

SOUTHWESTERN ENERGY CO
Form 10-Q
July 31, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended **June 30, 2007**

or

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

For the transition period from _____ to _____

Commission file number **1-08246**

SOUTHWESTERN ENERGY COMPANY

(Exact name of the registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

71-0205415

(I.R.S. Employer Identification No.)

**2350 N. Sam Houston Pkwy. E., Suite 125, Houston,
Texas**

(Address of principal executive offices)

77032

(Zip Code)

(281) 618-4700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year; if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: X

No:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer X

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes:

No: X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

 Class
Common Stock, Par Value \$0.01

Outstanding at July 27, 2007
170,229,759

FORWARD-LOOKING INFORMATION

All statements, other than historical fact or present financial information, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements that address activities, outcomes and other matters that should or may occur in the future, including, without limitation, statements regarding the financial position, business strategy, production and reserve growth and other plans and objectives for our future operations, are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. We have no obligation and make no undertaking to publicly update or revise any forward-looking statements.

Forward-looking statements include the items identified in the preceding paragraph, information concerning possible or assumed future results of operations and other statements in this Form 10-Q identified by words such as "anticipate," "project," "intend," "estimate," "expect," "believe," "predict," "budget," "projection," "goal," "plan," "forecast," "target" or similar expressions.

You should not place undue reliance on forward-looking statements. They are subject to known and unknown risks, uncertainties and other factors that may affect our operations, markets, products, services and prices and cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with forward-looking statements, risks, uncertainties and factors that could cause our actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

*

the timing and extent of changes in market conditions and prices for natural gas and oil (including regional basis differentials);

*

the timing and extent of our success in discovering, developing, producing and estimating reserves;

*

the economic viability of, and our success in drilling, our large acreage position in the Fayetteville Shale play, overall as well as relative to other productive shale gas plays;

*

our ability to determine the most effective and economic fracture stimulation for the Fayetteville Shale formation;

*

the costs and availability of oil field personnel services and drilling supplies, raw materials, and equipment and services, including pressure pumping equipment and crews in the Arkoma basin;

*

our ability to fund our planned capital investments;

*

our future property acquisition or divestiture activities;

*

the effects of weather;

*

increased competition;

*

the impact of federal, state and local government regulation;

*

the financial impact of accounting regulations and critical accounting policies;

*

the comparative cost of alternative fuels;

*

conditions in capital markets and changes in interest rates, and;

*

any other factors listed in the reports we have filed and may file with the Securities and Exchange Commission (SEC).

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, many of which are beyond our control, incident to the exploration for and development, production and sale of natural gas and oil. These risks include, but are not limited to, commodity price volatility, third-party interruption of sales to market, inflation, lack of availability of goods and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating proved natural gas and oil reserves and in projecting future rates of production and timing of development expenditures and the other risks described in our Annual Report on Form 10-K for the year ended December 31, 2006 (the 2006 Annual Report on Form 10-K), and all quarterly reports on Form 10-Q filed subsequently thereto, including this Form 10-Q (Form 10-Qs).

Should one or more of the risks or uncertainties described above or elsewhere in our 2006 Annual Report on Form 10-K or the Form 10-Qs occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
BALANCE SHEETS

(Unaudited)

ASSETS

	June 30, 2007	December 31, 2006
	(in thousands)	
Current Assets		
Cash and cash equivalents	\$ 311	\$ 42,927
Accounts receivable	153,156	131,370
Inventories, at average cost	61,678	62,488
Hedging asset - FAS 133	50,048	64,082
Other	18,981	22,969
Total current assets	284,174	323,836
Property, Plant and Equipment, at cost		
Gas and oil properties, using the full cost method, including \$221.8 million in 2007 and \$166.8 million in 2006 excluded from amortization	3,313,573	2,651,427
Gas distribution systems	231,491	226,067
Gathering systems	96,694	51,836
Gas in underground storage	32,254	32,254
Other	86,280	77,702
	3,760,292	3,039,286
Less: Accumulated depreciation, depletion and amortization	1,144,838	1,022,786
	2,615,454	2,016,500

Other Assets		29,366		38,733
Total Assets	\$	2,928,994	\$	2,379,069

The accompanying notes are an integral part of these consolidated financial statements.

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SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
BALANCE SHEETS
(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2007	December 31, 2006
	(in thousands)	
Current Liabilities		
Current portion of long-term debt	\$ 1,200	\$ 1,200
Accounts payable	319,163	266,023
Taxes payable	11,212	16,088
Advances from partners and customer deposits	30,781	31,941
Hedging liability - FAS 133	13,816	23,864
Over-recovered purchased gas costs	14,681	10,580
Current deferred income taxes	7,886	19,162
Other	10,847	10,002
Total current liabilities	409,586	378,860
Long-Term Debt	496,100	136,600
Other Liabilities		
Deferred income taxes	413,282	370,522
Long-term hedging liability	15,965	4,902
Pension liability	12,492	11,697
Other	31,740	30,811
	473,479	417,932

Commitments and Contingencies**Minority Interest in Partnership**

11,093

11,034

Stockholders' EquityCommon stock, \$0.01 par value; authorized
540,000,000

shares, issued 170,201,992 shares in 2007

and 168,953,893 in 2006

1,702

1,690

Additional paid-in capital

766,054

740,609

Retained earnings

759,439

660,857

Accumulated other comprehensive income

11,541

31,487

1,538,736

1,434,643

Total Liabilities and Stockholders' Equity

\$ 2,928,994

\$ 2,379,069

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES**STATEMENTS OF CASH FLOWS**

(Unaudited)

For the six months ended

June 30,

2007

2006

(in thousands)

Cash Flows From Operating Activities

Net income

\$ 98,582

\$ 95,399

Adjustments to reconcile net income to

net cash provided by operating activities:

Depreciation, depletion and amortization

122,887

60,657

Deferred income taxes

60,421

58,470

Unrealized loss on derivatives

4,589

4,919

Stock-based compensation expense

2,648

2,018

Gain on sale of investment in partnership and
other property

-

(10,863)

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Equity in income of NOARK partnership	-	(925)
Minority interest in partnership	59	(10)
Change in assets and liabilities:		
Accounts receivable	(21,786)	47,958
Inventories	811	2,265
Under/over-recovered purchased gas costs	4,101	371
Accounts payable	14,403	(24,080)
Advances from partners and customer deposits	(1,161)	4,134
Deferred tax benefit - stock options	(17,764)	(6,397)
Other assets and liabilities	(9,572)	(4,865)
Net cash provided by operating activities	258,218	229,051
Cash Flows From Investing Activities		
Capital investments	(704,583)	(357,195)
Proceeds from sale of investment in partnership and other property	2,712	69,065
Other items	158	(43)
Net cash used in investing activities	(701,713)	(288,173)
Cash Flows From Financing Activities		
Debt retirement	(600)	(600)
Payments on revolving long-term debt	(355,200)	-
Borrowings under revolving long-term debt	715,300	-
Revolving credit facility amendment costs	(1,275)	-
Excess tax benefit for stock-based compensation	17,764	6,397
Change in bank drafts outstanding	21,056	3,222
Proceeds from exercise of common stock options	3,834	2,390
Net cash provided by financing activities	400,879	11,409
Decrease in cash and cash equivalents	(42,616)	(47,713)
Cash and cash equivalents at beginning of year	42,927	223,705
Cash and cash equivalents at end of period	\$ 311	\$ 175,992

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHWESTERN ENERGY COMPANY AND SUBSIDIARIES
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(LOSS)
(Unaudited)

	Shares Issued	Additional Amount	Capital (in thousands)	Other Earnings	Accumulated Income (Loss)	Total
Balance at December 31, 2006	168,954	\$ 1,690	\$ 740,609	\$ 660,857	\$ 31,487	\$ 1,434,643
Comprehensive income:						
Net income	-	-	-	98,582	-	98,582
Change in value of derivatives	-	-	-	-	(19,946)	-
Total comprehensive income (loss)	-	-	-	-	-	78,636
Tax benefit for stock-based compensation	-	-	17,764	-	-	17,764
Stock-based compensation - FAS 123(R)	-	-	3,859	-	-	3,859
Exercise of stock options	1,242	12	3,822	-	-	3,834
Issuance of restricted stock	22	-	-	-	-	-
Cancellation of restricted stock	(16)	-	-	-	-	-
Balance at June 30, 2007	170,202	\$ 1,702	\$ 766,054	\$ 759,439	\$ 11,541	\$ 1,538,736

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	
Net Income	\$ 47,594	\$ 37,004	\$ 98,582	\$ 95,399
Change in value of derivatives				
Current period reclassification to earnings	(1,798)	928	(14,054)	(115)

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Current period ineffectiveness	(114)	(2,760)	4,809	(4,466)
Current period change in derivative instruments	40,130	23,529	(10,701)	88,692
Total Change in value of derivatives	38,218	21,697	(19,946)	84,111
Comprehensive Income, end of period	\$ 85,812	\$ 58,701	\$ 78,636	\$ 179,510

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Southwestern Energy Company and Subsidiaries

June 30, 2007

(1)

BASIS OF PRESENTATION

The financial statements included herein are unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. The Company's significant accounting policies, which have been reviewed and approved by the audit committee of the Company's Board of Directors, are summarized in Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2006 (the "2006 Annual Report on Form 10-K").

(2)

GAS AND OIL PROPERTIES

The Company utilizes the full cost method of accounting for costs related to the exploration, development, and acquisition of natural gas and oil reserves. Under this method, all such costs (productive and nonproductive) including salaries, benefits and other internal costs directly attributable to these activities are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the units-of-production method. These capitalized costs are subject to a ceiling test that limits such pooled costs to the aggregate of the present value of future net revenues attributable to proved natural gas and oil reserves discounted at 10 percent (standardized measure) plus the lower of cost or market value of unproved properties. Any costs in excess of the ceiling are written off as a non-cash expense. The expense may not be reversed in future periods, even though higher natural gas and oil prices may subsequently increase the ceiling. Full cost companies must use the prices in effect at the end of each accounting quarter, including the impact of derivatives qualifying as hedges, to calculate the ceiling value of their reserves. However, commodity price increases subsequent to the end of a reporting period but prior to the release of periodic reports may be utilized to calculate the ceiling value of reserves. At June 30, 2007 and 2006, the Company's unamortized costs of natural gas and oil properties did not exceed this ceiling amount. At June 30, 2007, the ceiling value of the Company's reserves was calculated based upon quoted market prices of \$6.80 per Mcf for Henry Hub gas and \$67.25 per barrel for West Texas Intermediate oil, adjusted for market differentials, and included approximately \$129.0 million related to the positive effects of future cash flow hedges of natural gas production. The Company had approximately 176.0 Bcf of future production hedged at June 30, 2007. A decline in natural gas and oil prices from June 30, 2007 levels or other factors, without other mitigating circumstances, could cause a future write-down of capitalized costs and a non-cash charge against future earnings.

(3)**EARNINGS PER SHARE**

The following table presents the computation of earnings per share for the three and six months ended June 30, 2007 and 2006, respectively:

	For the three months ended		For the six months ended	
	June 30, 2007	2006	June 30, 2007	2006
Net Income (in thousands)	\$ 47,594	\$ 37,004	\$ 98,582	\$ 95,399
Number of Common Shares:				
Weighted average outstanding	169,466,912	167,044,589	169,036,525	166,911,812
Issued upon assumed exercise of	2,789,110	3,308,304	3,017,657	3,464,833

outstanding stock options

Effect of issuance of nonvested restricted common shares	244,519	535,946	214,720	541,762
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Weighted average and potential dilutive outstanding ⁽¹⁾	172,500,541	170,888,839	172,268,902	170,918,407
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Net Income per Common Share:

Basic	\$ 0.28	\$ 0.22	\$ 0.58	\$ 0.57
Diluted	\$ 0.28	\$ 0.22	\$ 0.57	\$ 0.56

(1) Options for 209,730 shares for the six months ended June 30, 2007, and for 223,780 shares for the comparable period of 2006, were excluded from the calculations because they would have had an antidilutive effect. Additionally, 200 shares of restricted stock for the six months ended June 30, 2007, and 124,990 shares of restricted stock for the comparable period of 2006, were excluded from the calculations because they would have had an antidilutive effect.

