximately 7.2 years. Acquired lease intangible liabilities are all related to below-market rents and recorded net of previously accreted minimum rent of $4.3 million and $2.9 million at December 31, 2006 and 2005, respectively. The remaining weighted average accretion period is approximately 7.2 years.

The estimated aggregate amortization and accretion amounts from acquired lease intangibles for each of the next five years are as follows (in thousands):

Year Ending December 31,	Amortization Expense	Minimum Rent
2007	$2,686	1,297
2008	1,464	1,130
2009	1,377	1,121
2010	1,347	570
2011	1,008	541

7. Notes Payable and Unsecured Line of Credit

The Company's outstanding debt at December 31, 2006 and 2005 consists of the following (in thousands):

	2006	2005
Notes Payable:		
Fixed rate mortgage loans	**$ 186,897**	175,403
Variable rate mortgage loans	**68,662**	77,906
Fixed rate unsecured loans	**1,198,827**	1,198,633
Total notes payable	**1,454,386**	1,451,942
Unsecured line of credit	**121,000**	162,000
Total	**$1,575,386**	1,613,942

The Company has an unsecured revolving line of credit (the "Line") with a commitment of $500 million and the right to expand the Line by an additional $150 million subject to additional lender syndication. The Line has a three-year term which expires in 2007 with a one-year extension at the Company's option with an interest rate of LIBOR plus .75%. At December 31, 2006, the balance on the Line was $121 million. Contractual interest rates on the Line, which are based on LIBOR plus .75%, were 6.125% and 5.125% at December 31, 2006 and 2005, respectively.

The spread paid on the Line is dependent upon the Company maintaining specific investment-grade ratings. The Company is also required to comply, and is in compliance, with certain financial covenants such as Minimum Net Worth, Total Liabilities to Gross Asset Value ("GAV") and Recourse Secured Debt to GAV, Fixed Charge Coverage and other covenants customary with this type of unsecured financing. The Line is used primarily to finance the development of real estate, but is also available for general working-capital purposes.

In February, 2007, Regency entered into a new loan agreement under the Line which increased the commitment to $600 million with the right to increase the facility size to $750 million. The contractual interest rate will be reduced to LIBOR plus .55% and will have an initial term of 48 months followed by a 12 month extension option.

Mortgage loans are secured by certain real estate properties and may be prepaid, but could be subject to a yield-maintenance premium or prepayment penalty. Mortgage loans are generally due in monthly installments of interest and principal and mature over various terms through 2017. The Company intends to repay mortgage loans at maturity from proceeds from the Line. Variable interest rates on mortgage loans are currently based on LIBOR plus a spread in a range of 90 to 135 basis points. Fixed interest rates on mortgage loans range from 5.22% to 8.95%.

The fair value of the Company's variable rate notes payable and the Line are considered to approximate fair value, since the interest rates on such instruments re-price based on current market conditions. The fair value of fixed rate loans are estimated using cash flows discounted at current market rates available to the Company for debt with similar terms and average maturities. Fixed rate loans assumed in connection with real estate acquisitions are recorded in the accompanying consolidated financial statements at fair value. Based on the estimates used by the Company, the fair value of notes payable and the Line is approximately $1.6 billion at December 31, 2006.

As of December 31, 2006, scheduled principal repayments on notes payable and the Line were as follows (in thousands):

Scheduled Principal Payments by Year	Scheduled Principal Payments	Term Loan Maturities	Total Payments
2007 (includes the Line)	$ 3,505	213,134	216,639
2008	3,352	19,618	22,970
2009	3,352	53,088	56,440
2010	3,190	177,208	180,398
2011	3,191	251,123	254,314
Beyond 5 Years	8,764	834,292	843,056
Unamortized debt premiums	—	1,569	1,569
Total	$25,354	1,550,032	1,575,386

8. Derivative Financial Instruments

The Company uses derivative instruments primarily to manage exposures to interest rate risks. In order to manage the volatility relating to interest rate risk, the Company may enter into interest rate hedging arrangements from time to time. None of the Company's derivatives are designated as fair value hedges. The Company does not utilize derivative financial instruments for trading or speculative purposes.

On March 10, 2006, the Company entered into four forward-starting interest rate swaps totaling $396.7 million with fixed rates of 5.399%, 5.415%, 5.399% and 5.415%. The Company designated these swaps as cash flow hedges to fix $400 million fixed rate financing expected to occur in 2010 and 2011. The change in fair value of these swaps from inception generated a liability of $2.9 million at December 31, 2006, which is recorded in accounts payable and other liabilities in the accompanying consolidated balance sheet.

On April 1, 2005, the Company entered into three forward-starting interest rate swaps of approximately $65.6 million each with fixed rates of 5.029%, 5.05% and 5.05% to fix the rate on unsecured notes issued in July 2005. On July 13, 2005, the Company settled the swaps with a payment to the counter-parties for $7.3 million. During 2003, the Company entered into two forward-starting interest rate swaps for a total of $144.2 million to fix the rate on a refinancing in April 2004. On March 31, 2004, the Company settled these swaps with a payment to the counter-party for $5.7 million. The adjustment to interest expense recorded in 2006 related to the settlement of these swaps is approximately $1.3 million and the unamortized balance at December 31, 2006 is $10.4 million.

All of these swaps qualify for hedge accounting under Statement 133. Realized losses associated with the swaps settled in 2005 and 2004 and unrealized losses associated with the swaps entered into in 2006 have been included in accumulated other comprehensive income (loss) in the consolidated statements of stockholders' equity and comprehensive income (loss). The unamortized balance of the realized losses is being amortized as additional interest expense over the ten year terms of the hedged loans. Unrealized losses will not be amortized until such time that the expected debt issuance is completed in 2010 and 2011 as long as the swaps continue to qualify for hedge accounting.

9. Stockholders' Equity and Minority Interest

(a) Preferred Units

At December 31, 2006 and 2005, the face value of the Series D Preferred Units was $50 million with a fixed distribution rate of 7.45% and recorded on the accompanying consolidated balance sheets net of original issuance costs.

