DISCOVERY PARTNERS INTERNATIONAL INC
Form 8-K
February 25, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 21, 2005**

DISCOVERY PARTNERS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-31141**	**33-0655706**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

9640 Towne Centre Drive San Diego, California	**92121**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(858) 455-8600**

Not Applicable.
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

On February 21, 2005, the Board of Directors of Discovery Partners International, Inc. voted to authorize the payment of bonuses to the Company s named executive officers (as defined in Item 402(a)(3) of Regulation S-K promulgated by the Securities and Exchange Commission) and other executive officers according to the 2004 bonus plan previously approved by the Compensation Committee based on such executive officers achievement of personal performance goals and specified Company performance goals, as further described below, for the fiscal year ended December 31, 2004. The following bonuses were awarded for fiscal year 2004:

Name	**Title**		**Bonus**
Riccardo Pigliucci	Chief Executive Officer and Chairman	$	94,162.63
Craig Kussman	Chief Financial Officer, Senior Vice President, Finance and Administration, Secretary	$	86,841.13
John Lillig	Chief Technology Officer, Vice President and General Manager, Discovery Systems	$	37,751.48
Douglas Livingston	Senior Vice President, Chemistry	$	47,691.44
Richard Neale	Vice President, Business Operations and Alliances	$	40,268.25
Urs Regenass	Vice President and General Manager, Integrated Drug Discovery	$	43,296.56
Daniel Harvey	Vice President and General Manager, Discovery Chemistry Division	$	30,010.02

The Company s board of directors, based on the recommendation of the Compensation Committee, approved a bonus program in 2004 whereby annual bonuses are earned by the Company s eligible employees, including executive officers, solely on the basis of the achievement of both corporate performance targets and individual performance targets that the Compensation Committee establishes at the start of the fiscal year. The corporate performance targets for 2004 established by the Compensation Committee in connection with this bonus program required that the Company meet or exceed specified revenue, net income and backlog amounts in 2004. Because publication of sensitive and proprietary quantifiable targets and other specific goals for the company and its executive officers could place the company at a competitive disadvantage, it has not been the company s practice to disclose the specific financial performance target levels set forth in its incentive compensation plans. However, calculation of achievement of corporate performance targets in accordance with the terms of the 2004 bonus program resulted in a smaller potential bonus for each eligible employee in 2004 than in 2003. These smaller potential bonus amounts were then allocable to each eligible employee based 50% on achievement of the corporate performance targets and 50% on achievement of individual performance targets, resulting in substantially all eligible employees, including executive officers, receiving smaller bonuses in 2004 than in 2003, and bonuses overall to eligible employees being lower in 2004 than in 2003.

On February 21, 2005 Discovery Partners International, Inc. also accelerated the vesting of certain unvested stock options previously awarded to the executive officers and other employees under the Company s 2000 stock option plans which have an exercise price greater than or equal to $5.75. Options to purchase approximately 282,000 shares of common stock (of which approximately 6,500 shares are subject to options held by the executive officers) are subject to this acceleration. Options held by non-employees were not included in the acceleration.

Holders of incentive stock options (ISOs) within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, were given the election to decline the acceleration of their options if such acceleration would have the effect of changing the status of such option for federal income tax purposes from an ISO to a non-qualified stock option.

Because these options have exercise prices in excess of current market value (are out-of-the-money), and are not fully achieving their original objectives of incentive compensation and employee retention, the Company expects that the acceleration may have a positive effect on employee morale, retention and perception of option value. The acceleration would eliminate any future compensation expense the Company would otherwise recognize in its income statement with respect to these options with the implementation of the Financial Accounting Standard Board (FASB) statement Share-Based Payment (FAS 123R) as expected effective July 1, 2005.

sIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DISCOVERY PARTNERS INTERNATIONAL, INC.

Dated: February 25, 2005	By:	/s/ Craig Kussman
	Name:	Craig Kussman
	Title:	Chief Financial Officer, Senior Vice President, Finance and Administration, Secretary

4

D VALIGN="bottom"> 50,000

Balance at March 31, 2008

$1,700,248 $330,000 $287,500 $2,317,748

Derivatives

As of March 31, 2008 and December 31, 2007, we had a total of 13 forward-starting interest rate swap agreements, respectively, as detailed in Note 10 to our unaudited consolidated financial statements. The swap agreements that are currently outstanding have an aggregate notional amount of $400.0 million, and settle in 2008.