(4)

DEBT

Debt balances as of June 30, 2007 and December 31, 2006 consisted of the following:

	June 30, 2007	December 31, 2006
	(in thousands)	

Short-term:

7.15% Senior Notes due 2018 (current portion)	\$ 1,200	\$ 1,200
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Long-term:

Variable rate (6.20% at June 30, 2007) unsecured revolving credit arrangements	360,100	-
7.625% Senior Notes due 2027, putable at the holders' option in 2009	60,000	60,000
7.21% Senior Notes due 2017	40,000	40,000
7.15% Senior Notes due 2018	36,000	36,600
Total long-term debt	496,100	136,600

Total debt	\$ 497,300	\$ 137,800
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In February 2007, the Company amended its unsecured revolving credit facility increasing the borrowing capacity to \$750 million, lowering the borrowing cost and extending the maturity date to 2012. The amount available under the revolving credit facility may be increased to \$1 billion at any time upon the Company's agreement with its existing or additional lenders. There was \$360.1 million outstanding under the revolving credit facility at June 30, 2007, compared to no amount outstanding at December 31, 2006. The interest rate on the amended credit facility is calculated based upon the Company's debt rating and is currently 87.5 basis points over the current London Interbank Offered Rate (LIBOR). The revolving credit facility is currently guaranteed by the Company's subsidiaries, Southwestern Energy Production Company, SEECO, Inc. and Southwestern Energy Services Company and requires additional subsidiary guarantors if certain guaranty coverage levels are not satisfied. The revolving credit facility also contains covenants which impose certain restrictions on the Company. Under the credit agreement, the Company may not issue total debt in excess of 60% of its total capital, must maintain a certain level of stockholders' equity, and must maintain a ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense of 3.5 or above. There are also restrictions on the ability of the Company's subsidiaries to incur debt. At June 30, 2007, the Company's capital structure consisted of 24% debt and 76% equity and it was in compliance with the covenants of its debt agreements.

(5)

DERIVATIVES AND RISK MANAGEMENT

Management enters into various types of derivative instruments for a portion of the Company's projected gas and oil sales to reduce its exposure to market price volatility for natural gas and oil. At June 30, 2007, our gas derivative instruments consisted of price swaps, costless collars and basis swaps. Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133), as amended by FAS 137, FAS 138 and FAS 149, requires that all derivatives be recognized in the balance sheet as either an asset or liability measured at its fair value. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement or as a component of other comprehensive income. The Company's hedging practices are summarized in Note 8 of the Notes to Consolidated Financial Statements of the 2006 Annual Report on Form 10-K.

At June 30, 2007, the Company's net asset recorded on the balance sheet related to its hedging activities was \$30.9 million. Additionally, at June 30, 2007, the Company had recorded a gain to other comprehensive income (loss) of \$21.5 million related to its hedging activities. The amount recorded in other comprehensive income (loss) will be relieved over time and taken to the income statement as the physical transactions being hedged occur. Assuming the market prices of gas and oil futures as of June 30, 2007 remain unchanged, the Company would expect to transfer an

aggregate after-tax gain of approximately \$22.3 million from accumulated other comprehensive income to earnings during the next 12 months. The change in accumulated other comprehensive income (loss) related to derivatives was a gain of \$61.6 million (\$38.2 million after tax) compared to a gain of \$34.4 million (\$21.7 million after tax) for the three months ended June 30, 2007 and 2006, respectively, and a loss of \$32.2 million (\$19.9 million after tax) compared to a gain of \$133.5 million (\$84.1 million after tax) for the six months ended June 30, 2007 and 2006, respectively. Additional volatility in earnings and other comprehensive income (loss) may occur in the future as a result of the application of FAS 133.

(6)

SEGMENT INFORMATION

The Company's three reportable business segments, Exploration and Production (E&P), Midstream Services and Natural Gas Distribution, have been identified based on the differences in products or services provided. Revenues for the E&P segment are derived from the production and sale of natural gas and crude oil. The Midstream Services segment generates revenue through the marketing of both Company and third-party produced gas volumes and through gathering fees associated with the transportation of natural gas to market. Gathering revenues have been insignificant to-date, but are expected to increase in the future depending upon the level of production from our Fayetteville Shale properties. Revenues for the Natural Gas Distribution segment arise from the transportation and sale of natural gas at retail.

Summarized financial information for the Company's reportable segments is shown in the following table. The accounting policies of the segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of the 2006 Annual Report on Form 10-K. Management evaluates the performance of its segments based on operating income, defined as operating revenues less operating costs and expenses. Income before income taxes is the sum of operating income, interest expense, other income (expense) and minority interest in partnership. The "Other" column includes items not related to the Company's reportable segments including real estate, corporate items and the Company's former investment in the Ozark Gas Transmission system.

Exploration And Production	Midstream Services	Natural Gas Distribution (in thousands)	Other	Total
<u>Three months ended June 30, 2007:</u>				
\$ 168,434	\$ 74,079	\$ 27,569	\$ -	\$ 270,082

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Revenues from external customers					
Intersegment revenues	13,364	159,588	36	112	173,100
Operating income (loss)	81,352	2,310	(1,706)	50	82,006
Interest and other income (loss) (1)	21	-	(153)	7	(125)
Depreciation, depletion and amortization expense	64,039	744	1,615	37	66,435
Interest expense (1)	3,546	381	1,079	-	5,006
Provision (benefit) for income taxes (1)	29,533	733	(1,117)	21	29,170
Assets	2,501,659	187,779	175,296	64,260 ⁽²⁾	2,928,994 ⁽²⁾
Capital investments (3)	369,125	23,660	3,339	717	396,841

Three months ended June 30, 2006:

Revenues from external customers	\$ 97,243	\$ 34,282	\$ 22,474	\$ -	\$ 153,999
Intersegment revenues	9,066	69,178	36	112	78,392
Operating income (loss)	49,501	799	(2,092)	86	48,294
Interest and other income (loss) (1)	2,563	-	(146)	10,864	13,281
Depreciation, depletion and amortization expense	30,186	172	1,569	23	31,950
Interest expense (1)	104	-	32	-	136
Provision (benefit) for income taxes (1)	20,611	315	(776)	4,171	24,321
Assets	1,580,458	68,828	177,296	217,835 ⁽²⁾	2,044,417 ⁽²⁾
Capital investments (3)	189,309	11,144	2,836	3,842	207,131

Six months ended June 30, 2007:

Revenues from external customers	\$ 319,889	\$ 130,398	\$ 104,447	\$ -	\$ 554,734
Intersegment revenues	23,170	281,858	152	224	305,404
Operating income	155,662	2,321	7,675	107	165,765
Interest and other income (loss) (1)	93	-	(204)	7	(104)
Depreciation, depletion and amortization expense	117,113	1,786	3,249	72	122,220
Interest expense (1)	3,639	381	2,444	-	6,464
Provision for income taxes (1)	57,730	737	1,910	44	60,421
Assets	2,501,659	187,779	175,296	64,260 ⁽²⁾	2,928,994 ⁽²⁾
Capital investments (3)	670,323	45,280	5,943	2,548	724,094

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Six months ended June 30, 2006:

Revenues from external customers	\$ 214,680	\$ 65,336	\$ 100,685	\$ -	\$ 380,701
Intersegment revenues	20,793	146,798	160	225	167,976
Operating income	130,280	1,869	5,815	134	138,098
Interest and other income (loss) (1)	4,854	1	(195)	11,797	16,457
Depreciation, depletion and amortization expense	56,433	406	3,166	48	60,053
Interest expense (1)	204	-	77	-	281
Provision for income taxes (1)	51,119	710	2,107	4,534	58,470
Assets	1,580,458	68,828	177,296	217,835 (2)	2,044,417 (2)
Capital investments (3)	344,217	15,912	6,331	7,217	373,677

(1)

Interest income, interest expense and the provision (benefit) for income taxes by segment are allocations as they are incurred at the corporate level.

(2)

Other assets include corporate assets not allocated to segments, assets for non-reportable segments and the Company's investment in cash equivalents.

(3)

Capital investments include \$64.0 million and \$17.7 million for the three- and six-month periods ended June 30, 2007, respectively, and \$5.7 million and \$15.3 million for the three- and six-month periods ended June 30, 2006, respectively, relating to the change in accrued expenditures between periods.

Included in intersegment revenues of the Midstream Services segment are \$142.1 million and \$59.1 million for the second quarters of 2007 and 2006, respectively, and \$249.1 million and \$122.6 million for the six months ended June 30, 2007 and 2006, respectively, for marketing of the Company's E&P sales. Intersegment sales by the E&P segment and Midstream Services segment to the Natural Gas Distribution segment are priced in accordance with terms of existing contracts and current market conditions. Parent company assets include furniture and fixtures and prepaid debt costs. Parent company general and administrative costs, depreciation expense and taxes other than income are allocated to segments. All of the Company's operations are located within the United States.

(7)

INTEREST AND INCOME TAXES PAID

The following table provides interest and income taxes paid during each period presented:

	For the six months ended June 30,	
	2007	2006
	(in thousands)	
Interest payments	\$ 11,080	\$ 5,138
Income tax payments	\$ -	\$ 6

(8)

CONTINGENCIES AND COMMITMENTS

Operating Commitments

The Company has various operating commitments in the normal course of its operations. The Company has not made any new material operating commitments or modified its disclosed material commitments other than as disclosed in the 2006 Annual Report on Form 10-K and the Form 10-Q for the period ended March 31, 2007.

Environmental

The Company is subject to laws and regulations relating to the protection of the environment. The Company's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial position or results of operations of the Company.

Litigation

The Company is subject to litigation and claims that arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of

management, the results of litigation and claims currently pending will not have a material adverse effect on the financial position or results of operations of the Company.

(9)

STOCK-BASED COMPENSATION

The Company has incentive plans that provide for the issuance of equity awards, including stock options and restricted stock. These plans are discussed more fully in Note 9 of the Notes to Consolidated Financial Statements included in Item 8 of the 2006 Annual Report on Form 10-K. The Company has issued options and restricted stock under these plans. All options are issued at fair market value at the date of grant and expire seven years from the date of grant for awards under the 2004 Plan and ten years from the date of grant for awards under all other plans. Generally, stock options granted to employees and directors vest ratably over three to four years from the grant date. There were no stock options granted during the first six months of 2007. The Company issues shares of restricted stock to employees and directors which generally vest over four years. The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the individual grants with the exception of awards granted to participants who have reached retirement age and have met the minimum service requirements in order to become fully vested prior to the requisite service period.

For the second quarter and first six months of 2007, the Company recorded compensation cost of \$0.5 and \$1.3 million, respectively, in general and administrative expense related to stock options. Additional amounts of \$0.1 million and \$0.3 million for the same respective periods were directly related to the acquisition, exploration and development activities for the Company's gas and oil properties and were capitalized into the full cost pool. The Company also recorded a deferred tax benefit of \$0.5 million related to stock options for the six months ended June 30, 2007. A total of \$4.6 million of unrecognized compensation costs related to stock options not yet vested is expected to be recognized over future periods. For the second quarter and first six months of 2006, the Company recorded compensation cost of \$0.6 and \$1.0 million, respectively, in general and administrative expense related to stock options. Additional amounts of \$0.1 million and \$0.3 million for the same respective periods were directly related to the acquisition, exploration and development activities for the Company's gas and oil properties and were capitalized into the full cost pool.

For the second quarter 2007, restricted stock expense recorded in general and administrative expenses was \$0.6 million. For the six months ended June 30, 2007, \$1.3 million of general and administrative expense related to restricted stock was recognized. Additional amounts of \$0.4 million and \$0.9 million for the same respective periods were capitalized into the full cost pool. As of June 30, 2007, there was \$10.3 million of total unrecognized compensation cost related to nonvested shares of restricted stock. For the second quarter 2006, restricted stock expense recorded in general and administrative expenses was \$0.5 million. For the six months ended June 30, 2006,

\$0.9 million of general and administrative expense related to restricted stock was recognized. Additional amounts of \$0.3 million and \$0.6 million for the same respective periods were capitalized into the full cost pool.

The following tables summarize stock option activity for the first half of 2007 and provide information for options outstanding at June 30, 2007:

	Number	Weighted Average Exercise Price	
	of Options		
Outstanding at December 31, 2006	5,792,240	\$ 6.19	
Granted	-	-	
Exercised	(1,241,622)	3.09	
Forfeited or expired	(12,000)	20.91	
Outstanding at June 30, 2007	4,538,618	\$ 7.01	
Exercisable at June 30, 2007	3,990,314	\$ 3.95	

During the first six months of 2007 and 2006 there were no options granted. The total intrinsic value of options exercised during the first six months of 2007 and 2006 was \$48.6 million and \$23.1 million, respectively. Associated with the exercise of stock options, the Company received a tax benefit of \$17.8 million and \$6.4 million in the first six months of 2007 and 2006, respectively. The tax benefit is recorded as an increase in additional paid-in capital.