On August 1, 2005, the Company redeemed the $30 million Series E Preferred Units and expensed related issuance costs of $762,180. On September 7, 2005, the Company redeemed the $24 million Series F Preferred Units and expensed their related issuance costs of $634,201. The redemptions were funded from the net proceeds from issuing common stock related to a Forward Sale Agreement as discussed further below.

Terms and conditions for the Series D Preferred Units outstanding as of December 31, 2006 are summarized as follows:

Units Outstanding	Amount Outstanding	Distribution Rate	Callable by Company	Exchangeable by Unit holder
500,000	$50,000,000	7.450%	09/29/09	01/01/16

The Preferred Units, which may be called by RCLP at par beginning September 29, 2009, have no stated maturity or mandatory redemption and pay a cumulative, quarterly dividend at a fixed rate. The Preferred Units may be exchanged by the holder for Cumulative Redeemable Preferred Stock ("Preferred Stock") at an exchange rate of one share for one unit. The Preferred Units and the related Preferred Stock are not convertible into common stock of the Company.

(b) Preferred Stock

Terms and conditions of the three series of Preferred Stock outstanding as of December 31, 2006 are summarized as follows:

Series	Shares Outstanding	Depositary Shares	Liquidation Preference	Distribution Rate	Callable by Company
Series 3	300,000	3,000,000	$ 75,000,000	7.450%	04/03/08
Series 4	500,000	5,000,000	125,000,000	7.250%	08/31/09
Series 5	3,000,000	—	75,000,000	6.700%	08/02/10
	3,800,000	8,000,000	$275,000,000		

In 2005, the Company issued 3 million shares, or $75 million, of 6.70% Series 5 Preferred Stock with a liquidation preference of $25 per share of which the proceeds were used to reduce the balance of the Line. The Series 3 and 4 depositary shares, which have a liquidation preference of $25, and the Series 5 preferred shares are perpetual, are not convertible into common stock of the Company, and are redeemable at par upon Regency's election five years after the issuance date. None of the terms of the Preferred Stock contain any unconditional obligations that would require the Company to redeem the securities at any time or for any purpose.

(c) Common Stock

On April 5, 2005, the Company entered into an agreement to sell 4,312,500 shares of its common stock to an affiliate of Citigroup Global Markets Inc. ("Citigroup") at $46.60 per share, in connection with a forward sale agreement (the "Forward Sale Agreement"). On August 1, 2005, the Company issued 3,782,500 shares to Citigroup for net proceeds of approximately $175.5 million and on September 7, 2005, the remaining 530,000 shares were issued for net proceeds of $24.4 million. The proceeds from the sale were used to reduce the Line and redeem the Series E and Series F Preferred Units.

10. Stock-Based Compensation and Other Employee Plan

The Company recorded stock-based compensation expense for the years ended December 31, 2006, 2005 and 2004 as follows, the components of which are further described below (in thousands):

	2006	2005	2004
Restricted stock	**$16,584**	16,955	10,154
Stock options, dividends and equivalents	**960**	1,440	3,928
Directors' fees paid in common stock	**406**	360	343
Total	**$17,950**	18,755	14,425

The recorded amounts of stock-based compensation expense represent amortization of deferred compensation related to share-based payments in accordance with Statement 123(R). Compensation expense that is specifically identifiable to development activities is capitalized to the associated development project and is included above.

During 2004, as permitted by Statement 123, the Company accounted for share-based payments to employees using Opinion 25's intrinsic value method and recognized no compensation cost for employee stock options. Had the Company adopted Statement 123(R) in 2004, the impact of that standard would have approximated the impact of Statement 123 in the disclosure of pro-forma net income and earnings per share described as follows (in thousands, except per share data):

	December 31, 2004
Net income for common stockholders as reported	$127,694
Add: stock-based employee compensation expense included in reported net income	14,425
Deduct: total stock-based employee compensation expense determined under fair value based methods for all awards	21,067
Pro-forma net income	$121,052
Earnings per share:	
Basic—as reported	$ 2.08
Basic—pro-forma	$ 1.98
Diluted—as reported	$ 2.08
Diluted—pro-forma	$ 1.97

The Company has a Long-Term Omnibus Plan (the "Plan") under which the Board of Directors may grant stock options and other stock-based awards to officers, directors and other key employees. The Plan allows the Company to issue up to 5.0 million shares in the form of common stock or stock options, but limits the issuance of common stock excluding stock options to no more than 2.75 million shares. At December 31, 2006, there were approximately 1.4 million shares available for grant under the Plan either through options or restricted stock. The Plan also limits outstanding awards to no more than 12% of outstanding common stock.

Stock options are granted under the Plan with an exercise price equal to the stock's fair market value at the date of grant. All stock options granted have ten-year lives, contain vesting terms of one to five years from the date of grant and some have dividend equivalent rights. Stock options granted prior to 2005 also contained "reload" rights, which allowed an option holder to receive new options each time existing options were exercised if the existing options were exercised under specific criteria provided for in the Plan. In January 2005, the Company acquired the "reload" rights of existing stock options from the option holders by granting 771,645 options to 37 employees for an exercise price of $51.36, the fair value on the date of grant, and granted 7,906 restricted shares to 11 employees representing value of $363,664, substantially canceling all of the "reload" rights on existing stock options. These stock options and restricted shares vest 25% per year and are expensed over a four-year period beginning in 2005 in accordance with Statement 123(R). Options granted under the reload buy-out plan do not earn dividend equivalents.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton closed-form ("Black-Scholes") option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company's stock and other factors. The Company uses historical data and other factors to estimate option exercises and employee terminations within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company believes that the use of the Black-Scholes model meets the fair value measurement objectives of Statement 123(R) and reflects all substantive characteristics of the instruments being valued. The following table represents the assumptions used for the Black-Scholes option-pricing model for options granted in the respective year:

	2006	2005	2004
Per share weighted average value of stock options	**$8.35**	5.91	4.75
Expected dividend yield	**3.8%**	4.3%	4.0%
Risk-free interest rate	**4.9%**	3.7%	2.9%
Expected volatility	**20.0%**	18.0%	19.0%
Expected life in years	**2.1**	4.4	2.1

The following table reports stock option activity during the year ended December 31, 2006:

	Number of Options	Weighted Average Exercise Price	Remaining Contractual Term (in years)	Intrinsic Value (in thousands)
Outstanding—December 31, 2005	2,024,900	$47.91		
Granted	18,827	70.98		
Exercised	(834,893)	46.96		
Forfeited	(13,283)	51.36		
Outstanding—December 31, 2006	**1,195,551**	**$48.90**	**7.5**	**$34,997**
Vested and expected to vest—December 31, 2006	**1,181,055**	**$48.87**	**7.5**	**$34,607**
Exercisable—December 31, 2006	**626,779**	**$46.66**	**7.0**	**$19,748**

The total intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 was $17.3 million, $7.2 million and $30.7 million, respectively. As of December 31, 2006, there was $2.0 million of unrecognized compensation cost related to non-vested stock options granted under the Plan. That cost is expected to be recognized through 2008. The Company issues new shares to fulfill option exercises from its authorized shares available.