We entered into these swap agreements in order to hedge the expected interest payments associated with a portion of our anticipated future issuances of long-term debt. We assessed the effectiveness of our swaps as hedges at inception and at March 31, 2008, and consider these swaps to be highly effective cash flow hedges under SFAS No. 133 (See Note 10 to our unaudited consolidated financial statements).

REMIC

In connection with our merger with Crown American Realty Trust in 2003, we assumed from Crown approximately $443.8 million of a 15 property real estate mortgage investment conduit (REMIC) with General Electric Capital Corporation that has a final maturity date of September 10, 2025 and is secured by a portfolio of 15 properties at an interest rate of 7.43% per annum. This rate remains in effect until September 10, 2008. The loan can be prepaid without penalty beginning in July 2008. If not prepaid, the interest rate from and after September 10, 2008 will be equal to the greater of (i) 10.43% per annum, or (ii) the Treasury Rate, as defined therein, plus 3.0% per annum. The mortgage loan had a balance of $405.3 million as of March 31, 2008.

Mortgage Notes

Mortgage notes payable, which are secured by 31 of our consolidated properties, are due in installments over various terms extending to the year 2017. Mortgage notes secured by 30 of these properties carry fixed interest at rates ranging from 4.95% to 7.61% and a weighted average interest rate of 6.13% at March 31, 2008. We also have one property secured by a variable interest mortgage which had a weighted average interest rate of 4.42% for the three months ended March 31, 2008. Mortgage notes payable for properties owned by unconsolidated partnerships are accounted for in Investments in partnerships, at equity on the consolidated balance sheets and are not included in the table below.

Table of Contents

The following table outlines the timing of principal payments related to our mortgage notes associated with our consolidated properties as of March 31, 2008.

		Payments by Period			
(in thousands of dollars)	Total	Through December 31, 2008[1]	2009-2010	2011-2012	2013 and later
Principal payments	$ 108,747	$ 16,439	$ 30,653	$ 32,634	$ 29,021
Balloon payments	1,591,501	505,564	58,009	359,638	668,290
Total	$ 1,700,248	$ 522,003	$ 88,662	$ 392,272	$ 697,311

(1) The amount outstanding under the REMIC is included in the Through December 31, 2008 column.

Contractual Obligations

The following table presents our aggregate contractual obligations as of March 31, 2008, for the periods presented:

(in thousands of dollars)	Total	Through December 31, 2008	2009-2010	2011-2012	2013 and later
Mortgages [1]	$ 1,700,248	$ 522,003	$ 88,662	$ 392,272	$ 697,311
Interest on mortgages	424,460	70,320	128,041	112,894	113,205
Credit Facility [2][3]	330,000		330,000		
Exchangeable Senior Notes	287,500			287,500	
Interest on exchangeable senior notes	47,917	8,625	23,000	16,292	
Capital leases [4]	298	124	174		
Operating leases	12,390	2,049	4,806	3,432	2,103
Ground leases	60,773	772	2,176	2,041	55,784
Development and redevelopment commitments [5]	103,167	92,671	10,496		
Other long-term liabilities [6]	3,116		3,116		
Total	$ 2,969,869	$ 696,564	$ 590,471	$ 814,431	$ 868,403

(1) Includes amounts reflected in the Mortgage Notes table above. Excludes the indebtedness of our unconsolidated partnerships.
(2) The Credit Facility has a term that expires in January 2009, with an additional 14 month extension option provided that there is no event of default at that time.
(3) Excludes interest.
(4) Includes interest.
(5) The timing of the payment of these amounts is uncertain. We estimate that a significant portion of these amounts will be paid in the upcoming year, but situations could arise at these development and redevelopment projects that could delay the settlement of these obligations.
(6) Represents long-term incentive compensation.