Range of Exercise Prices	Options Outstanding			Options Exercisable			
	Options Outstanding at June 30, 2007	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)	Options Exercisable at June 30, 2007	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)
\$1.50 - \$1.86	1,728,945	\$ 1.75	3.0		1,728,945	\$ 1.75	
\$1.87 - \$2.85	472,108	2.52	4.0		472,108	2.52	
\$2.86 - \$5.00	761,806	2.90	5.1		761,806	2.90	

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\$5.01 - \$12.00	759,462	5.48	6.5	719,462	5.45
\$12.01 - \$42.00	816,297	25.98	5.2	307,993	17.55
	4,538,618	\$ 7.01	4.5	\$ 170,175	3,990,314
				\$ 3.95	\$ 161,822

The following table summarizes restricted stock activity for the first half of 2007:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares at December 31, 2006	478,732	\$ 25.30
Granted	22,250	40.39
Vested	(10,716)	14.50
Forfeited	(15,772)	28.81
Unvested shares at June 30, 2007	474,494	\$ 26.13

(10) PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS

The Company applies Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." Substantially all employees are covered by the Company's defined benefit pension and postretirement benefit plans. Net periodic pension and other postretirement benefit costs include the following components for the three- and six-month periods ended June 30, 2007 and 2006:

	Pension Benefits			
	For the three months ended		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2007	2006	2007	2006
	(in thousands)			
Service cost	\$ 996	\$ 753	\$ 1,992	\$ 1,505

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Interest cost	1,061	970	2,121	1,940
Expected return on plan assets	(1,139)	(1,144)	(2,279)	(2,288)
Amortization of prior service cost	118	109	237	218
Amortization of net loss	115	190	230	380
Net periodic benefit cost	\$ 1,151	\$ 878	\$ 2,301	\$ 1,755

	Postretirement Benefits			
	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(in thousands)			
Service cost	\$ 105	\$ 67	\$ 209	\$ 135
Interest cost	54	47	108	94
Expected return on plan assets	(20)	(17)	(40)	(34)
Amortization of net loss	5	9	10	17
Amortization of transition obligation	21	21	43	43
Net periodic benefit cost	\$ 165	\$ 127	\$ 330	\$ 255

The Company currently expects to contribute \$6.5 million to the pension plans and \$0.4 million to the postretirement benefit plans in 2007. As of June 30, 2007, \$1.5 million has been contributed to our pension plans, and \$0.2 million has been contributed to the postretirement benefit plans.

(11) ASSET RETIREMENT OBLIGATIONS

Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," (FAS 143) requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Company owns natural gas and oil properties which require expenditures to plug and abandon the wells

when reserves in the wells are depleted. These expenditures under FAS 143 are recorded in the period the liability is incurred (at the time the wells are drilled or acquired). The following table summarizes the Company's activity related to asset retirement obligations (in thousands) for the six-month period ended June 30, 2007 and for the year ended December 31, 2006:

Asset retirement obligation at January 1	\$ 10,545	\$ 9,229	
Accretion of discount	224	401	
Obligations incurred	894	1,152	
		(645LAY: inline; FONT-SIZE: 10pt; FONT-FAMILY: Times New Roman">	
Obligations settled/removed	(272)	December 31,	
		2006	2005
Debt payable to 2030 at 4.0% to 8.9%	\$	2,053,328	\$ 2,049,470
Unsecured notes payable under revolving credit agreements		281,800	210,000
Obligations under capital leases		33,460	33,460
Industrial revenue bonds payable to 2015 at 4.6% to 6.6%		4,811	6,925
Total	\$	2,373,399	\$ 2,299,855

The grouping of total debt between fixed and variable-rate as well as between secured and unsecured is summarized below (in thousands):

	June 30, 2006	December 31, 2005
As to interest rate (including the effects of interest rate swaps):		
Fixed-rate debt	\$ 1,995,019	\$ 1,986,059
Variable-rate debt	378,380	313,796
Total	\$ 2,373,399	\$ 2,299,855
As to collateralization:		
Unsecured debt	\$ 1,522,072	\$ 1,457,805
Secured debt	851,327	842,050
Total	\$ 2,373,399	\$ 2,299,855

In February 2006 we amended and restated our \$400 million unsecured revolving credit facility. The amended facility has an initial four-year term and provides a one-year extension option available at our request. Borrowing rates under

this amended facility float at a margin over LIBOR, plus a facility fee. The borrowing margin and facility fee, which are currently 35 and 12.5 basis points, respectively, are priced off a grid that is tied to our senior unsecured credit ratings. This amended facility retains a competitive bid feature that allows us to request bids for amounts up to \$200 million from each of the syndicate banks. Additionally, the amended facility contains an accordion feature, which allows us the ability to increase the facility up to \$600 million.

At June 30, 2006 and December 31, 2005, the balance outstanding under the \$400 million revolving credit facility was \$265 million at a variable interest rate of 5.6% and \$190.0 million at a variable interest rate of 4.5%, respectively. We also have an agreement for an unsecured and uncommitted overnight facility totaling \$20 million with a bank that is used for cash management purposes. At June 30, 2006 and December 31, 2005, we had \$16.8 million and \$20.0 million outstanding under the \$20 million credit facility at a variable interest rate of 5.5% and 4.7%, respectively. Letters of credit totaling \$13.3 million and \$14.9 million were outstanding under the \$400 million revolving credit facility at June 30, 2006 and December 31, 2005, respectively. The available balance under our revolving credit agreement was \$104.9 million at June 30, 2006. During the first six months of 2006 the maximum balance and weighted average balance outstanding under both the \$400 million and the \$20 million revolving credit facilities combined were \$281.8 million and \$221.2 million, respectively, at a weighted average interest rate of 5.0%.

In conjunction with acquisitions completed during the first six months of 2006 and 2005, we assumed \$18.9 million and \$120.3 million, respectively, of nonrecourse debt secured by the related properties.

Scheduled principal payments on our debt (excluding \$281.8 million due under our revolving credit agreements, \$18.6 million of capital leases and \$4.6 million market value of interest rate swaps) are due during the following years (in thousands):

2006	\$ 27,026
2007	104,208
2008	261,748
2009	110,140
2010	114,769
2011	326,895
2012	300,515
2013	292,440
2014	331,018
2015	112,865
Thereafter	95,923

Various of our debt agreements contain restrictive covenants, including minimum interest and fixed charge coverage ratios, minimum unencumbered interest coverage ratios and minimum net worth requirements. Management believes that we are in compliance with all restrictive covenants of our \$400 million unsecured revolving credit facility.

In July 2006 we priced an offering of \$575 million aggregate principal amount of 3.95% convertible senior notes due 2026, which closed in August 2006. The net proceeds from the sale of the notes were used for general business purposes, to repurchase some of our common shares of beneficial interest and to reduce amounts outstanding under our revolving credit facility.

Note 6. Property

Our property consists of the following (in thousands):

	June 30, 2006	December 31, 2005
Land	\$ 771,870	\$ 761,454
Land held for development	21,254	20,634
Land under development	59,621	16,895
Buildings and improvements	3,205,029	3,195,207

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Construction-in progress	48,256	39,389
Property held for sale	8,500	
Total	\$ 4,114,530	\$ 4,033,579

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Interest and ad valorem taxes capitalized to land under development or buildings under construction was \$1.4 million and \$1.1 million for the quarter ended June 30, 2006 and 2005, respectively, and \$2.2 million and \$1.9 million for the six months ended June 30, 2006 and 2005, respectively.

Acquisitions of properties are accounted for utilizing the purchase method and, accordingly, the results of operations are included in our results of operations from the respective dates of acquisition. We have used estimates of future cash flows and other valuation techniques to allocate the purchase price of acquired property among land, buildings on an "as if vacant" basis, and other identifiable intangibles. For additional information see Note 10, "Identified Intangible Assets and Liabilities."

During the first six months of 2006, we completed the acquisition of four shopping centers and three industrial properties that are located in California, Florida, Georgia and Texas. Also, we purchased tracts of land in Arizona, Florida, North Carolina and Texas for five developments that commenced in 2006.

Subsequent to quarter end we have purchased three retail centers. These properties are located in Kentucky, North Carolina and Tennessee.

Note 7. Investments in Real Estate Joint Ventures

We own interests in joint ventures or limited partnerships in which we exercise significant influence but do not have financial and operating control. These partnerships are accounted for under the equity method. Our interests in these joint ventures and limited partnerships range from 20% to 75% and, with the exception of two partnerships, each venture owns a single real estate asset. Combined condensed unaudited financial information of these ventures (at 100%) is summarized as follows (in thousands):

	June 30, 2006	December 31, 2005
Combined Balance Sheets		
Property	\$ 492,491	\$ 397,689
Accumulated depreciation	(34,185)	(32,032)
Property - net	458,306	365,657
Other assets	75,303	61,543
Total	\$ 533,609	\$ 427,200
Debt	\$ 233,256	\$ 136,182
Amounts payable to WRI	21,086	43,239
Other liabilities	13,370	12,081
Accumulated equity	265,897	235,698
Total	\$ 533,609	\$ 427,200

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Combined Statements of Income				
Revenues	\$ 13,567	\$ 10,330	\$ 25,515	\$ 18,816
Expenses:				
Interest	4,127	2,648	7,459	4,635
Depreciation and amortization	3,172	2,474	5,971	4,504
Operating	1,737	1,267	3,293	2,389
Ad valorem taxes	1,379	1,188	2,586	2,325
General and administrative	138	172	259	281
Total	10,553	7,749	19,568	14,134
Gain on land and merchant development sales			555	
Gain (loss) on sale of property	3,442	(6)	5,992	(8)
Net Income	\$ 6,456	\$ 2,575	\$ 12,494	\$ 4,674

Our investment in real estate joint ventures, as reported on the balance sheets, differs from our proportionate share of the joint ventures' underlying net assets due to basis differentials, which arose upon the transfer of assets from us to the joint ventures. This basis differential, which totaled \$10.2 million and \$10.3 million at June 30, 2006 and December 31, 2005, respectively, is depreciated over the useful lives of the related assets.

Fees earned by us for the management of these joint ventures totaled \$.4 million and \$.2 million for the quarter ended June 30, 2006 and 2005, respectively, and \$.7 million and \$.4 million for the six months ended June 30, 2006 and 2005, respectively.

During the first six months of 2006, we invested in a 25%-owned unconsolidated joint venture, which acquired two shopping centers. Fresh Market Shoppes is located in Hilton Head, South Carolina and the Shoppes at Paradise Isle is located in Destin, Florida. A newly formed 50%-owned joint venture commenced construction on a retail center in Mission, Texas, and a 61%-owned joint venture sold a shopping center located in Crosby, Texas. Our share of the sales proceeds totaled \$2.8 million and generated a gain of \$1.5 million. Associated with our land and merchant development activities, a parcel of land in Houston, Texas was sold in a 75%-owned joint venture, of which our share of the gain totaled \$.4 million. In June 2006 we invested in a 25%-owned unconsolidated joint venture, which acquired a shopping center, Indian Harbor Place, located in Melbourne, Florida. Additionally, a shopping center in a 72%-owned unconsolidated joint venture was sold in Dickinson, Texas. Our share of the sales proceeds totaled \$5.3 million and generated a gain of \$2.5 million.

During the first six months of 2005, we acquired our joint venture partners' interest in one of our existing shopping centers located in Texas, and a 50%-owned unconsolidated joint venture acquired an interest in a retail property located in McAllen, Texas, which will be redeveloped. We sold an 80% interest in two retail properties totaling 295,000 square feet in Lafayette and Shreveport, Louisiana. These properties were held in tenancy-in-common arrangements in which we retained a 20% interest. Additionally, we acquired a 25% interest in Lake Washington Crossing, a 118,800 square foot retail center in Melbourne, Florida.

Subsequent to quarter end two additional centers were acquired in Florida through a 25%-owned unconsolidated joint venture.

Note 8. Segment Information

The operating segments presented are the segments for which separate financial information is available, and operating performance is evaluated regularly by senior management in deciding how to allocate resources and in assessing performance. We evaluate the performance of the operating segments based on net operating income that is defined as total revenues less operating expenses and ad valorem taxes. Management does not consider the effect of gains or losses from the sale of property in evaluating ongoing operating performance.

The shopping center segment is engaged in the acquisition, development and management of real estate, primarily neighborhood and community shopping centers, located in Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, Louisiana, Maine, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Utah and Washington. The customer base includes supermarkets, discount retailers, drugstores and other retailers who generally sell basic necessity-type commodities. The industrial segment is engaged in the acquisition, development and management of bulk warehouses and office/service centers. Its properties are currently located in California, Florida, Georgia, Tennessee and Texas, and the customer base is diverse. Included in "Other" are corporate-related items, insignificant operations and costs that are not allocated to the reportable segments.

Information concerning our reportable segments is as follows (in thousands):

	Shopping Center	Industrial	Other	Total
Three Months Ended June 30, 2006:				
Revenues	\$ 123,512	\$ 14,576	\$ 1,513	\$ 139,601
Net operating income	89,999	10,184	1,168	101,351
Equity in earnings of joint ventures	4,409	49	89	4,547
Investment in real estate joint ventures	91,684	446	2,770	94,900
Total assets	3,073,367	400,334	424,287	3,897,988
Three Months Ended June 30, 2005:				
Revenues	\$ 119,075	\$ 11,430	\$ 283	\$ 130,788
Net operating income	89,037	8,092	129	97,258
Equity in earnings of joint ventures	1,582	21	16	1,619
Investment in real estate joint ventures	59,958	522	1,669	62,149
Total assets	3,037,762	287,282	303,928	3,628,972
Six Months Ended June 30, 2006:				
Revenues	\$ 246,075	\$ 28,787	\$ 1,887	\$ 276,749
Net operating income	181,198	20,465	1,522	203,185
Equity in earnings of joint ventures	8,432	45	136	8,613
Six Months Ended June 30, 2005:				
Revenues	\$ 232,767	\$ 22,732	\$ 1,154	\$ 256,653
Net operating income	172,908	16,226	674	189,808
Equity in earnings of joint ventures	2,815	43	35	2,893

Net operating income reconciles to Income from Continuing Operations as shown on the Statements of Consolidated Income and Comprehensive Income as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Total segment net operating income	\$ 101,351	\$ 97,258	\$ 203,185	\$ 189,808
Depreciation and amortization	(32,045)	(29,714)	(63,677)	(58,382)
General and administrative	(5,648)	(4,522)	(11,003)	(8,769)
Interest expense, net	(34,741)	(32,287)	(69,178)	(63,323)
Interest and other income	579	109	2,046	428
Equity in earnings of joint ventures, net	4,547	1,619	8,613	2,893
Income allocated to minority interests	(1,644)	(1,745)	(3,301)	(3,145)
Gain on sale of properties	47	22,006	137	21,979
Gain on land and merchant development sales			1,676	
Benefit (provision) for income taxes	371		(148)	
Income from Continuing Operations	\$ 32,817	\$ 52,724	\$ 68,350	\$ 81,489

Note 9. Employee Benefit Plans

WRI sponsors a noncontributory qualified retirement plan and a separate and independent nonqualified supplemental retirement plan for officers of WRI. The components of net periodic benefit costs for both plans are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Service cost	\$ 772	\$ 734	\$ 1,544	\$ 1,110
Interest cost	565	476	1,130	778
Expected return on plan assets	(346)	(297)	(692)	(506)
Prior service cost	(32)	(32)	(64)	(54)
Recognized loss	102	39	204	67
Total	\$ 1,061	\$ 920	\$ 2,122	\$ 1,395

During the six months ended June 30, 2006 and 2005, we contributed \$1.5 million and \$1.7 million, respectively, to the qualified retirement plan and \$2.0 million and \$1.4 million, respectively, to the supplemental retirement plan. We do not expect to make any additional contributions to either plan in 2006.