The following table presents information regarding unvested option activity during the period ended December 31, 2006:

	Non-vested Number of Options	Weighted Average Grant-Date Fair Value
Non-vested at January 1, 2006	779,145	$5.86
Less: 2006 Vesting	197,091	5.75
Less: Forfeited	13,283	5.90
Non-vested at December 31, 2006	**568,771**	**$5.90**

The Company grants restricted stock under the Plan to its employees as a form of long-term compensation and retention. The terms of each grant vary depending upon the participant's responsibilities and position within the Company. The Company's stock grants to date can be categorized into three types: (a) 4-year vesting, (b) performance-based vesting, and (c) 8-year cliff vesting.

- The 4-year vesting grants vest 25% per year beginning in the year of grant. These grants are not subject to future performance measures.

- Performance grants are earned subject to future performance measurements, which include individual performance measures, annual growth in earnings, compounded three-year growth in earnings, and a three-year total shareholder return peer comparison ("TSR Grant"). Once the performance criteria are met and the actual number of shares earned is determined, certain shares will vest immediately while others will vest over an additional service period.

- The 8-year cliff vesting grants fully vest at the end of the eighth year from the date of grant; however, as a result of the achievement of future performance, primarily growth in earnings, the vesting of these grants may be accelerated over a shorter term.

Performance grants and 8-year cliff vesting grants are currently only granted to the Company's senior management. The Company considers the likelihood of meeting the performance criteria based upon management's estimates and analysis of future earnings growth from which it determines the amounts recognized as expense on a periodic basis. The Company determines the grant date fair value of TSR Grants based upon a Monte Carlo Simulation model. Compensation expense is measured at the grant date and recognized over the vesting period.

The following table reports restricted stock activity during the year ended December 31, 2006:

	Number of Shares	Intrinsic Value (in thousands)	Weighted Average Grant Price
Unvested at December 31, 2005	923,765		
Shares Granted	295,208		$63.75
Shares Vested and Distributed	(415,830)		
Shares Forfeited	(24,083)		
Unvested at December 31, 2006	**779,060**	**$60,899**	**$51.67**

The weighed-average grant price for restricted stock granted during the years 2006, 2005 and 2004 was $63.75, $51.38 and $39.79, respectively. The total intrinsic value of restricted stock vested during the years ended December 31, 2006, 2005 and 2004 was $26.3 million, $16.5 million and $11.0 million, respectively. As of December 31, 2006, there was $22.7 million of unrecognized compensation cost related to non-vested restricted stock granted under the Plan, which is recorded when recognized in additional paid in capital of the consolidated statements of stockholders' equity and comprehensive income (loss). This unrecognized compensation cost will be recognized over the next three years through 2009.

The Company maintains a 401(k) retirement plan covering substantially all employees, which permits participants to defer up to the maximum allowable amount determined by the IRS of their eligible compensation. This deferred compensation, together with Company matching contributions equal to 100% of employee deferrals up to a maximum of $3,500 of their eligible compensation, is fully vested and funded as of December 31, 2006. Costs relating to the matching portion of the plan were approximately $1.1 million, $603,415 and $588,482 for the years ended December 31, 2006, 2005 and 2004, respectively.

11. Earnings per Share

The following summarizes the calculation of basic and diluted earnings per share for the three years ended December 31, 2006, 2005 and 2004, respectively (in thousands, except per share data):

	2006	2005	2004
Numerator:			
Income from continuing operations	$155,145	97,187	99,377
Discontinued operations	63,366	65,460	36,950
Net income	218,511	162,647	136,327
Less: Preferred stock dividends	19,675	16,744	8,633
Net income for common stockholders	198,836	145,903	127,694
Less: Dividends paid on unvested restricted stock	978	1,109	1,041
Net income for common stockholders—basic	197,858	144,794	126,653
Add: Dividends paid on Treasury Method restricted stock	164	216	232
Net income for common stockholders—diluted	$198,022	145,010	126,885
Denominator:			
Weighted average common shares outstanding for basic EPS	68,037	64,459	60,665
Incremental shares to be issued under common stock options using the Treasury method	326	226	217
Incremental shares to be issued under unvested restricted stock using the Treasury method	69	98	110
Incremental shares to be issued under Forward Equity Offering using the Treasury method	—	149	—
Weighted average common shares outstanding for diluted EPS	68,432	64,932	60,992
Income per common share—basic:			
Income from continuing operations	$ 1.98	1.23	1.47
Discontinued operations	0.93	1.02	0.61
Net income for common stockholders per share	$ 2.91	2.25	2.08
Income per common share—diluted:			
Income from continuing operations	$ 1.97	1.22	1.47
Discontinued operations	0.92	1.01	0.61
Net income for common stockholders per share	$ 2.89	2.23	2.08

The exchangeable operating partnership units were anti-dilutive to diluted EPS for the three years ended December 31, 2006, 2005 and 2004, therefore, the units and the related minority interest of exchangeable operating partnership units are excluded from the calculation of diluted EPS.

12. Operating Leases

The Company's properties are leased to tenants under operating leases with expiration dates extending to the year 2032. Future minimum rents under non-cancelable operating leases as of December 31, 2006 excluding both tenant reimbursements of operating expenses and additional percentage rent based on tenants' sales volume are as follows (in thousands):

Year Ending December 31,	Amount
2007	$ 287,017
2008	268,928
2009	234,918
2010	199,077
2011	162,253
Thereafter	987,961
Total	$2,140,154

The shopping centers' tenant base includes primarily national and regional supermarkets, drug stores, discount department stores and other retailers and, consequently, the credit risk is concentrated in the retail industry. There were no tenants that individually represented more than 7% of the Company's future minimum rents.