Table of Contents

CASH FLOWS

Net cash provided by operating activities totaled $39.8 million for the three months ended March 31, 2008, compared to $34.7 million for the three months ended March 31, 2007. The most significant components of the Company s cash flows from operating activities are net operating income, interest expense and general and administrative expenses. See Results of Operations and Net Operating Income for an analysis of the changes in these components for the periods presented. Cash flows from operating activities for the three months ended March 31, 2008 were also impacted by a decrease of $4.0 million in tenant and other accounts receivable.

Cash flows used in investing activities were $71.9 million in the three months ended March 31, 2008, compared to $40.2 million in the three months ended March 31, 2007. Investing activities in 2008 reflect investment in construction in progress of $65.5 million and real estate improvements of $1.4 million, both of which primarily relate to our development and redevelopment activities. Investing activities also reflect $4.0 million paid to acquire partnership interests.

Cash flows provided by financing activities were $24.9 million in the three months ended March 31, 2008, compared to $7.9 million in the same period in 2007. Cash flows provided by financing activities in the three months ended March 31, 2008 were primarily affected by $55.0 million of proceeds from the supplemental financing of Cherry Hill Mall. Cash flows from financing activities were also impacted by dividends and distributions of $23.6 million and principal installments on mortgage notes payable of $5.9 million in the three months ended March 31, 2008.

COMMITMENTS

At March 31, 2008, we had $103.2 million of contractual obligations to complete current development and redevelopment projects. Total expected remaining costs for the particular projects with such commitments are $317.1 million. We expect to finance these amounts through borrowings under the Credit Facility or through various other capital sources. See Liquidity and Capital Resources Capital Resources.

CONTINGENT LIABILITIES

We are aware of certain environmental matters at some of our properties, including ground water contamination and the presence of asbestos containing materials. We have, in the past, performed remediation of such environmental matters, and we are not aware of any significant remaining potential liability relating to these environmental matters. We may be required in the future to perform testing relating to these matters. We have insurance coverage for certain environmental claims up to $5.0 million per occurrence and up to $5.0 million in the aggregate.

COMPETITION AND TENANT CREDIT RISK

Competition in the retail real estate industry is intense. We compete with other public and private retail real estate companies, including companies that own or manage malls, power centers, lifestyle centers, strip centers, factory outlet centers, theme/festival centers and community centers, as well as other commercial real estate developers and real estate owners, particularly those with properties near our properties, on the basis of location and rent charged. We compete with these companies to attract customers to our properties, as well as to attract anchor and in-line store tenants. We also compete to acquire land for new site development. Our malls and our strip and power centers face competition from similar retail centers, including more recently developed or renovated centers, that are near our retail properties. We also face competition from a variety of different retail formats, including internet retailers, discount or value retailers, home shopping networks, mail order operators, catalogs, and telemarketers. This competition could have a material adverse effect on our ability to lease space and on the amount of rent that we receive. Our tenants face competition from companies at the same and other properties and from other retail formats as well.

Also, a significant amount of capital has and might continue to provide funding for the acquisition and development of properties that might compete with our properties. The development of competing retail properties and the related increased competition for tenants might require us to make capital improvements to properties that we would have deferred or would not have otherwise planned to make and might also affect the occupancy and net operating income of such properties. Any such redevelopments, undertaken individually or collectively, involve costs and expenses that could adversely affect our results of operations.

We compete with many other entities engaged in real estate investment activities for acquisitions of malls, other retail properties and other prime development sites, including institutional pension funds, other REITs and other owner-operators of retail properties. These competitors might drive up the price we must pay for properties, parcels, other assets or other companies we seek to acquire or might themselves succeed in acquiring those properties, parcels, assets or companies. In addition, our potential acquisition targets might find our competitors to be more attractive suitors if they have greater resources, are willing to pay more, or have a more compatible operating philosophy. In particular, larger REITs might enjoy significant competitive advantages that result from, among other things, a lower cost of capital, a better ability to raise capital, a better ability to finance an acquisition, and enhanced operating efficiencies. Also, the number of entities competing for suitable investment properties or desirable development sites has increased and might continue to increase, resulting in increased demand for these assets and therefore increased prices paid for them. We might not succeed in acquiring retail properties or development sites that we seek, or, if we pay higher prices for properties, or generate lower cash flow from an acquired property than we expect, our investment returns will be reduced, which will adversely affect the value of our securities.