We have a Savings and Investment Plan pursuant to which eligible employees may elect to contribute from 1% of their salaries to the maximum amount established annually by the Internal Revenue Service. We match employee contributions at the rate of \$.50 per \$1.00 for the first 6% of the employee's salary. The employees vest in the employer contributions ratably over a six-year period. Compensation expense related to the plan was \$.2 million for

both the three months ended June 30, 2006 and 2005 and \$.4 million and \$.3 million, respectively, for the six months ended June 30, 2006 and 2005.

We have an Employee Share Purchase Plan under which .6 million of our common shares have been authorized. These shares, as well as common shares purchased by us on the open market, are made available for sale to employees at a discount of 15%. Purchases are limited to 10% of an employee's regular salary. Shares purchased by the employee under the plan are restricted from being sold for two years from the date of purchase or until termination of employment. During the first six months of 2006 and 2005, a total of 11,374 and 12,337 shares, respectively, were purchased for the employees at an average per share price of \$33.55 and \$30.02, respectively.

We also have a deferred compensation plan for eligible employees allowing them to defer portions of their current cash salary or share-based compensation. Deferred amounts are deposited in a grantor trust, which are included in Other Assets, and are reported as compensation expense in the year service is rendered. Cash deferrals are invested based on the employee's investment selections from a mix of assets based on a "Broad Market Diversification" model. Deferred share-based compensation can not be diversified, and distributions from this plan are made in the same form as the original deferral.

Note 10. Identified Intangible Assets and Liabilities

Identified intangible assets and liabilities associated with our property acquisitions are as follows (in thousands):

	June 30, 2006	December 31, 2005
Identified Intangible Assets:		
Above-Market Leases (included in Other Assets)	\$ 12,914	\$ 12,838
Above-Market Leases - Accumulated Amortization	(4,331)	(3,393)
Lease Origination Costs (incl. in Unamortized Debt and Lease Cost)	46,024	42,772
Lease Origination Costs - Accumulated Amortization	(14,045)	(10,822)
	\$ 40,562	\$ 41,395
Identified Intangible Liabilities (included in Other Liabilities):		
Below-Market Leases	\$ 19,103	\$ 17,012
Below-Market Leases - Accumulated Amortization	(5,014)	(3,735)
Out-of-Market Assumed Mortgages	60,988	60,792
Out-of-Market Assumed Mortgages - Accumulated Amortization	(15,795)	(12,143)
	\$ 59,282	\$ 61,926

These identified intangible assets and liabilities are amortized over the terms of the acquired leases or the remaining lives of the assumed mortgages.

The net amortization of above-market and below-market leases increased Revenues-Rentals by \$.1 million for both the quarter ended June 30, 2006 and 2005 and by \$.3 million and \$.1 million for the six months ended June 30, 2006 and 2005, respectively. The estimated net amortization of these intangible assets and liabilities for each of the next five years is as follows (in thousands):

2007	\$ 807
2008	559
2009	634
2010	300
2011	193

The amortization of lease origination costs, which is recorded in Depreciation and Amortization, was \$1.7 million and \$1.5 million for the quarter ended June 30, 2006 and 2005, respectively, and \$3.5 million and \$2.8 million for the six months ended June 30, 2006 and 2005, respectively. The estimated amortization of this intangible asset for each of the next five years is as follows (in thousands):

2007	\$ 6,180
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2008	4,889
2009	3,931
2010	3,178
2011	2,542

The amortization of out-of-market assumed mortgages decreased Interest Expense by \$1.8 million and \$1.9 million for the quarter ended June 30, 2006 and 2005, respectively, and \$3.6 million and \$3.4 million for the six months ended June 30, 2006 and 2005, respectively. The estimated amortization of this intangible liability for each of the next five years is as follows (in thousands):

2007	\$ 7,236
2008	6,166
2009	4,771
2010	4,083
2011	2,920

Note 11. Income Taxes

We have elected to be treated as a REIT under the Internal Revenue Code of 1986, as amended. As a REIT, we generally will not be subject to corporate level federal income tax on taxable income we distribute to our shareholders. To retain our REIT status, we must satisfy a number of requirements that include meeting defined percentage tests concerning the amount of our assets and revenues attributable to our real estate operations. As long as we distribute at least 90% of the taxable income of the REIT to our shareholders as dividends, we will not be taxed on the portion of our income distributed unless we have prohibited transactions.

The Tax Relief Extension Act of 1999 gives REITs the ability to conduct activities that were previously disallowed as long as they are done in entities that elect to be treated as taxable REIT subsidiaries under the Internal Revenue Code. These activities include buying or developing properties with the express purpose of selling them. We conduct certain of these activities in taxable REIT subsidiaries that we have created. We calculate and record income taxes in our financial statements based on the activities in those entities. We also record deferred taxes for the temporary tax differences that have resulted from those activities as required under SFAS No. 109, "Accounting for Income Taxes."

During the first six months of 2006, we recorded a provision for federal income taxes of \$.1 million in our taxable REIT subsidiaries. A benefit of \$.4 million was realized during the three months ending June 30, 2006.

On May 18, 2006 the State of Texas enacted a "margin tax" to replace the current franchise tax. It is calculated by applying a tax rate against a base that considers both revenues and expenses and becomes due May 15, 2008 based on our fiscal year ending on December 31, 2007. In accordance with SFAS No. 109, "Accounting for Income Taxes" a deferred tax provision for the Texas margin tax of \$.1 million was recorded in the second quarter of 2006.

Note 12. Commitments and Contingencies

We participate in seven ventures structured as DownREIT partnerships that have properties in Arkansas, California, Georgia, North Carolina, Texas and Utah. As general partner we have operating and financial control over these ventures and consolidate their operations in our consolidated financial statements. These ventures allow the outside limited partners to put their interest to the partnership for our common shares of beneficial interest or an equivalent amount in cash. We may acquire any limited partnership interests that are put to the partnership and we have the option to redeem the interest in cash or a fixed number of our common shares at our discretion. During the first six months of 2006 and 2005, we issued common shares of beneficial interest valued at \$3.3 million and \$1.3 million, respectively, in exchange for certain of these limited partnership interests.

We expect to invest approximately \$56.4 million in 2006 and \$222.5 million in 2007 to complete construction of 16 properties under various stages of development. As of June 30, 2006, we expect to invest \$293.8 million towards the acquisition of operating properties in 2006.

We are subject to numerous federal, state and local environmental laws, ordinances and regulations in the areas where we own or operate properties. We are not aware of any environmental contamination, which may have been caused by us or any of our tenants, that would have a material effect on our financial position, results of operation or cash flows.

As part of our risk management activities we have applied and been accepted into state sponsored environmental programs which should limit our expenses if contaminants need to be remediated. We also have an environmental insurance policy that covers us against third party liabilities and remediation costs.

While we believe that we do not have any material exposure to environmental remediation costs, we cannot give absolute assurance that changes in the law or new discoveries of contamination will not result in increased liabilities to us.

We are involved in various matters of litigation arising in the normal course of business. While we are unable to predict with certainty the amounts involved, our management and counsel are of the opinion that, when such litigation is resolved, our resulting liability, if any, will not have a material effect on our consolidated financial statements.

In February 2006 our board of trust managers authorized up to \$100 million for the purchase of outstanding common shares of beneficial interest in 2006. Share repurchases may be made in the open market or in privately negotiated transactions. During the first six months of 2006, there were no repurchases made. In July 2006 our board of trust managers revised the authorized repurchase amount of our common shares of beneficial interest to a total of \$207 million, and we used \$167.6 million of the net proceeds from the \$575 million debt offering to purchase 4.3 million common shares of beneficial interest at \$39.26 per share.

Note 13. Share Options and Awards

In 1988 we adopted a Share Option Plan that provided for the issuance of options and share awards up to a maximum of 1.6 million common shares. This plan expired in December 1997, but some awards made pursuant to it remain outstanding as of June 30, 2006.

In 1992 we adopted the Employee Share Option Plan that grants 100 share options to every employee, excluding officers, upon completion of each five-year interval of service. This plan expires in 2012 and provides options for a maximum of 225,000 common shares. Options granted under this plan are exercisable immediately.

In 1993 we adopted the Incentive Share Option Plan that provided for the issuance of up to 3.9 million common shares, either in the form of restricted shares or share options. This plan expired in 2002, but some awards made pursuant to it remain outstanding as of June 30, 2006. The share options granted to nonofficers vest over a three-year period beginning after the grant date, and for officers vest over a seven-year period beginning two years after the grant date. Restricted shares under this plan have multiple vesting periods. Prior to 2000, restricted shares generally vested over a ten-year period. Effective in 2000, the vesting period became five years. In addition, the vesting period for these restricted shares can be accelerated based on appreciation in the market share price. All restricted shares related to this plan vested prior to 2005.

In 2001 we adopted the Long-term Incentive Plan for the issuance of options and share awards. In 2006 the maximum number of common shares issuable under this plan was increased to 4.8 million common shares of beneficial interest, of which 3.2 million is available for the future grant of options or awards at June 30, 2006. This plan expires in 2011. The share options granted to nonofficers vest over a three-year period beginning after the grant date, and share options and restricted shares for officers vest over a five-year period after the grant date. Restricted shares granted to trust managers vest immediately.

Our Employee Share Option Plan and the Long-term Incentive Plan provide for the granting of share options to employees at an exercise price equal to the quoted fair market value of our common shares on the date of grant and expire upon termination of employment or ten years from the date of grant. In the Long-term Incentive Plan restricted shares for officers and trust managers are granted at no exercise price. Our policy is to recognize compensation expense for equity awards ratably over the vesting period. For the three months ended June 30, 2006 and 2005, compensation expense associated with share options and restricted shares totaled \$1.0 million and \$.3 million, of which \$.3 million and \$.1 million was capitalized, respectively. For the six months ended June 30, 2006 and 2005, compensation expense associated with share options and restricted shares totaled \$2.0 million and \$.6 million, of which \$.5 million and \$.2 million was capitalized, respectively.

The fair value of share options and restricted shares is estimated on the date of grant using the Black-Scholes option pricing method based on the expected weighted average assumptions in the following table. The dividend yield is an average of the historical yields at each record date over the estimated expected life. We estimate volatility using our historical volatility data for a period of ten years, and the expected life is based on historical data from an option valuation model of employee exercises and terminations. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The fair value and weighted average assumptions are as follows:

	Six Months Ended June 30, 2006
Fair value per share	\$ 3.22
Dividend yield	6.3%
Expected volatility	16.8%
Expected life (in years)	6.7
Risk-free interest rate	4.4%

Following is a summary of the option activity for the six months ended June 30, 2006:

	Shares Under Option	Weighted Average Exercise Price
Outstanding, January 1, 2006	3,179,646	\$ 27.47
Granted	2,000	39.97
Forfeited or expired	(26,411)	30.81
Exercised	(364,421)	20.65
Outstanding, June 30, 2006	2,790,814	\$ 28.34

The total intrinsic value of options exercised was \$.9 million for both the three months ended June 30, 2006 and 2005. For the six months ended June 30, 2006 and 2005, the total intrinsic value of options exercised was \$7.0 million and \$2.3 million, respectively. As of June 30, 2006, there was approximately \$3.6 million of total unrecognized compensation cost related to nonvested share options, which is expected to be amortized over a weighted average of 2.8 years. During the first six months of 2005, no share options were granted.