The Company has shopping centers that are subject to non-cancelable long-term ground leases where a third party owns and has leased the underlying land to Regency to construct and/or operate a shopping center. In addition, the Company has non-cancelable operating leases pertaining to office space from which it conducts its business. The following table summarizes the future obligations under non-cancelable operating leases as of December 31, 2006 (in thousands):

Year Ending December 31,	Amount
2007	$ 5,945
2008	5,012
2009	4,856
2010	4,710
2011	4,636
Thereafter	41,511
Total	$66,670

13. Commitments and Contingencies

The Company is involved in litigation on a number of matters and is subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, is expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. The Company is also subject to numerous environmental laws and regulations as they apply to real estate pertaining to chemicals used by the dry cleaning industry, the existence of asbestos in older shopping centers, and underground petroleum storage tanks (UST's). The Company believes that the tenants who currently operate dry cleaning plants or gas stations do so in accordance with current laws and regulations. The Company has placed environmental insurance, where possible, on specific properties with known contamination, in order to mitigate its environmental risk. The Company monitors the shopping centers containing environmental issues and in certain cases voluntarily remediates the sites. The Company also has legal obligations to remediate certain sites and is in the process of doing so. The Company estimates the cost associated with these legal obligations to be approximately $3.8 million of which has been accrued. The Company believes that the ultimate disposition of currently known environmental matters will not have a material effect on its financial position, liquidity, or operations; however, it can give no assurance that existing environmental studies with respect to the shopping centers have revealed all potential environmental liabilities; that any previous owner, occupant or tenant did not create any material environmental condition not known to it; that the current environmental condition of the shopping centers will not be affected by tenants and occupants, by the condition of nearby properties, or by unrelated third parties; or that changes in applicable environmental laws and regulations or their interpretation will not result in additional environmental liability to the Company.

14. Market and Dividend Information (Unaudited)

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "REG". The Company currently has approximately 23,900 shareholders. The following table sets forth the high and low sales prices and the cash dividends declared on the Company's common stock by quarter for 2006 and 2005:

	2006			2005		
Quarter Ended	**High Price**	**Low Price**	**Cash Dividends Declared**	High Price	Low Price	Cash Dividends Declared
March 31	**$69.00**	**58.64**	**.595**	55.39	47.00	.55
June 30	**67.99**	**59.18**	**.595**	59.79	47.30	.55
September 30	**69.06**	**60.86**	**.595**	63.20	55.53	.55
December 31	**81.42**	**67.59**	**.595**	60.07	52.02	.55

15. Summary of Quarterly Financial Data (Unaudited)

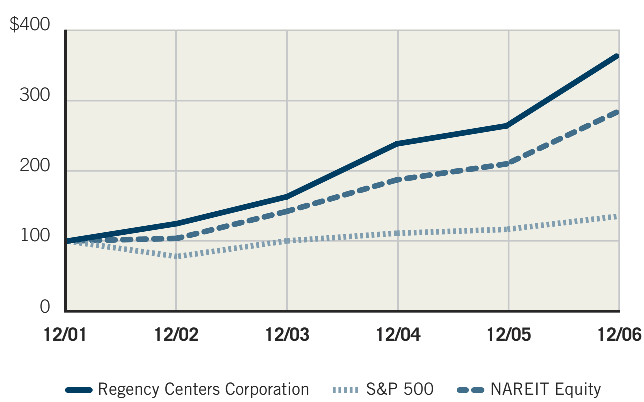
Presented below is a summary of the consolidated quarterly financial data for the years ended December 31, 2006 and 2005 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2006:				
Revenues as originally reported	**$104,069**	**108,825**	**105,633**	**111,048**
Reclassified to discontinued operations	**(3,489)**	**(3,624)**	**(2,123)**	**—**
Adjusted Revenues	**$100,580**	**105,201**	**103,510**	**111,048**
Net income for common stockholders	**$ 65,856**	**32,128**	**39,392**	**61,461**
Net income per share:				
Basic	**$ 0.97**	**0.47**	**0.57**	**0.89**
Diluted	**$ 0.97**	**0.47**	**0.57**	**0.89**
2005:				
Revenues as originally reported	$101,688	111,485	93,626	98,411
Reclassified to discontinued operations	(9,023)	(6,680)	(5,501)	(3,370)
Adjusted Revenues	$ 92,665	104,805	88,125	95,041
Net income for common stockholders	$ 34,686	40,217	27,563	43,437
Net income per share:				
Basic	$ 0.55	0.64	0.42	0.64
Diluted	$ 0.55	0.63	0.41	0.64

The following graph compares Regency's cumulative total stockholder return since December 31, 2001.

Comparison of 5 Year Cumulative Total Return*

Among Regency Centers Corporation, the S&P 500 Index and the NAREIT Equity Index



**$100 invested on 12/31/01 in stock or index—including reinvestment of dividends. Fiscal year ending December 31.*

Property List

ALABAMA

Southgate Village
Shopping Center* 75,092
Publix

Valleydale Village Shop Center* 118,466
Publix

ARIZONA

Anthem Marketplace 113,292
Safeway

Palm Valley Marketplace* 107,647
Safeway

Pima Crossing 239,438
Stein Mart, Pier 1 Imports, Rite Aid

Shops at Arizona 35,710
Ace Hardware

CALIFORNIA

4S Commons Town Center 240,239
Ralph's, Sav-On Drugs, Bed Bath and Beyond

Alameda Bridgeside
Shopping Center 105,118
Nob Hill

Amerige Heights Town Center* 96,679
Albertsons, Target

Applegate Ranch
Shopping Center 179,450
Super Target, Home Depot

Auburn Village* 133,944
Bel Air Market, Longs Drugs

Bayhill Shopping Center* 121,846
Mollie Stone's Market, Longs Drugs

Bear Creek Phase II 23,001

Bear Creek Village Center* 75,220
Stater Bros.