We receive a substantial portion of our operating income as rent under long-term leases with tenants. At any time, any tenant having space in one or more of our properties could experience a downturn in its business that might weaken its financial condition. These tenants might defer or fail to make rental payments when due, delay lease commencement, voluntarily vacate the premises or declare bankruptcy, which could result in the termination of the tenant s lease, and could result in material losses to us and harm to our results of operations. Also, it might take time to terminate leases of underperforming or nonperforming tenants and we might incur costs to remove such tenants. Some of our tenants occupy stores at multiple locations in our portfolio, and so the effect of any bankruptcy of those tenants might be more significant to us than the bankruptcy of other tenants. In addition, under many of our leases, our tenants pay rent based on a percentage of their sales. Accordingly, declines in these tenants sales directly affect our results of operations. Also, if tenants are unable to comply with the terms of their leases, we might modify lease terms in ways that are less favorable to us.

SEASONALITY

There is seasonality in the retail real estate industry. Retail property leases often provide for the payment of a portion of rent based on a percentage of a tenant s sales over certain levels. Income from such rent is recorded only after the minimum sales levels have been met. The sales levels are often met in the fourth quarter, during the December holiday season. Also, many new and temporary leases are entered into later in the year in anticipation of the holiday season and there is a higher concentration of tenants vacating their space early in the year. As a result, our occupancy and cash flows are generally higher in the fourth quarter and lower in the first quarter, excluding the effect of ongoing redevelopment projects. Our concentration in the retail sector increases our exposure to seasonality and is expected to continue to result in a greater percentage of our cash flows being received in the fourth quarter.

INFLATION

Inflation can have many effects on financial performance. Retail property leases often provide for the payment of rent based on a percentage of sales, which may increase with inflation. Leases may also provide for tenants to bear all or a portion of operating expenses, which may reduce the impact of such increases on us. However, rent increases may not keep up with inflation.

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, together with other statements and information publicly disseminated by us, contain certain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements relate to expectations, beliefs, projections, future plans, strategies, anticipated events, trends and other matters that are not historical facts. These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and changes in circumstances that might cause future events, achievements or results to differ materially from those expressed or implied by the forward-looking statements. In particular, our business might be affected by uncertainties affecting real estate businesses generally as well as the following, among other factors:

- general economic, financial and political conditions, including credit market conditions, changes in interest rates or the possibility of war or terrorist attacks;
- changes in local market conditions, such as the supply of or demand for retail space, or other competitive factors;

changes in the retail industry, including consolidation and store closings;

concentration of our properties in the Mid-Atlantic region;

27

Table of Contents

- risks relating to development and redevelopment activities, including risks associated with construction and receipt of governmental and tenant approvals;

- our ability to raise capital through public and private offerings of debt or equity securities and other financing risks, including the availability of adequate funds at a reasonable cost;

- our ability to simultaneously manage several redevelopment and development projects, including projects involving mixed use;

- our ability to maintain and increase property occupancy and rental rates;

- our dependence on our tenants business operations and their financial stability;

- increases in operating costs that cannot be passed on to tenants;

- our ability to acquire additional properties and our ability to integrate acquired properties into our existing portfolio;

- our short- and long-term liquidity position;

- possible environmental liabilities;

- our ability to obtain insurance at a reasonable cost; and

- existence of complex regulations, including those relating to our status as a REIT, and the adverse consequences if we were to fail to qualify as a REIT.

Additional factors that might cause future events, achievements or results to differ materially from those expressed or implied by our forward-looking statements include those discussed in the section entitled Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007. We do not intend to update or revise any forward-looking statements to reflect new information, future events or otherwise.

28

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The analysis below presents the sensitivity of the market value of our financial instruments to selected changes in market interest rates. As of March 31, 2008, our consolidated debt portfolio consisted primarily of $330.0 million borrowed under our Credit Facility, which bears interest at a LIBOR rate plus an applicable margin, and $1,710.9 million in fixed rate mortgage notes, including $10.7 million of mortgage debt premium and exchangeable notes of $287.5 million.