The following table summarizes information about share options outstanding and exercisable at June 30, 2006:

Range of Exercise Prices	Number	Outstanding			Exercisable		
		Average Remaining Contractual Life	Weighted Average Exercise Price	Aggregate Intrinsic Value (000's)	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value (000's)
\$16.89 - \$24.58	1,434,413	5.14 years	\$ 21.58		753,366	\$ 20.74	
\$24.59 - \$30.09	467,262	7.20 years	\$ 30.00		222,497	\$ 29.90	
\$30.10 - \$39.75	889,139	9.01 years	\$ 38.36		84,547	\$ 39.75	
Total	2,790,814	6.72 years	\$ 28.34	\$ 27,741	1,060,410	\$ 24.18	\$ 14,952

A summary of the status of nonvested restricted shares for the six months ended June 30, 2006 is as follows:

	Nonvested Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2006	142,268	\$ 36.32
Granted	9,800	38.68
Vested	(9,800)	38.68
Forfeited	(3,041)	36.24
Outstanding, June 30, 2006	139,227	\$ 36.32

As of June 30, 2006, there was approximately \$4.4 million of total unrecognized compensation cost related to nonvested restricted shares, which is expected to be amortized over a weighted average of 3.6 years.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q, together with other statements and information publicly disseminated by us, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” or similar expressions. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect actual results, performances or achievements. Factors which may cause actual results to differ materially from current expectations include, but are not limited to, (i) general economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt, or other sources of financing on favorable terms, (iv) changes in governmental laws and regulations, (v) the level and volatility of interest rates, (vi) the availability of suitable acquisition opportunities and (vii) increases in operating costs. Accordingly, there is no assurance that our expectations will be realized.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto and the comparative summary of selected financial data appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations. Our results of operations and financial condition, as reflected in the accompanying financial statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, retailer performance, changing capital market conditions and other factors which could affect the ongoing viability of our tenants.

Executive Overview

Weingarten Realty Investors is a real estate investment trust (“REIT”) that has been in the business of owning and developing shopping centers and other commercial real estate since 1948. We are focused on delivering solid returns to our shareholders by actively developing, acquiring and intensively managing properties in 21 states generally spanning the southern portion of the United States from coast to coast. Our portfolio of properties includes neighborhood and community shopping centers and industrial properties aggregating over 48.3 million square feet out of a total of 61.4 million square feet including square feet owned by others. We have a diversified tenant base with our largest tenant comprising 3% of total rental revenues during the first six months of 2006.

We focus on increasing Funds from Operations and growing dividend payments to our common shareholders. We do this through hands-on leasing, management and selected redevelopment of the existing portfolio of properties, through disciplined growth from selective acquisitions and new developments, and through the disposition of assets that no longer meet our ownership criteria. We do this while remaining committed to maintaining a conservative balance sheet, a well-staggered debt maturity schedule and strong credit agency ratings.

We continue to maintain a strong, conservative capital structure, which provides ready access to a variety of attractive capital sources. We carefully balance obtaining low cost financing with minimizing exposure to interest rate movements and matching long-term liabilities with the long-term assets acquired or developed.

At June 30, 2006, we owned or operated under long-term leases, either directly or through our interests in joint ventures or partnerships, a total of 350 income-producing properties and another ten non-income producing properties that are in various stages of development. Our properties include 295 shopping centers and 65 industrial properties. We have approximately 6,900 leases and 5,200 different tenants. Leases for our properties range from less than a year for smaller spaces to over 25 years for larger tenants. Rental revenues generally include minimum lease payments, which often increase over the lease term, reimbursements of property operating expenses, including ad valorem taxes, and additional rent payments based on a percentage of the tenants' sales. The majority of our anchor tenants are supermarkets, value-oriented apparel/discount stores and other retailers or service providers who generally sell basic necessity-type goods and services. We believe stability of our anchor tenants, combined with convenient locations, attractive and well-maintained properties, high quality retailers and a strong tenant mix, should ensure the long-term success of our merchants and the viability of our portfolio.

In assessing the performance of our properties, management carefully tracks the occupancy of the portfolio. Occupancy for the total portfolio was 93.7% at June 30, 2006 compared to 94.2% at June 30, 2005. Another important indicator of performance is the spread in rental rates on a same-space basis as we complete new leases and renew existing leases. We completed 333 new leases or renewals in the second quarter of 2006 totaling 1.4 million square feet, increasing rental rates an average of 5.1% on a cash basis.

To grow through acquisitions and new developments, management closely monitors movements in returns in relation to our blended weighted average cost of capital, the amount of product in the acquisition and new development pipelines and the geographic areas in which opportunities are present. During the first half of 2006, we acquired three industrial properties and four shopping centers and invested in a 25%-owned joint venture, which acquired three shopping centers. Our investment in these properties totaled \$135.3 million and consisted of the following.

In February 2006 we acquired the McGraw Hill Distribution Center, a single tenant warehouse located in DeSoto, Texas.

In March 2006 we acquired Fresh Market Shoppes Shopping Center, an 87,000 square foot shopping center, which is located in Hilton Head, South Carolina. Fresh Market and Bonefish Grill anchor this specialty retail center. We also acquired The Shoppes at Paradise Isle, a 172,000 shopping center located in Destin, Florida. Best Buy, Linens-N-Things, PetsMart and Office Depot anchor this property. Both of these shopping centers were acquired through a 25%-owned unconsolidated joint venture.

In April 2006 Valley Shopping Center, a 98,000 square foot shopping center anchored by Raley's Supermarket was acquired. The center has below-market rents providing strong growth opportunities and is in close proximity to our regional office in Sacramento.

In May 2006 Brownsville Commons, an 82,000 square foot shopping center including a 54,000 square foot (corporately owned) Kroger supermarket, was acquired in Powder Springs, Georgia, a suburb of Atlanta. This is part of a three-center portfolio, all Kroger anchored, that we will acquire over the next six months. Also, The Shoppes of Parkland, a 146,000 square foot shopping center located in Parkland, Florida and anchored by BJ's Wholesale, was acquired. This center services two upper income neighborhoods, Parkland and Boca Raton.

In June 2006 we purchased three properties in California and acquired a shopping center in Florida through a 25%-owned unconsolidated joint venture. Freedom Centre, anchored by Ralph's and Rite Aid, is a 151,000 square foot shopping center located in Freedom, California. In San Diego, California, two vacant industrial warehouse buildings, 1725 and 1855 Dornoch Court, were acquired. These state-of-the-art buildings, aggregating 317,000 square feet, are located within one and a half miles of our Siempre Viva Business Park, and based on the high demand for top quality space in this area, we anticipate leasing both newly acquired buildings within the next year. Indian Harbour Place was acquired through a 25%-owned unconsolidated joint venture. This 164,000 square foot shopping center is located in

Melbourne, Florida and is anchored by Publix. This shopping center represents our third property in Melbourne, Florida.

Our new development program has been growing each quarter. We currently have 16 properties in various stages of development. Eight of the properties are wholly owned and eight are part of joint ventures. We have invested \$103 million to-date in these projects and we estimate our total investment will be \$279 million out of the total required investment of \$364 million. These properties are slated to open during the remainder of 2006 and 2007 and will add 2.0 million square feet to the portfolio.

Our new development program also includes a merchant developer component where we will build, lease and then sell the developed real estate.

In addition to the 16 new development projects, we have significantly increased our development pipeline. We currently have 21 development sites under contract, which will add 1.8 million square feet with an investment value of approximately \$308 million. In addition to the 21 development sites under contract, we have another 35 development sites under preliminary pursuit. Our development pipeline includes properties that are in the early stages, and we may not proceed with the purchase of all of these land sites for a variety of reasons. Our current development pipeline is representative of the level required to produce completed developments in our target range of \$250 - \$300 million annually.

We expect to continue to grow as a result of acquisitions in addition to new development. Although the acquisition market remains challenging, we have over \$700 million of potential acquisitions in various stages of due diligence. These potential acquisitions are still subject to a stringent due diligence process and, therefore, there is no assurance that any or all will be purchased. Changes in interest rates and the capitalization rates inherent in the pricing of acquisitions could affect our external growth prospects.

Subsequent to quarter end we have purchased three retail centers and acquired two additional centers through a 25%-owned unconsolidated joint venture. These properties are located in Florida, Kentucky, North Carolina and Tennessee.

Continuing our strategy of selling assets that no longer meet our ownership criteria, we sold nine shopping centers and two industrial properties, five of which were located in Texas, three in Kansas and one each in Arizona, Arkansas and Missouri, during the first half of 2006. Sales proceeds from these dispositions totaled \$166.3 million and generated gains of \$73.2 million. Also sold during this same period were two shopping centers each in an unconsolidated joint venture, of which our share of the sales proceeds totaled \$8.1 million and generated gains of \$4.1 million.

Subsequent to the quarter end, we sold three shopping centers, two of which were located in Arkansas and one in Texas, and an industrial property in Tennessee.

We remain committed to an accelerated disposition plan for non-core properties. We will continue to sell properties in smaller markets where we have a minimal investment or markets with slower growth rates, which are often the markets that have low barriers to entry. We plan to sell \$250 million to \$350 million of non-core assets in 2006, which will allow us to recycle capital and reduce our need to raise new equity.

We expect to see continued improvement in the performance of the existing portfolio through further increases in occupancy and increases in rental rates as leases come up for renewal. Any deterioration in the economy could alter these expectations.

Summary of Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that

affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical

accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Rental revenue is generally recognized on a straight-line basis over the life of the lease, which begins the date the leasehold improvements are substantially complete, if owned by us, or the date the tenant takes control of the space, if the leasehold improvements are owned by the tenant. Revenue from tenant reimbursements of taxes, maintenance expenses and insurance is recognized in the period the related expense is recorded. Revenue based on a percentage of tenants' sales is recognized only after the tenant exceeds their sales breakpoint.

Partially Owned Joint Ventures and Partnerships

To determine the method of accounting for partially owned joint ventures or partnerships, we first apply the guidelines set forth in FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." Based upon our analysis, we have determined that we have no variable interest entities.

Partially owned joint ventures or partnerships over which we exercise financial and operating control are consolidated in our financial statements. In determining if we exercise financial and operating control, we consider factors such as ownership interest, authority to make decisions, kick-out rights and substantive participating rights. Partially owned joint ventures and partnerships where we have the ability to exercise significant influence, but do not exercise financial and operating control, are accounted for using the equity method.

Property

Real estate assets are stated at cost less accumulated depreciation, which, in the opinion of management, is not in excess of the individual property's estimated undiscounted future cash flows, including estimated proceeds from disposition. Depreciation is computed using the straight-line method, generally over estimated useful lives of 18-50 years for buildings and 10-20 years for parking lot surfacing and equipment. Major replacements where the betterment extends the useful life of the asset are capitalized and the replaced asset and corresponding accumulated depreciation are removed from the accounts. All other maintenance and repair items are charged to expense as incurred.

Acquisitions of properties are accounted for utilizing the purchase method and, accordingly, the results of operations of an acquired property are included in our results of operations from the respective dates of acquisition. We have used estimates of future cash flows and other valuation techniques to allocate the purchase price of acquired property among land, buildings on an "as if vacant" basis, and other identifiable intangibles. Other identifiable intangible assets and liabilities include the effect of out-of-market leases, the value of having leases in place, out-of-market assumed mortgages and tenant relationships.

Property also includes costs incurred in the development of new operating properties. These costs include preacquisition costs directly identifiable with the specific project, development and construction costs, interest and real estate taxes. Indirect development costs, including salaries and benefits, travel and other related costs that are clearly attributable to the development of the property, are also capitalized. The capitalization of such costs ceases at the earlier of one year from the completion of major construction or when the property, or any completed portion, becomes available for occupancy.

Property includes costs for tenant improvements paid by us, including reimbursements to tenants for improvements that are owned by us and will remain our property after the lease expires.

Our properties are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. In such an event, a comparison is made of the current and projected operating cash flows of each such property into the foreseeable future on an undiscounted basis to the carrying amount of such

property. Such carrying amount is adjusted, if necessary, to the estimated fair value to reflect an impairment in the value of the asset.

Some of our properties are held in single purpose entities. A single purpose entity is a legal entity typically established at the request of a lender solely for the purpose of owning a property or group of properties subject to a mortgage. There may be restrictions limiting the entity's ability to engage in an activity other than owning or operating the property, assume or guaranty the debt of any other entity, or dissolve itself or declare bankruptcy before the debt has been repaid. Most of our single purpose entities are 100% owned by us and are consolidated in our financial statements.

Interest Capitalization

Interest is capitalized on land under development and buildings under construction based on rates applicable to borrowings outstanding during the period and the weighted average balance of qualified assets under development/construction during the period.

Deferred Charges

Debt and lease costs are amortized primarily on a straight-line basis, which approximates the effective interest method, over the terms of the debt and over the lives of leases, respectively. Lease costs represent the initial direct costs incurred in origination, negotiation and processing of a lease agreement. Such costs include outside broker commissions and other independent third party costs as well as salaries and benefits, travel and other related internal costs incurred in completing the leases. Costs related to supervision, administration, unsuccessful origination efforts and other activities not directly related to completed lease agreements are charged to expense as incurred.

Sales of Real Estate

We recognize profit on sales of real estate in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." Profits from real estate sales are not recognized until (a) a sale is consummated; (b) the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay; (c) the seller's receivable is not subject to future subordination; and (d) we have transferred to the buyer the usual risks and rewards of ownership in the transaction, and we do not have a substantial continuing involvement with the property.