Blossom Valley 93,316
Safeway, Longs Drugs

Brea Marketplace* 298,311
Toys "R" Us, Circuit City

Campus Marketplace* 144,289
Ralph's, Longs Drugs

Clayton Valley 275,785
Yardbirds Home Center, Longs Drugs

Clovis Commons 182,185
Super Target, PetsMart, TJ Maxx

Corral Hollow* 167,184
Safeway, Longs Drugs, Orchard Supply Hardware

Costa Verde 178,623
Albertsons

Diablo Plaza 63,265
Safeway, Longs Drugs

El Camino 135,728
Von's Food & Drug, Sav-On Drugs

El Cerrito Plaza* 256,035
Lucky's, Trader Joe's

El Norte Pkwy Plaza 90,679
Von's Food & Drug, Longs Drugs

Encina Grande 102,499
Safeway, Walgreens

Falcon Ridge Town Center* 299,618
Stater Bros., Target, Linens 'n Things

Five Points Shopping Center* 144,553
Albertsons, Longs Drugs

Folsom Prairie City Crossing 90,237
Safeway

French Valley 99,020
Stater Bros.

Friars Mission 146,898
Ralph's, Longs Drugs

Garden Village Shopping Center* 112,767
Albertsons, Rite Aid

Gelson's Westlake Market Plaza 84,975
Gelson's Markets

Golden Hills Promenade 291,732
Lowe's

Granada Village* 224,649
Ralph's, TJ Maxx, Stein Mart

Hasley Canyon Village 65,801
Ralph's

Heritage Plaza 231,582
Ralph's, Sav-On Drugs

Indio Town Center 295,194
WinCo Foods

Laguna Niguel Plaza* 41,943
Albertsons, Sav-On Drugs

Loehmann's Plaza California 113,310
Safeway, Loehmann's, Longs Drugs

Mariposa Shopping Center* 126,658
Safeway, Longs Drugs

Morningside Plaza 91,336
Stater Bros.