Mortgage notes payable, which are secured by 31 of our consolidated properties, are due in installments over various terms extending to the year 2017. Mortgage notes secured by 30 of these properties carry fixed interest at rates ranging from 4.95% to 7.61% and a weighted average interest rate of 6.13% at March 31, 2008. There is also one property which secures a variable rate mortgage that had a weighted average variable rate of 4.42% for the three months ended March 31, 2008. Mortgage notes payable for properties owned by unconsolidated partnerships are accounted for in Investments in partnerships, at equity and Distributions in excess of partnership investments on the consolidated balance sheet.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts of the expected annual maturities and the weighted average interest rates for the principal payments in the specified periods:

(in thousands of dollars)	Fixed Rate Debt		Variable Rate Debt	
Year Ended December 31,	Principal Payments	Weighted Average Interest Rate	Principal Payments	Weighted Average Interest Rate[3]
2008	$ 522,003[1]	7.28%		
2009	$ 64,507	6.01%	$ 338,000[2]	4.93%
2010	$ 16,155	5.64%		
2011	$ 17,259	5.64%		
2012	$ 662,513	5.55%		
2013 and thereafter	$ 697,311	5.22%		

(1) The amount outstanding under the REMIC is included in the 2008 row.

(2) Our Credit Facility has a term that expires in January 2009, with an additional 14 month extension option, provided that there is no event of default at that time.

(3) Based on the weighted average interest rate in effect as of March 31, 2008.

Changes in market interest rates have different effects on the fixed and variable portions of our debt portfolio. A change in market interest rates applicable to the fixed portion of the debt portfolio impacts the fair value, but it has no impact on interest incurred or cash flows. A change in market interest rates applicable to the variable portion of the debt portfolio impacts the interest incurred and cash flows, but does not impact the fair value. The following sensitivity analysis related to the fixed debt portfolio, which includes the effects of the forward starting interest rate swap agreements described below, assumes an immediate 100 basis point change in interest rates from their actual March 31, 2008 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the fair value of our debt of $36.2 million at March 31, 2008. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our debt of $36.7 million at March 31, 2008. Based on the variable rate debt included in our debt portfolio as of March 31, 2008, a 100 basis point increase in interest rates would result in an additional $3.4 million in interest annually. A 100 basis point decrease would reduce interest incurred by $3.4 million annually.

To manage interest rate risk and limit overall interest cost, we may employ interest rate swaps, options, forwards, caps and floors or a combination thereof, depending on the underlying exposure. Interest rate differentials that arise under swap contracts are recognized in interest expense over the life of the contracts. If interest rates rise, the resulting cost of funds is expected to be lower than that which would have been available if debt with matching characteristics was issued directly. Conversely, if interest rates fall, the resulting costs would be expected to be higher. We may also employ forwards or purchased options to hedge qualifying anticipated transactions. Gains and losses are deferred and recognized in net income in the same period that the underlying transaction occurs, expires or is otherwise terminated. See Note 10 to our unaudited consolidated financial statements.

In March 2006, we entered into six forward-starting interest rate swap agreements that have a blended 10-year swap rate of 5.3562% on an aggregate notional amount of $150.0 million settling no later than December 10, 2008. In May 2005, we entered into seven forward starting interest rate swap agreements that have a blended 10-year swap rate of 4.8047% on an aggregate notional amount of $250.0 million settling no later than December 10, 2008. A forward-starting interest rate swap is an agreement that effectively hedges future base rates on debt for an established period of time. We entered into these swap agreements in order to hedge the expected interest payments associated with a portion of our anticipated future issuances of long term debt. We assessed the effectiveness of these swaps as hedges at inception and on March 31, 2008 and consider these swaps to be highly effective cash flow hedges under SFAS No. 133.

Table of Contents

We now have an aggregate $400.0 million notional amount of swap agreements settling in 2008.

Because the information presented above includes only those exposures that exist as of March 31, 2008, it does not consider changes, exposures or positions which could arise after that date. The information presented herein has limited predictive value. As a result, the ultimate realized gain or loss or expense with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at the time and interest rates.

ITEM 4. CONTROLS AND PROCEDURES

We are committed to providing accurate and timely disclosure in satisfaction of our SEC reporting obligations. In 2002, we established a Disclosure Committee to formalize our disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2008, and have concluded as follows:

Our disclosure controls and procedures are designed to ensure that the information that we are required to disclose in our reports under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported accurately and on a timely basis.