Accrued Rent and Accounts Receivable

Receivable balances outstanding include base rents, tenant reimbursements and receivables attributable to the straight-lining of rental commitments. An allowance for the uncollectible portion of accrued rents and accounts receivable is determined based upon an analysis of balances outstanding, historical bad debt levels, tenant credit worthiness and current economic trends. Additionally, estimates of the expected recovery of pre-petition and post-petition claims with respect to tenants in bankruptcy are considered in assessing the collectibility of the related receivables.

Income Taxes

We have elected to be treated as a REIT under the Internal Revenue Code of 1986, as amended. As a REIT, we generally will not be subject to corporate level federal income tax on taxable income we distribute to our shareholders. To be taxed as a REIT we must meet a number of requirements including meeting defined percentage tests concerning the amount of our assets and revenues that come from, or are attributable to, real estate operations. As long as we distribute at least 90% of the taxable income of the REIT to our shareholders as dividends, we will not be taxed on the portion of our income we distribute as dividends unless we have ineligible transactions.

The Tax Relief Extension Act of 1999 gave REITs the ability to conduct activities which a REIT was previously precluded from doing as long as they are done in entities which have elected to be treated as taxable REIT subsidiaries under the IRS code. These activities include buying or developing properties with the express purpose of selling them. We conduct certain of these activities in taxable REIT subsidiaries that we have created. We calculate and record income taxes in our financial statements based on the activities in those entities. We also record deferred taxes for the temporary tax differences that have resulted from those activities as required under SFAS No. 109, "Accounting for

Income Taxes.”

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Results of Operations

Comparison of the Three Months Ended June 30, 2006 to the Three Months Ended June 30, 2005

Revenues

Total revenues were \$139.6 million in the second quarter of 2006 versus \$130.8 million in the second quarter 2005, an increase of \$8.8 million or 6.7%. This increase resulted primarily from an increase in rental revenues of \$10.4 million.

Property acquisitions and new development activity contributed \$6.5 million of the rental income increase. The remaining increase of \$4.1 million resulted from 333 renewals and new leases, comprising 1.4 million square feet at an average rental rate increase of 5.1%. Offsetting these rental income increases was a decrease of \$.2 million, which resulted from the sale of an 80% interest in two retail centers in Louisiana.

Occupancy (leased space) of the portfolio as compared to the prior year was as follows:

	June 30, 2006	2005
Shopping Centers	95.2%	94.8%
Industrial	89.5%	91.9%
Total	93.7%	94.2%

Other income was \$1.3 million in the second quarter of 2006 versus \$2.9 million in the second quarter of 2005, a decrease of \$1.6 million or 55%. This decrease was due primarily to a decrease in lease cancellation payments from various tenants.

Expenses

Total expenses for the second quarter 2006 were \$75.9 million versus \$67.8 million in the second quarter of 2005, an increase of \$8.1 million or 11.9%.

The increases in 2006 for depreciation and amortization expense (\$2.3 million), operating expenses (\$3.4 million), ad valorem taxes (\$1.2 million) and general and administrative expenses (\$1.1 million) were primarily a result of the properties acquired and developed during the year, an increase in insurance expenses as a result of the hurricanes experienced in 2005, and increases associated with planned growth of the portfolio. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a percentage of rental revenues were 28% in 2006 and 26% in 2005.

Interest Expense

Interest expense totaled \$34.7 million for the second quarter 2006, up \$2.4 million or 7.4% from the second quarter 2005. The components of interest expense were as follows (in thousands):

	Three Months Ended June 30, 2006	2005
Gross interest expense	\$ 37,913	\$ 35,114
Over-market mortgage adjustment of acquired properties	(1,826)	(1,870)
Capitalized interest	(1,346)	(957)
Total	\$ 34,741	\$ 32,287

Gross interest expense totaled \$37.9 million in the second quarter of 2006, up \$2.8 million or 8.0% from the second quarter 2005. The increase in gross interest expense was due to an increase in the average debt outstanding from \$2.2 billion in 2005 to \$2.3 billion in 2006 at a weighted average interest rate of 6.2% for the second quarter 2006 and 6.0% for the second quarter 2005. Capitalized interest increased \$.3 million due to an increase in new development activity, and the over-market mortgage adjustment decreased by \$.1 million.

Interest and Other Income

Interest and other income was \$.6 million in the second quarter of 2006 versus \$.1 million in the second quarter of 2005, an increase of \$.5 million or 500%. This increase was attributable to interest earned from a qualified escrow account for the purposes of completing like-kind exchanges, construction loans associated with our new development activities and assets held in a grantor trust related to our deferred compensation plan.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures was \$4.5 million in the second quarter of 2006 versus \$1.6 million in the second quarter of 2005, an increase of \$2.9 million or 181.3%. This increase was attributable primarily to our share of the gain generated from the disposition of a shopping center in Dickinson, Texas totaling \$2.5 million. Also, contributing to the increase is the incremental income from our investments in newly formed joint ventures in 2005 and 2006 for the acquisition and development of retail properties.

Gain on Sale of Properties

The gain of \$22 million in the second quarter of 2005 resulted primarily from the sale of an 80% interest in two shopping centers in Lafayette and Shreveport, Louisiana in which we have a continuing operating interest.

Benefit (Provision) for Income Taxes

The amount reported in 2006 includes the tax expense in our taxable REIT subsidiary and the deferred tax impact attributable to the Texas margin tax enacted in the second quarter of 2006.

Income from Discontinued Operations

Income from discontinued operations was \$57.4 million in the second quarter of 2006 versus \$17.5 million in the second quarter of 2005, an increase of \$39.9 million or 228%. This increase was due primarily to the disposition of eight properties totaling 1.1 million square feet that provided sales proceeds of \$132 million and generated gains of \$56.1 million. The 2005 caption includes the operating results of properties disposed in 2006 and 2005 as well as the gain from the disposition of five properties during the second quarter of 2005, which provided sales proceeds of \$31 million and generated gains of \$13.8 million.

Results of Operations

Comparison of the Six Months Ended June 30, 2006 to the Six Months Ended June 30, 2005

Revenues

Total revenues were \$276.7 million in the first six months of 2006 versus \$256.7 million in the first six months of 2005, an increase of \$20 million or 7.8%. This increase resulted primarily from the increase in rental revenues of \$20.3 million.

Property acquisitions and new development activity contributed \$14.9 million of the rental income increase. The remaining increase of \$7.1 million resulted from 626 renewals and new leases, comprising 3.3 million square feet at an average rental rate increase of 7.4%. Offsetting these rental income increases was a decrease of \$1.7 million, which resulted from the sale of an 80% interest in two retail centers in Louisiana.

Occupancy (leased space) of the portfolio as compared to the prior year was as follows:

	2006	June 30, 2005
Shopping Centers	95.2%	94.8%
Industrial	89.5%	91.9%

Total	93.7%	94.2%
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Other income was \$3.5 million in the first six months of 2006 versus \$3.7 million in the first six months of 2005, a decrease of \$.2 million or 5.4%. This decrease was due primarily to a decrease in lease cancellation payments from various tenants.

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Expenses

Total expenses for the first six months of 2006 were \$148.2 million versus \$134.0 million in the first six months of 2005, an increase of \$14.2 million or 10.6%.

The increases in 2006 for depreciation and amortization expense (\$5.3 million), operating expenses (\$4.4 million), ad valorem taxes (\$2.4 million) and general and administrative expenses (\$2.2 million) were primarily a result of the properties acquired and developed during the year, an increase in insurance expenses as a result of the hurricanes experienced in 2005 and increases associated with planned growth of the portfolio. Overall, direct operating costs and expenses (operating and ad valorem tax expense) of operating our properties as a percentage of rental revenues were 27% in 2006 and 26% in 2005.

Interest Expense

Interest expense totaled \$69.2 million for the first six months of 2006, up \$5.9 million or 9.3% from the first six months of 2005. The components of interest expense were as follows (in thousands):

	Six Months Ended June 30,	
	2006	2005
Gross interest expense	\$ 74,985	\$ 68,343
Over-market mortgage adjustment of acquired properties	(3,652)	(3,363)
Capitalized interest	(2,155)	(1,657)
Total	\$ 69,178	\$ 63,323

Gross interest expense totaled \$75.0 million in the first six months of 2006, up \$6.7 million or 9.8% from the first six months of 2005. The increase in gross interest expense was due to an increase in the average debt outstanding from \$2.2 billion in 2005 to \$2.3 billion in 2006 at a weighted average interest rate of 6.2% for the six months ended June 30, 2006 and 6.1% for the six months ended June 30, 2005. The increase in the over-market mortgage adjustment of \$.3 million resulted from our property acquisitions. Capitalized interest increased \$.5 million due to new development activity.

Interest and Other Income

Interest and other income was \$2.0 million in the first six months of 2006 versus \$.4 million in the first six months of 2005, an increase of \$1.6 million or 400%. This increase was attributable to interest earned from a qualified escrow account for the purposes of completing like-kind exchanges, construction loans associated with our new development activities and assets held in a grantor trust related to our deferred compensation plan.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures was \$8.6 million in the first six months of 2006 versus \$2.9 million in the first six months of 2005, an increase of \$5.7 million or 196.6%. This increase was attributable primarily to our share of the gains generated from the disposition of two shopping centers, one each in Crosby and Dickinson, Texas, totaling \$1.5 million and \$2.5 million, respectively. Additionally, there was a gain of \$.4 million associated with land and merchant development activities in Houston, Texas. Also, contributing to the increase is the incremental income from our investments in newly formed joint ventures in 2005 and 2006 for the acquisition and development of retail properties.

Gain on Sale of Properties

The gain of \$22 million in 2005 resulted primarily from the sale of an 80% interest in two shopping centers in Lafayette and Shreveport, Louisiana in which we have a continuing operating interest.

Gain on Land and Merchant Development Sales

Gain on land and merchant development sales of \$1.7 million for the first six months of 2006 represents the gain from the sale of an unimproved land tract in Phoenix, Arizona.

Benefit (Provision) for Income Taxes

The amount reported in 2006 includes the tax expense in our taxable REIT subsidiary and the deferred tax impact attributable to the Texas margin tax enacted in the second quarter of 2006.

Income from Discontinued Operations

Income from discontinued operations was \$76.5 million in the first six months of 2006 versus \$25.3 million in the first six months of 2005, an increase of \$51.2 million or 202.4%. This increase was due primarily to the disposition of eleven properties totaling 1.6 million square feet that provided sales proceeds of \$166.3 million and generated gains of \$73.2 million. The 2005 caption includes the operating results of properties disposed in 2006 and 2005 as well as the gain from the disposition of nine properties during the first half of 2005, which provided sales proceeds of \$42.3 million and generated gains of \$17.9 million.

Capital Resources and Liquidity

Our primary liquidity needs are payment of our common and preferred dividends, maintaining and operating our existing properties, payment of our debt service costs, and funding planned growth. We anticipate that cash flows from operating activities will continue to provide adequate capital for all common and preferred dividend payments and debt service costs, as well as the capital necessary to maintain and operate our existing properties.

Our sources of capital for funding acquisitions and new development is our \$400 million revolving credit facility, cash generated from sales of properties that no longer meet our investment criteria, cash flow generated by our operating properties and proceeds from capital issuances as needed. Amounts outstanding under the revolving credit agreement are retired as needed with proceeds from the issuance of long-term unsecured debt, common and preferred equity, cash generated from dispositions of properties, and cash flow generated by our operating properties. As of June 30, 2006 the balance outstanding on our \$400 million revolving credit facility was \$265.0 million, and \$16.8 million was outstanding under the \$20 million credit facility used for cash management purposes.

Our capital structure also includes nonrecourse secured debt that we assume in conjunction with some of our acquisitions. We also have nonrecourse debt secured by acquired or developed properties that is held in several of our joint ventures. We hedge the future cash flows of certain debt transactions, as well as changes in the fair value of our debt instruments, principally through interest rate swaps with major financial institutions. We generally have the right to sell or otherwise dispose of our assets except in certain cases where we are required to obtain a third party consent, such as assets held in entities in which we have less than 100% ownership.

In July 2006 we priced an offering of \$575 million aggregate principal amount of 3.95% convertible senior notes due 2026, which closed in August 2006. The net proceeds from the sale of the notes were used for general business purposes, to repurchase some of our common shares of beneficial interest and to reduce amounts outstanding under our revolving credit facility.

Investing Activities:

Acquisitions

In the first half of 2006 we acquired three industrial properties and four shopping centers and invested in a 25%-owned joint venture, which acquired three shopping centers. Our investment in these properties totaled \$135.3 million and consisted of the following.

In February 2006 we acquired the McGraw Hill Distribution Center, a single tenant warehouse located in DeSoto, Texas.

In March 2006 we acquired Fresh Market Shoppes Shopping Center, an 87,000 square foot shopping center, which is located in Hilton Head, South Carolina. Fresh Market and Bonefish Grill anchor this specialty retail center. We also acquired The Shoppes at Paradise Isle, a 172,000 shopping center located in Destin, Florida. Best Buy, Linens-N-Things, PetsMart and Office Depot anchor this property. Both of these shopping centers were acquired through a 25%-owned unconsolidated joint venture.