Navajo Shopping Center* 102,138
Albertsons, Rite Aid

Newland Center 149,174
Albertsons

Oakbrook Plaza 83,279
Albertsons, Longs Drugs

Park Plaza Shopping Center* 197,166
Henry's Marketplace, Petco, Office Depot

Plaza Hermosa 94,940
Von's Food & Drug, Sav-On Drugs

Pleasant Hill Shopping Center* 233,679
Target, Toys "R" Us, Barnes & Noble

Point Loma Plaza* 212,796
Von's Food & Drug

Powell Street Plaza 165,928
Trader Joe's, Circuit City

Rancho San Diego Village* 152,896
Von's Food & Drug, Longs Drugs

Rio Vista Town Center 88,760
Stater Bros., CVS

Rona Plaza 51,754
Food 4 Less

San Leandro 50,432
Safeway, Longs Drugs

Santa Ana Downtown 100,306
Food 4 Less

Santa Maria Commons 113,514
Kohl's, Rite Aid

Seal Beach* 102,235
Safeway, Sav-On Drugs

Sequoia Station 103,148
Safeway, Old Navy, Barnes & Noble, Longs Drugs

Shops of Santa Barbara 51,568
Circuit City

Shops of Santa Barbara Phase II 69,354
Whole Foods

Silverado Plaza* 84,916
Nob Hill, Longs Drugs

Snell & Branham Plaza* 99,349
Safeway

Soquel Canyon Crossings 38,926
Rite Aid

Stanford Ranch Village* 89,875
Bel Air Market

Strawflower Village 78,827
Safeway, Longs Drugs

Tassajara Crossing 146,188
Safeway, Longs Drugs

Twin Oaks Shopping Center* 98,399
Ralph's, Rite Aid

Twin Peaks 198,139
Albertsons, Target

Valencia Crossroads 167,857
Whole Foods, Kohl's

Ventura Village 76,070
Von's Food & Drug

Vine at Castaic 30,268

Vista Village Phase I 195,009
Sprout's Markets, Lowe's, Linens 'n Things

West Park Plaza 88,103
Safeway, Rite Aid

Westlake Village Plaza and Center 190,519
Von's Food & Drug, Longs Drugs

Westridge 94,410
Albertsons

Woodman Van Nuys 107,614
Gigante

Woodside Central 80,591
Target, Marshalls

Ygnacio Plaza* 109,701
Albertsons, Rite Aid

COLORADO

Applewood Shopping Center* 375,622
King Soopers, Wal-Mart, PetsMart

Arapahoe Village* 159,237
Safeway, Pier 1 Imports

Belleview Square 117,085
King Soopers

Boulevard Center 88,512
Safeway

Buckley Square 116,146
King Soopers, True Value Hardware

Centerplace of Greeley* 148,575
Safeway, Target

Cherrywood Square* 86,161
King Soopers

Cheyenne Meadows* 89,893
King Soopers

Crossroads Commons* 144,288
Whole Foods, Barnes & Noble

Falcon Marketplace 22,920
Wal-Mart

Fort Collins Center 99,359
JC Penney

Hilltop Village* 100,028
King Soopers

Leetsdale Marketplace 119,916
Safeway

Littleton Square 94,257
King Soopers, Walgreens

Lloyd King Center 83,326
King Soopers

Loveland Shopping Center 93,142
Murdoch's Ranch

Marketplace at Briargate 29,075
King Soopers

Monument Jackson Creek 85,263
King Soopers

Ralston Square Shopping Center* 82,750
King Soopers

Stroh Ranch 93,436
King Soopers

Woodmen Plaza 116,233
King Soopers

Property List *(continued)*

CONNECTICUT

Corbin's Corner* 179,730
Trader Joe's, Best Buy, Old Navy

DELAWARE

First State Plaza* 164,576
Shop Rite, Cinemark

Newark Shopping Center* 183,017
Blue Hen Lanes, Cinema Center

Pike Creek 229,510
Acme Markets, K-Mart

Shoppes of Graylyn* 66,676
Rite Aid

White Oak 10,908
Eckerd

FLORIDA

Anastasia Plaza* 102,342
Publix

Aventura Shopping Center 102,876
Publix, CVS

Beneva Village Shops 141,532
Publix, Walgreens

Berkshire Commons 106,354
Publix, Walgreens

Bloomingdale Square 267,736
Publix, Wal-Mart, Bealls

Boynton Lakes Plaza 124,924
Winn-Dixie

Canopy Oak Center 90,043
Publix

Carriage Gate 76,783
TJ Maxx

Chasewood Plaza 155,603
Publix, Bealls

Courtyard Shopping Center 137,256
Publix, Target

East Port Plaza 235,842
Publix

East San Marco 54,464
Publix

East Towne Shopping Center 69,841
Publix

First Street Village 91,860
Publix

Five Points Plaza* 44,647
Publix

Fleming Island 136,662
Publix, Target, Stein Mart

Garden Square 90,258
Publix, CVS

Grande Oak 78,784
Publix

Hibernia Plaza 59,103
Publix

Highland Square* 262,195
Publix, CVS

John's Creek Shopping Center 89,921
Publix, Walgreens

Julington Village* 81,820
Publix, CVS

Kings Crossing Sun City* 75,020
Publix

Lynnhaven* 63,871
Publix

Marketplace St Pete 90,296
Publix

Martin Downs Village Center 121,946
Bealls

Martin Downs Village Shoppes 48,907
Walgreens

Merchants Crossing 213,739
Publix, Bealls, Office Depot, Walgreens

Millhopper 84,065
Publix

Newberry Square 180,524
Publix, K-Mart

Oakleaf Plaza 73,719
Publix

Ocala Corners* 86,772
Publix

Old St Augustine Plaza 232,459
Publix, CVS, Hobby Lobby

Palm Harbor Shopping Village* 172,758
Publix, CVS

Peachland Promenade* 82,082
Publix

Pebblebrook Plaza* 76,767
Publix, Walgreens

Pine Tree Plaza 63,387
Publix

Plantation Plaza* 77,747
Publix

Regency Court 218,649
Sports Authority, Office Depot

Regency Square Brandon 349,848
AMC Theater, Michaels, Best Buy

Regency Village* 83,170
Publix, Walgreens

Shoppes @ 104* 108,192
Winn-Dixie

Shoppes at Bartram Park* 117,414
Publix

Shops at John's Creek 15,490

Shops of San Marco* 96,408
Publix, Walgreens

Starke 12,739
CVS

Town Center at Martin Downs 64,546
Publix

Town Square 44,380
Petco, Pier 1 Imports

Village Center 6 181,110
Publix, Walgreens
Village Commons
Shopping Center* 169,053
Publix, CVS
Vineyard Shopping Center 62,821
Publix
Welleby 109,949
Publix, Bealls
Wellington Town Square 107,325
Publix, CVS
Willa Springs Shopping Center 89,930
Publix

GEORGIA

Ashford Place 53,450
Bethesda Walk* 68,271
Publix
Briarcliff La Vista 39,203
Michaels
Briarcliff Village 187,156
Publix, Office Depot, TJ Maxx
Brookwood Village* 28,774
CVS
Buckhead Court* 58,130
Buckhead Crossing 221,874
Office Depot, Michaels, Hancock Fabrics, Ross Dress for Less
Cambridge Square
Shopping Center 71,474
Kroger
Chapel Hill 55,400
Kohl's
Cobb Center* 69,547
Publix, Rich's
Coweta Crossing* 68,489
Publix
Cromwell Square 70,283
CVS, Hancock Fabrics
Delk Spectrum 100,539
Publix
Dunwoody Hall 89,351
Publix, Eckerd
Dunwoody Village 120,598
Fresh Market, Walgreens
Howell Mill Village* 97,990
Publix, Eckerd
Lindbergh Crossing* 27,059
CVS
Loehmann's Plaza Georgia 137,601
Loehmann's
Northlake Promenade* 25,394
Orchard Square* 93,222
Publix
Paces Ferry Plaza 61,696
Peachtree Parkway Plaza* 95,509
Powers Ferry Kroger* 45,528
Kroger
Powers Ferry Square 95,704
CVS
Powers Ferry Village 78,996
Publix, CVS
Rivermont Station 90,267
Kroger
Rose Creek* 69,790
Publix
Roswell Crossing* 201,979
Trader Joe's, PetSmart, Office Max, Walgreens
Russell Ridge 98,559
Kroger
Thomas Crossroads* 84,928
Kroger
Trowbridge Crossing* 62,558
Publix
Woodstock Crossing* 66,122
Kroger

ILLINOIS

Baker Hill Center* 135,285
Dominick's
Brentwood Commons* 125,585
Dominick's
Civic Center Plaza* 265,024
Dominick's, Home Depot
Deer Grove Center* 239,356
Dominick's, Target, Linens 'n Things
Frankfort Crossing Shpg Ctr 114,534
Jewel-OSCO, Ace Hardware
Geneva Crossing* 123,182
Dominick's
Heritage Plaza—Chicago* 128,871
Jewel-OSCO, Ace Hardware
Hinsdale 178,975
Dominick's, Ace Hardware
McHenry Commons
Shopping Center* 100,526
Dominick's
Oaks Shopping Center 135,007
Dominick's
Riverside Sq & River's Edge* 169,436
Dominick's, Ace Hardware
Riverview Plaza* 139,256
Dominick's, Walgreens
Shorewood Crossing* 87,705
Dominick's
Stearns Crossing* 96,613
Dominick's
Stonebrook Plaza
Shopping Center* 95,825
Dominick's
Westbrook Commons 121,502
Dominick's

Property List *(continued)*

INDIANA

Airport Crossing	11,921
Kohl's	
Augusta Center	14,537
Menards	
Greenwood Springs	28,028
Gander Mountain, Wal-Mart	
Willow Lake Shopping Center*	85,923
Kroger	
Willow Lake West Shopping Center*	52,961
Trader Joe's	

KENTUCKY

Franklin Square*	203,318
Kroger, Rite Aid, Office Depot	
Silverlake*	99,352
Kroger	

MASSACHUSETTS

Shops at Saugus	101,117
La-Z-Boy	
Speedway Plaza*	185,279
Stop & Shop, BJ's Wholesale	
Twin City Plaza	281,703
Shaw's, Marshall's	