Our disclosure controls and procedures are effective to ensure that information that we are required to disclose in our Exchange Act reports is accumulated, communicated to management and disclosed in a timely manner.

There was no change in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

30

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, we have become and might in the future become involved in legal actions relating to the ownership and operation of its properties and the properties it manages for third parties. In management s opinion, the resolution of any such pending legal actions are not expected to have a material adverse effect on our consolidated financial position or results of operations.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risks that could materially affect our business, financial condition or results of operations, which are discussed under the caption Risk Factors in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Offerings

On January 29, 2008, we issued an aggregate of 4,261 shares in return for an equal number of Class A Units tendered for redemption by two limited partners of PREIT Associates. The shares were issued under exemptions provided by Section 4(2) of the Securities Act of 1933 as transactions not involving a public offering.

Issuer Purchases of Equity Securities

The following table shows the total number of shares that we acquired in the three months ended March 31, 2008 and the average price paid per share. The table also shows the aggregate dollar amount of shares that may be repurchased under our existing share repurchase program.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs[1]
January 1 January 31, 2008		$		$ 100,000,000
February 1 February 29, 2008	23,605	25.615		100,000,000
March 1 March 31, 2008				100,000,000
Total	23,605	$ 25.615		$ 100,000,000

(1) In December 2007, we announced that our Board of Trustees authorized a program to repurchase up to $100.0 million of our common shares in the open market or in privately negotiated or other transactions from January 1, 2008 until December 31, 2009.

Table of Contents

ITEM 6. EXHIBITS

3.1	Amended and Restated Trust Agreement of Pennsylvania Real Estate Investment Trust filed as Exhibit 3.1 to the Current Report on Form 8-K dated April 8, 2008 is incorporated herein by reference.
10.1	Form of Restricted Share Award Agreement filed as Exhibit 10.1 to the Current Report on Form 8-K dated February 20, 2008 is incorporated herein by reference.
10.2	2008-2010 Restricted Share Unit Program filed as Exhibit 10.2 to the Current Report on Form 8-K dated February 20, 2008 is incorporated herein by reference.
10.3	Form of 2008- 2010 Restricted Share Unit and Dividend Equivalent Rights Award Agreement filed as Exhibit 10.3 to the Current Report on Form 8-K dated February 20, 2008 is incorporated herein by reference.
10.4	Form of Amendment to Employment Agreement dated February 26, 2008 by and between the Company and each of the executive officers with an employment agreement filed as Exhibit 10.4 to the Current Report on Form 8-K dated February 20, 2008 is incorporated herein by reference.
10.5	Amendment to Employment Agreement dated February 26, 2008 by and between the Company and Edward A. Glickman filed as Exhibit 10.5 to the Current Report on Form 8-K dated February 20, 2008 is incorporated herein by reference.
10.6*	Form of Annual Incentive Compensation Opportunity Award for Executive Vice Presidents other than the Chief Financial Officer.
10.7*	Form of Annual Incentive Compensation Opportunity Award for Members of the Office of the Chair and the Chief Financial Officer.
10.8*	Form of Annual Incentive Compensation Opportunity Award for Jonathen Bell, Senior Vice President.
10.9*	Amendment to Employment Agreement dated May 8, 2008 by and between the Company and Jeffrey A. Linn.
10.10	Contribution Agreement dated January 22, 2008 by and among Bala Cynwyd Associates, L.P., City Line Associates, Ronald Rubin, George Rubin, Joseph Coradino, Leonard Shore, Lewis Stone, PREIT, PREIT Associates, L.P. and PR Cherry Hill Office GP, LLC filed as Exhibit 10.131 to the Annual Report on Form 10-K dated February 29, 2008 is incorporated herein by reference.
31.1*	Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith
\+ Furnished herewith

32

Table of Contents

SIGNATURE OF REGISTRANT

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

Date: May 9, 2008

By: /s/ Ronald Rubin
Ronald Rubin
Chief Executive Officer

By: /s/ Robert F. McCadden
Robert F. McCadden
Executive Vice President and Chief Financial Officer

By: /s/ Jonathen Bell
Jonathen Bell
Senior Vice President - Chief Accounting Officer

(Principal Accounting Officer)

33