In April 2006 Valley Shopping Center, a 98,000 square foot shopping center anchored by Raley's Supermarket was acquired. The center has below-market rents providing strong growth opportunities and is in close proximity to our regional office in Sacramento.

In May 2006 Brownsville Commons, an 82,000 square foot shopping center including a 54,000 square foot (corporately owned) Kroger supermarket, was acquired in Powder Springs, Georgia, a suburb of Atlanta. This is part of a three-center portfolio, all Kroger anchored, that we will acquire over the next six months. Also, The Shoppes of Parkland, a 146,000 square foot shopping center located in Parkland, Florida and anchored by BJ's Wholesale, was acquired. This center services two upper income neighborhoods, Parkland and Boca Raton.

In June 2006 we purchased three properties in California and acquired a shopping center in Florida through a 25%-owned unconsolidated joint venture. Freedom Centre, anchored by Ralph's and Rite Aid, is a 151,000 square foot shopping center located in Freedom, California. In San Diego, California, two vacant industrial warehouse buildings, 1725 and 1855 Dornoch Court, were acquired. These state-of-the-art buildings, aggregating 317,000 square feet, are located within one and a half miles of our Siempre Viva Business Park, and based on the high demand for top quality space in this area, we anticipate leasing both newly acquired buildings within the next year. Indian Harbour Place was acquired through a 25%-owned unconsolidated joint venture. This 164,000 square foot shopping center is located in Melbourne, Florida and is anchored by Publix. This shopping center represents our third property in Melbourne, Florida.

Subsequent to quarter end we have purchased three retail centers and acquired two additional centers through a 25%-owned unconsolidated joint venture. These properties are located in Florida, Kentucky, North Carolina and Tennessee.

The cash requirements for these acquisitions were initially financed under our revolving credit facilities, using available cash generated from dispositions of properties or using cash flow generated by our operating properties.

Dispositions

During the first six months of 2006, we sold nine shopping centers and two industrial properties, five of which were located in Texas, three in Kansas and one each in Arizona, Arkansas and Missouri. Sales proceeds from these dispositions totaled \$166.3 million and generated gains of \$73.2 million. Also sold during this same period were two shopping centers each in an unconsolidated joint venture, of which our share of the sales proceeds totaled \$8.1 million and generated gains of \$4.1 million.

Subsequent to the quarter end, we sold three shopping centers, two of which were located in Arkansas and one in Texas, and an industrial property in Tennessee.

New Development and Capital Expenditures

We currently have 16 properties in various stages of development. Eight of the properties are wholly owned and eight are part of joint ventures. We have invested \$103 million to-date in these projects and we estimate our total investment will be \$279 million out of the total required investment of \$364 million. These properties are slated to open during the remainder of 2006 and 2007 and will add 2.0 million square feet to the portfolio.

Our new development projects are financed initially under our revolving credit facilities, using available cash generated from dispositions of properties or using cash flow generated by our operating properties.

Capital expenditures for additions to the existing portfolio, acquisitions, new development and investments in unconsolidated joint ventures totaled \$221.9 million and \$259.1 million for the first six months of 2006 and 2005, respectively.

Financing Activities:

Debt

Total debt outstanding increased to \$2.4 billion at June 30, 2006 from \$2.3 billion at December 31, 2005, due primarily to funding of acquisitions and new development activity. Total debt at June 30, 2006 includes \$2.0 billion of which interest rates are fixed and \$378.4 million, which bears interest at variable rates, including the effect of \$75.0 million of interest rate swaps. Additionally, debt totaling \$851.3 million was secured by operating properties while the remaining \$1.5 billion was unsecured.

In February 2006 we amended and restated our \$400 million unsecured revolving credit facility held by a syndicate of banks. This amended facility has an initial four-year term and provides a one-year extension option available at our request. Borrowing rates under this facility float at a margin over LIBOR, plus a facility fee. The borrowing margin and facility fee, which are currently 35 and 12.5 basis points, respectively, are priced off a grid that is tied to our senior unsecured credit. Under this facility, we are allowed to request bids for borrowings up to \$200 million from the syndicate banks. Additionally, the facility contains an accordion feature, which allows us to increase the facility amount up to \$600 million. As of July 31, 2006, the balance outstanding on this facility was \$274 million at an interest rate of 5.7%, none of which was under the competitive bid provision in anticipation of our convertible bond offering. We also maintain a \$20 million unsecured and uncommitted overnight facility that is used for cash management purposes, of which \$13.6 million at 5.7% was outstanding at July 31, 2006. We are in full compliance with the covenants of our \$400 million unsecured revolving credit facility.

At June 30, 2006 we had five interest rate swap contracts designated as fair value hedges with an aggregate notional amount of \$75.0 million that convert fixed rate interest payments at rates ranging from 4.2% to 6.8% to variable interest payments. Also, at June 30, 2006, we had three forward-starting interest rate swap contracts with an aggregate notional amount of \$192.6 million, of which one with a notional amount of \$74.0 million was entered into in May 2006. These contracts have been designated as cash flow hedges and mitigate the risk of increasing interest rates on forecasted long-term debt issuances over a maximum period of two years.

In June 2006 a \$5 million swap matured in conjunction with the maturity of the associated medium term note. This contract was designated as a fair value hedge.

The interest rate swaps increased interest expense and decreased net income by \$.1 million and \$.2 million for the three and six months ended June 30, 2006, respectively, and increased the average interest rate of our debt by 0.02% for both periods. For the three and six months ended June 30, 2005, the interest rate swaps decreased interest expense and increased net income by \$.4 million and \$1.0 million, respectively, and decreased the average interest rate of our debt by 0.1% for both periods. We could be exposed to credit losses in the event of nonperformance by the counter-party; however, management believes the likelihood of such nonperformance is remote.

In conjunction with acquisitions completed during the first six months of 2006 and 2005, we assumed \$18.9 million and \$120.3 million, respectively, of nonrecourse debt secured by the related properties.

Financing Activities:

Equity

Common and preferred dividends increased to \$88.4 million in the first six months of 2006, compared to \$83.5 million for the first six months of 2005. The quarterly dividend rate for the common shares of beneficial interest in 2006 was \$.465 compared to \$.44 for the same periods in 2005. Our dividend payout ratio on common equity for the first six months of 2006 and 2005 approximated 66.3% and 64.5%, respectively, based on funds from operations for the applicable year.

In February 2006 our board of trust managers authorized up to \$100 million for the purchase of outstanding common shares of beneficial interest in 2006. Share repurchases may be made in the open market or in privately negotiated transactions. During the first six months of 2006, there were no repurchases made. In July 2006 our board of trust managers revised the authorized repurchase amount of our common shares of beneficial interest to a total of \$207 million, and we used \$167.6 million of the net proceeds from the \$575 million debt offering to purchase 4.3 million common shares of beneficial interest at \$39.26 per share.

In September 2004 the SEC declared effective two additional shelf registration statements totaling \$1.55 billion, all of which was available as of July 31, 2006. In addition, we have \$160.4 million available as of July 31, 2006 under our \$1 billion shelf registration statement, which became effective in April 2003. We will continue to closely monitor both the debt and equity markets and carefully consider our available financing alternatives, including both public and private placements.

Contractual Obligations

The following table summarizes our principal contractual obligations as of June 30, 2006 (in thousands):

	2006	2007	2008	2009	2010	Thereafter	Total
Mortgages and Notes Payable:⁽¹⁾							
Unsecured Debt	\$ 358,508	\$ 149,764	\$ 127,349	\$ 94,471	\$ 110,759	\$ 1,156,151	\$ 1,997,002
Secured Debt	51,870	83,881	246,334	117,049	97,844	574,231	1,171,209
Ground Lease Payments	997	1,876	1,782	1,737	1,691	41,085	49,168
Obligations to Acquire Projects	293,803						293,803
Obligations to Develop Projects	56,428	222,532					278,960
Total Contractual Obligations	\$ 761,606	\$ 458,053	\$ 375,465	\$ 213,257	\$ 210,294	\$ 1,771,467	\$ 3,790,142

⁽¹⁾ Includes principal and interest with interest on variable-rate debt calculated using rates at June 30, 2006.

As of June 30, 2006 and December 31, 2005, we did not have any off-balance sheet arrangements that would materially affect our liquidity or availability of, or requirement for, our capital resources.

Funds from Operations

The National Association of Real Estate Investment Trusts defines funds from operations as net income (loss) available to common shareholders computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of real estate assets and extraordinary items, plus depreciation and amortization of operating properties, including our share of unconsolidated partnerships and joint ventures. We calculate FFO in a manner consistent with the NAREIT definition.

We believe FFO is an appropriate supplemental measure of operating performance because it helps investors compare our operating performance relative to other REITs. Management also uses FFO as a supplemental measure to conduct and evaluate our business because there are certain limitations associated with using GAAP net income by itself as the primary measure of our operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, management believes that the presentation of operating results for real estate companies that uses historical cost accounting is insufficient by itself. There can be no assurance that FFO presented by us is comparable to similarly titled measures of other REITs.

FFO should not be considered as an alternative to net income or other measurements under GAAP as an indicator of our operating performance or to cash flows from operating, investing or financing activities as a measure of liquidity. FFO does not reflect working capital changes, cash expenditures for capital improvements or principal payments on indebtedness.

Funds from operations is calculated as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net income available to common shareholders	\$ 87,741	\$ 67,679	\$ 139,825	\$ 101,716
Depreciation and amortization	30,617	29,447	61,075	57,759
Depreciation and amortization of unconsolidated joint ventures	1,106	939	2,124	1,843
Gain on sale of properties	(56,157)	(35,622)	(73,299)	(39,713)
(Gain) loss on sale of properties of unconsolidated joint ventures	(2,497)	2	(4,054)	3
Funds from operations	60,810	62,445	125,671	121,608
Funds from operations attributable to operating partnership units	2,355	2,161	4,727	4,234
Funds from operations assuming conversion of OP units	\$ 63,165	\$ 64,606	\$ 130,398	\$ 125,842
Weighted average shares outstanding - basic	89,519	89,178	89,446	89,150
Effect of dilutive securities:				
Share options and awards	854	949	905	943
Operating partnership units	3,160	3,043	3,151	3,025
Weighted average shares outstanding - diluted	93,533	93,170	93,502	93,118

Newly Adopted Accounting Pronouncements

In December 2004 the FASB issued SFAS No. 123(R), "Share-Based Payment," which establishes accounting standards for all transactions in which an entity exchanges its equity instruments for goods and services. This accounting standard focuses primarily on equity transactions with employees. On January 1, 2006, we adopted SFAS No. 123(R) using the modified prospective application method, and accordingly, prior period amounts have not been restated.

Through December 31, 2005, we recorded compensation expense over the vesting period on awards granted since January 1, 2003. Compensation expense was not recorded on awards granted prior to January 1, 2003, but its pro forma impact on net income was disclosed. Under SFAS No. 123(R), we will also record compensation expense on any unvested awards granted prior to January 1, 2003 during the remaining vesting periods.

Based upon our current estimates, we expect the impact in 2006 of the adoption of SFAS No. 123(R) to be an additional expense of approximately \$2.1 million. For the three and six months ended June 30, 2006, the incremental impact decreased both Income from Continuing Operations and Net Income by \$.5 million and \$1.0 million, respectively, and decreased both Net Income per Common Share - Basic and Net Income per Common Share - Diluted by \$.01 and \$.01, respectively.

In May 2005 the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3." SFAS No. 154 changes the requirements for the accounting and reporting of a change in accounting principle by requiring retrospective application to prior periods' financial statements of the change in accounting principle, unless it is impracticable to do so. This statement also redefines "restatement" as the revising of previously issued financial statements to reflect the correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material effect on our financial position, results of operations or cash flows.

In June 2005 the FASB ratified the consensus in 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." EITF Issue No. 04-5 expands the definition of when a general partner, or general partners as a group, controls a limited partnership or similar entity. In July 2005 the FASB issued FSP No. SOP 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5." FSP No. SOP 78-9-1 eliminates the concept of "important rights" and replaces it with concepts of "kick-out rights" and "substantive participating rights" as defined in EITF Issue No. 04-5. FSP No. SOP 78-9-1 and EITF Issue No. 04-5 are effective for all general partners of partnerships formed or modified after June 29, 2005, and for all other partnerships the first reporting period beginning after December 15, 2005. We have applied FSP No. SOP 78-9-1 and EITF Issue No. 04-5 to our joint ventures and concluded that these pronouncements did not require consolidation of additional entities.

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition of a tax position taken, or expected to be taken, in a tax return. A tax position may only be recognized in the financial statements if it is more likely than not that the tax position will be sustained upon examination. There are also several disclosure requirements. The interpretation is effective for fiscal years beginning after December 15, 2006, and we do not expect the adoption of this interpretation to have a material effect on our consolidated financial statements.