MARYLAND

Bowie Plaza*	104,037
Giant Food, CVS	
Clinton Park*	206,050
Giant Food, Sears, Toys "R" Us	
Cloppers Mill Village*	137,035
Shoppers Food Warehouse, CVS	
Elkridge Corners*	73,529
Super Fresh, Rite Aid	
Festival at Woodholme*	81,027
Trader Joe's	
Firstfield Shopping Center*	22,328
Goshen Plaza*	45,654
CVS	
King Farm Apartments*	64,775
King Farm Village Center*	120,326
Safeway	
Lee Airport	129,940
Giant Food	
Mitchellville Plaza*	156,124
Food Lion	
Northway Shopping Center*	98,016
Shoppers Food Warehouse	
Parkville Shopping Center*	162,435
Super Fresh, Rite Aid	
Southside Marketplace*	125,147
Shoppers Food Warehouse, Rite Aid	
Takoma Park*	106,469
Shoppers Food Warehouse	
Valley Centre*	247,312
TJ Maxx, Sony Theatres, Staples, Ross Dress for Less	
Watkins Park Plaza*	113,443
Safeway, CVS	
Woodmoor Shopping Center*	64,682
CVS	

MICHIGAN

Fenton Marketplace	97,224
Farmer Jack	
Independence Square	89,083
Kroger	
State Street Crossing	21,004
Wal-Mart	
Waterford Towne Center	96,101
Kroger	

MINNESOTA

Apple Valley Square	184,841
Rainbow Foods, Jo-Ann Fabrics, Petco	
Colonial Square*	93,200
Lund's	
Rockford Road Plaza*	205,897
Rainbow Foods, PetSmart, TJ Maxx	

NEVADA

Anthem Highland Shopping Center	119,313
Albertsons, Sav-On Drugs	

NEW HAMPSHIRE

Amherst Street Village Center	33,481
PetSmart, Walgreens	
Merrimack Shopping Center	91,692
Shaw's	

NEW JERSEY

Haddon Commons*	52,640
Acme Markets, CVS	
Plaza Square*	103,842
Shop Rite	

NORTH CAROLINA

Bent Tree Plaza*	79,503
Kroger	
Cameron Village*	635,918
Harris Teeter, Fresh Market, Eckerd	
Carmel Commons	132,651
Fresh Market, Eckerd	
Fuquay Crossing*	124,774
Kroger	
Garner	221,776
Kroger, Home Depot, Target	

Glenwood Village 42,864
Harris Teeter
Greystone Village* 85,665
Food Lion, Eckerd
Jetton Village* 70,097
Harris Teeter
Kernersville Plaza 72,590
Harris Teeter
Lake Pine Plaza 87,691
Kroger
Maynard Crossing 122,782
Kroger
Middle Creek Commons 74,098
Lowes Foods
Shoppes of Kildaire* 148,204
Trader Joe's, Staples
Southpoint Crossing* 103,128
Kroger
Sutton Square* 101,846
Harris Teeter, Eckerd
Woodcroft Shopping Center 89,833
Food Lion, True Value Hardware

OHIO

Beckett Commons 121,498
Kroger, Stein Mart
Cherry Grove 195,497
Kroger, TJ Maxx, Shoe Carnival
East Pointe 86,503
Kroger
Hyde Park 397,893
Kroger, Biggs, Walgreens
Indian Springs Market Center 146,458
Kohl's, Office Depot
Kingsdale Shopping Center 266,878
Giant Eagle
Kroger New Albany Center 91,722
Kroger
Maxtown Road (Northgate) 85,100
Kroger, Home Depot
Park Place Shopping Center 106,833
Big Lots
Red Bank Village 233,084
Wal-Mart
Regency Commons 30,770
Regency Milford Center* 108,923
Kroger, CVS
Shoppes at Mason 80,800
Kroger
Wadsworth Crossing 111,264
Kohl's, Lowe's, Target
Westchester Plaza 88,182
Kroger
Windmiller Plaza Phase I 141,110
Kroger, Sears Orchard

OREGON

Cherry Park Market* 113,518
Safeway
Corvallis Market Center 82,250
TJ Maxx, Michaels
Greenway Town Center* 93,101
Unified Western Grocers, Rite Aid, Dollar Tree
Hillsboro Market Center* 148,051
Albertsons, PetSmart
Murrayhill Marketplace 149,215
Safeway
Sherwood Crossroads 87,966
Safeway
Sherwood Market Center 124,257
Albertsons
Sunnyside 205 52,710
Tanasbourne Market 71,000
Whole Foods
Walker Center 89,610
Sportmart

PENNSYLVANIA

Allen Street Shopping Center* 46,420
Ahart Market, Eckerd
City Avenue Shopping Center* 159,419
Ross Dress for Less, TJ Maxx, Sears
Gateway Shopping Center 219,337
Trader Joe's, Staples, TJ Maxx
Hershey 6,000
Kenhorst Plaza* 159,150
Redner's Market, Rite Aid
Kulpsville Village Center 14,820
Walgreens
Mayfair Shopping Center* 112,276
Shop 'N' Bag, Eckerd, Dollar Tree
Mercer Square Shopping Center* 91,400
Genuardi's
Newtown Square Shopping Center* 146,893
Acme Markets, Eckerd
Silver Spring Square 347,435
Wegmans, Target
Stefko Boulevard Shopping Center* 133,824
Valley Farm Market
Towamencin Village Square* 122,916
Genuardi's, Eckerd, Sears
Warwick Square Shopping* 89,680
Genuardi's

SOUTH CAROLINA

Fairview Market* 53,888
Publix
Merchants Village* 79,724
Publix
Murray Landing 64,359
Publix

Property List *(continued)*

North Pointe* 64,257
Publix
Orangeburg 14,820
Walgreens
Pelham Commons 76,541
Publix
Poplar Springs* 64,038
Publix
Queensborough* 82,333
Publix
Rosewood Shopping Center 36,887
Publix

TENNESSEE

Dickson Tennessee 10,908
Eckerd
Harding Place 4,849
Wal-Mart
Harpeth Village Fieldstone 70,091
Publix
Lebanon Center 63,802
Publix
Nashboro 86,811
Kroger, Walgreens
Northlake Village I & II 141,685
Kroger, CVS, Petco
Peartree Village 109,904
Harris Teeter, Eckerd, Office Max

TEXAS

Alden Bridge 138,953
Kroger
Atascocita Center 97,240
Kroger
Bethany Park Place 74,066
Kroger
Cochran's Crossing 138,192
Kroger, CVS
Cooper Street 133,196
Home Depot, Office Depot
First Colony Marketplace* 111,675
Randall's Food, Sears
Fort Bend Center 30,164
Kroger
Hancock 410,438
H-E-B, Sears, Old Navy
Hickory Creek Plaza 27,786
Kroger, CVS
Highland Village 355,906
AMC Theater, Barnes & Noble
Hillcrest Village 14,530
Indian Springs Center* 136,625
H-E-B
Keller Town Center 114,937
Tom Thumb
Kleinwood Center 155,463
H-E-B, Walgreens
Kleinwood Center II 45,001
LA Fitness
Lebanon/Legacy Center 56,674
Albertsons
Main Street Center 42,754
Albertsons
Market at Preston Forest 91,624
Tom Thumb, Petco
Market at Round Rock 123,046
Albertsons
Memorial Collection Shopping Center* 103,330
Randall's Food, Walgreens
Mockingbird Common 120,321
Tom Thumb
North Hills 144,019
H-E-B
Panther Creek 165,560
Randall's Food, CVS
Preston Park 273,396
Tom Thumb, Gap, Williams-Sonoma
Prestonbrook 91,537
Kroger
Prestonwood Park 101,167
Albertsons
Rockwall Town Center 46,409
Kroger, Walgreens
Shiloh Springs 110,040
Kroger
Signature Plaza 32,415
Kroger
South Shore 27,922
Kroger
Spring West Center 144,060
H-E-B
Sterling Ridge 128,643
Kroger, CVS
Sweetwater Plaza* 134,045
Kroger, Walgreens
Trophy Club 106,507
Tom Thumb, Walgreens
Valley Ranch Centre 117,187
Tom Thumb
Weslayan Plaza East* 169,693
Michaels, Linens 'n Things
Weslayan Plaza West* 185,732
Randall's Food
West Village 168,182
Target
Woodway Collection* 111,005
Randall's Food

VIRGINIA

601 King Street* 8,349
Ashburn Farm Market Center 91,905
Giant Food

Ashburn Farm Village Center* 88,897
Shoppers Food Warehouse
Braemar Shopping Center* 96,439
Safeway
Brafferton Center* 94,731
Giant Food
Brookville Plaza* 63,665
Kroger
Centre Ridge Marketplace* 104,154
Shoppers Food Warehouse, Sears
Cheshire Station 97,156
Safeway, Petco
Culpeper Colonnade 97,366
Target, Staples, PetSmart
Festival at Manchester Lakes* 165,130
Shoppers Food Warehouse
Fortuna 90,131
Shoppers Food Warehouse, Target
Fox Mill Shopping Center* 103,269
Giant Food
Gayton Crossing* 156,916
Ukrop's
Glen Lea Centre* 78,493
Eckerd
Greenbriar Town Center* 345,935
Giant Food, CVS, Petco
Hanover Village* 96,146
Rite Aid
Hollymead Town Center* 153,742
Harris Teeter, Target, PetSmart
Kamp Washington Shopping Center* 71,825
Borders Books
Kings Park Shopping Center* 74,703
Giant Food, CVS
Laburnum Park Shopping Center* 64,992
Ukrop's, Rite Aid
Lorton Station Marketplace 132,445
Shoppers Food Warehouse
Lorton Town Center 82,177
Market at Opitz Crossing 149,810
Safeway
Saratoga Shopping Center* 101,587
Giant Food
Shops at County Center 109,589
Harris Teeter
Signal Hill 95,172
Shoppers Food Warehouse
Somerset Crossing 104,128
Shoppers Food Warehouse
Statler Square Phase I 133,660
Kroger, Staples
Town Center at Sterling Shopping Center* 190,069
Giant Food
Village Center at Dulles* 298,281
Shoppers Food Warehouse, CVS, Petco, Staples
Village Shopping Center* 111,177
Ukrop's, CVS
Willston Centre I* 105,376
CVS
Willston Centre II* 127,449
Safeway

WASHINGTON

Aurora Marketplace* 106,921
Safeway, TJ Maxx
Cascade Plaza* 211,072
Safeway, Longs Drugs
Eastgate Plaza* 78,230
Albertsons, Rite Aid
Inglewood Plaza 17,253
James Center* 140,240
Fred Myer, Rite Aid
Orchard Market Center 51,959
Jo-Ann Fabrics, Petco
Orchards Phase II 120,058
Wallace Theaters, Office Depot
Overlake Fashion Plaza* 80,555
Sears, Marshalls
Pine Lake Village 102,953
Quality Foods Center, Rite Aid
Sammamish Highland 101,289
Safeway, Bartell Drugs
Southcenter 58,282
Target
Thomas Lake 103,872
Albertsons, Rite Aid

WASHINGTON, DC

Shops at The Columbia* 22,811
Trader Joe's
Spring Valley Shopping Center* 16,834
CVS

WISCONSIN

Racine Centre Shopping Center* 135,827
Piggly Wiggly, Office Depot
Whitnall Square Shopping Center* 133,301
Pick 'N' Save, Dollar Tree

All numbers represent center square footage. Portfolio list does not include single-tenant properties.

**Indicates Joint Venture property.*

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Operating Committee

Seated: **Martin "Hap" Stein, Jr.,** Chairman and Chief Executive Officer; **Mary Lou Fiala,** President and Chief Operating Officer; *Standing, from left to right:* **Mac Chandler,** Managing Director, Investments—Northeast; **John Euart, Jr.,** Managing Director, Investments—Southeast; **James Buis,** Managing Director, Investments—Central; **Brian Smith,** Managing Director and Chief Investment Officer; **Bruce Johnson,** Managing Director and Chief Financial Officer; **Mark Harrigian,** Managing Director, Investments—Pacific; **James Thompson,** Managing Director, Operations—East; **John Delatour,** Managing Director, Operations—West

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