ITEM 3. Quantitative and Qualitative Disclosure About Market Risk

We use fixed and floating-rate debt to finance our capital requirements. These transactions expose us to market risk related to changes in interest rates. Derivative financial instruments are used to manage a portion of this risk, primarily interest rate swap agreements with major financial institutions. These swap agreements expose us to credit risk in the event of non-performance by the counter-parties to the swaps. We do not engage in the trading of derivative financial instruments in the normal course of business. At June 30, 2006, we had fixed-rate debt of \$2.0 billion and variable-rate debt of \$378.4 million, after adjusting for the net effect of \$75.0 million notional amount of interest rate swaps. At June 30, 2005, we had fixed-rate debt of \$2.0 billion and variable-rate debt of \$227.1 million, after adjusting for the net effect of \$95.0 million notional amount of interest rate swaps.

ITEM 4. Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of June 30, 2006. Based on that

evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2006.

There has been no change to our internal control over financial reporting during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

We are not presently involved in any litigation, nor to our knowledge is any litigation threatened against us or our subsidiaries, which in management's opinion, would result in any material adverse effect on our ownership, management or operation of properties, not covered by liability insurance.

Item 1A. Risk Factors

There were no material changes to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2005.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults in Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of shareholders was held on May 1, 2006. At that meeting:

(1) The shareholders elected each of the nine nominees to the Board of Trust Managers for a one-year term:

TRUST MANAGER	FOR	WITHHELD
Stanford Alexander	79,883,846	724,628
Andrew M. Alexander	79,945,221	663,253
J. Murry Bowden	80,074,712	533,762
James W. Crownover	80,022,227	586,248
Robert J. Cruikshank	77,494,108	3,114,366
Melvin A. Dow	77,396,455	3,212,019
Stephen A. Lasher	79,570,331	1,038,144
Douglas W. Schnitzer	79,976,288	632,186
Marc J. Shapiro	79,727,774	880,700
TOTAL	714,090,962	11,385,306

(2) The shareholders ratified the appointment of Deloitte & Touche LLP as our independent accountants:

FOR	79,717,781
AGAINST	739,477
ABSTAIN	151,214

TOTAL	80,608,472
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(3) The shareholders approved the amendment to the 2001 Long-Term Incentive Plan:

FOR	58,707,907
AGAINST	3,425,536
ABSTAIN	627,068
TOTAL	62,760,511

(4) The shareholders defeated the proposal entitled "Pay-For-Superior-Performance:"

FOR	16,989,649
AGAINST	44,962,909
ABSTAIN	809,079
TOTAL	62,761,637

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits:

- 3.1 — Restated Declaration of Trust (filed as Exhibit 3.1 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
- 3.2 — Amendment of the Restated Declaration of Trust (filed as Exhibit 3.2 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
- 3.3 — Second Amendment of the Restated Declaration of Trust (filed as Exhibit 3.3 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
- 3.4 — Third Amendment of the Restated Declaration of Trust (filed as Exhibit 3.4 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
- 3.5 — Fourth Amendment of the Restated Declaration of Trust dated April 28, 1999 (filed as Exhibit 3.5 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 3.6 — Fifth Amendment of the Restated Declaration of Trust dated April 20, 2001 (filed as Exhibit 3.6 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 3.7 — Amended and Restated Bylaws of WRI (filed as Exhibit 99.2 to WRI's Registration Statement on Form 8-A dated February 23, 1998 and incorporated herein by reference).
- 4.1 — Subordinated Indenture dated as of May 1, 1995 between WRI and Chase Bank of Texas, National Association (formerly, Texas Commerce Bank National Association) (filed as Exhibit 4(a) to WRI's Registration Statement on Form S-3 (No. 33-57659) and incorporated herein by reference).
- 4.2 — Subordinated Indenture dated as of May 1, 1995 between WRI and Chase Bank of Texas, National Association (formerly, Texas Commerce Bank National Association) (filed as Exhibit 4(b) to WRI's Registration Statement on Form S-3 (No. 33-57659) and incorporated herein by reference).

- 4.3 — Form of Fixed Rate Senior Medium Term Note (filed as Exhibit 4.19 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 4.4 — Form of Floating Rate Senior Medium Term Note (filed as Exhibit 4.20 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

- 4.5 — Form of Fixed Rate Subordinated Medium Term Note (filed as Exhibit 4.21 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 4.6 — Form of Floating Rate Subordinated Medium Term Note (filed as Exhibit 4.22 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 4.7 — Statement of Designation of 6.75% Series D Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 to WRI's Registration Statement on Form 8-A dated April 17, 2003 and incorporated herein by reference).
- 4.8 — Statement of Designation of 6.95% Series E Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 to WRI's Registration Statement on Form 8-A dated July 8, 2004 and incorporated herein by reference).
- 4.9 — 6.75% Series D Cumulative Redeemable Preferred Share Certificate (filed as Exhibit 4.2 to WRI's Registration Statement on Form 8-A dated April 17, 2003 and incorporated herein by reference).
- 4.10 — 6.95% Series E Cumulative Redeemable Preferred Share Certificate (filed as Exhibit 4.2 to WRI's Registration Statement on Form 8-A dated July 8, 2004 and incorporated herein by reference).
- 4.11 — Form of Receipt for Depositary Shares, each representing 1/30 of a share of 6.75% Series D Cumulative Redeemable Preferred Shares, par value \$.03 per share (filed as Exhibit 4.3 to WRI's Registration Statement on Form 8-A dated April 17, 2003 and incorporated herein by reference).
- 4.12 — Form of Receipt for Depositary Shares, each representing 1/100 of a share of 6.95% Series E Cumulative Redeemable Preferred Shares, par value \$.03 per share (filed as Exhibit 4.3 to WRI's Registration Statement on Form 8-A dated July 8, 2004 and incorporated herein by reference).
- 4.13 — Form of 7% Notes due 2011 (filed as Exhibit 4.17 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 10.1†— 1988 Share Option Plan of WRI, as amended (filed as Exhibit 10.1 to WRI's Annual Report on Form 10-K for the year ended December 31, 1990 and incorporated herein by reference).
- 10.2†— The Savings and Investment Plan for Employees of Weingarten Realty Investors dated December 17, 2003 (filed as Exhibit 10.34 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.3†— The Savings and Investment Plan for Employees of WRI, as amended (filed as Exhibit 4.1 to WRI's Registration Statement on Form S-8 (No. 33-25581) and incorporated herein by reference).
- 10.4†— First Amendment to the Savings and Investment Plan for Employees of Weingarten Realty Investors dated August 1, 2005 (filed as Exhibit 10.25 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.5†— The Fifth Amendment to Savings and Investment Plan for Employees of WRI (filed as Exhibit 4.1.1 to WRI's Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (No. 33-25581) and incorporated herein by reference).
- 10.6†— Mandatory Distribution Amendment for the Savings and Investment Plan for Employees of Weingarten Realty Investors dated August 1, 2005 (filed as

Exhibit 10.26 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).

10.7†— The 1993 Incentive Share Plan of WRI (filed as Exhibit 4.1 to WRI's Registration Statement on Form S-8 (No. 33-52473) and incorporated herein by reference).

10.8†— 1999 WRI Employee Share Purchase Plan (filed as Exhibit 10.6 to WRI's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

10.9†— 2001 Long Term Incentive Plan (filed as Exhibit 10.7 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).

- 10.10 — Master Promissory Note in the amount of \$20,000,000 between WRI, as payee, and Chase Bank of Texas, National Association (formerly, Texas Commerce Bank National Association), as maker, effective December 30, 1998 (filed as Exhibit 4.15 to WRI's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.11†— Weingarten Realty Retirement Plan restated effective April 1, 2002 (filed as Exhibit 10.29 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.12†— First Amendment to the Weingarten Realty Retirement Plan, dated December 31, 2003 (filed as Exhibit 10.33 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.13†— First Amendment to the Weingarten Realty Pension Plan, dated August 1, 2005 (filed as Exhibit 10.27 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.14†— Mandatory Distribution Amendment for the Weingarten Realty Retirement Plan dated August 1, 2005 (filed as Exhibit 10.28 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.15†— Weingarten Realty Investors Supplemental Executive Retirement Plan amended and restated effective September 1, 2002 (filed as Exhibit 10.10 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.16†— First Amendment to the Weingarten Realty Investors Supplemental Executive Retirement Plan amended on November 3, 2003 (filed as Exhibit 10.11 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.17†— Second Amendment to the Weingarten Realty Investors Supplemental Executive Retirement Plan amended October 22, 2004 (filed as Exhibit 10.12 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.18†— Third Amendment to the Weingarten Realty Investors Supplemental Executive Retirement Plan amended October 22, 2004 (filed as Exhibit 10.13 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.19†— Weingarten Realty Investors Retirement Benefit Restoration Plan adopted effective September 1, 2002 (filed as Exhibit 10.14 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.20†— First Amendment to the Weingarten Realty Investors Retirement Benefit Restoration Plan amended on November 3, 2003 (filed as Exhibit 10.15 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.21†— Second Amendment to the Weingarten Realty Investors Retirement Benefit Restoration Plan amended October 22, 2004 (filed as Exhibit 10.16 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.22†— Third Amendment to the Weingarten Realty Pension Plan dated December 23, 2005 (filed as Exhibit 10.30 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.23†— Weingarten Realty Investors Deferred Compensation Plan amended and restated as a separate and independent plan effective September 1, 2002 (filed

as Exhibit 10.17 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).

10.24†— Supplement to the Weingarten Realty Investors Deferred Compensation Plan amended on April 25, 2003 (filed as Exhibit 10.18 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).

10.25†— First Amendment to the Weingarten Realty Investors Deferred Compensation Plan amended on November 3, 2003 (filed as Exhibit 10.19 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).

10.26†— Second Amendment to the Weingarten Realty Investors Deferred Compensation Plan, as amended, dated October 13, 2005 (filed as Exhibit 10.29 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).

10.27†— Trust Under the Weingarten Realty Investors Deferred Compensation Plan amended and restated effective October 21, 2003 (filed as Exhibit 10.21 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).

- 10.28† — Fourth Amendment to the Weingarten Realty Investors Deferred Compensation Plan, dated December 23, 2005 (filed as Exhibit 10.31 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.29† — Trust Under the Weingarten Realty Investors Retirement Benefit Restoration Plan amended and restated effective October 21, 2003 (filed as Exhibit 10.22 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.30† — Trust Under the Weingarten Realty Investors Supplemental Executive Retirement Plan amended and restated effective October 21, 2003 (filed as Exhibit 10.23 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.31† — First Amendment to the Trust Under the Weingarten Realty Investors Deferred Compensation Plan, Supplemental Executive Retirement Plan, and Retirement Benefit Restoration Plan amended on March 16, 2004 (filed as Exhibit 10.24 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.32† — Third Amendment to the Weingarten Realty Investors Deferred Compensation Plan dated August 1, 2005 (filed as Exhibit 10.30 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.33 — Amended and Restated Credit Agreement dated February 22, 2006 among Weingarten Realty Investors, the Lenders Party Hereto and JPMorgan Chase Bank, N.A., as Administrative Agent (filed as Exhibit 10.32 on WRI's Form 10-K for the year ended December 31, 2005 and incorporated by reference).
- 10.34†* — Fifth Amendment to the Weingarten Realty Investors Deferred Compensation Plan.
- 12.1* — Computation of Fixed Charges Ratios.
- 14.1 — Code of Ethical Conduct for Senior Financial Officers - Andrew M. Alexander (filed as Exhibit 14.1 to WRI's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 14.2 — Code of Ethical Conduct for Senior Financial Officers - Stephen C. Richter (filed as Exhibit 14.2 to WRI's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 14.3 — Code of Ethical Conduct for Senior Financial Officers - Joe D. Shafer (filed as Exhibit 14.3 to WRI's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 31.1* — Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
- 31.2* — Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
- 32.1** — Certification pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
- 32.2** — Certification pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).

*

Filed with this report.

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Furnished with this report.

†

Management contract or compensation plan or arrangement.

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SIGNATURES

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.

WEINGARTEN REALTY INVESTORS
(Registrant)

By: /s/ Andrew M. Alexander
Andrew M. Alexander
Chief Executive Officer

By: /s/ Joe D. Shafer
Joe D. Shafer
Vice President/Chief Accounting Officer
(Principal Accounting Officer)

DATE: August 9, 2006

EXHIBIT INDEX

- (a) Exhibits:
- 3.1 — Restated Declaration of Trust (filed as Exhibit 3.1 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
 - 3.2 — Amendment of the Restated Declaration of Trust (filed as Exhibit 3.2 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
 - 3.3 — Second Amendment of the Restated Declaration of Trust (filed as Exhibit 3.3 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
 - 3.4 — Third Amendment of the Restated Declaration of Trust (filed as Exhibit 3.4 to WRI's Registration Statement on Form 8-A dated January 19, 1999 and incorporated herein by reference).
 - 3.5 — Fourth Amendment of the Restated Declaration of Trust dated April 28, 1999 (filed as Exhibit 3.5 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
 - 3.6 — Fifth Amendment of the Restated Declaration of Trust dated April 20, 2001 (filed as Exhibit 3.6 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
 - 3.7 — Amended and Restated Bylaws of WRI (filed as Exhibit 99.2 to WRI's Registration Statement on Form 8-A dated February 23, 1998 and incorporated herein by reference).
 - 4.1 — Subordinated Indenture dated as of May 1, 1995 between WRI and Chase Bank of Texas, National Association (formerly, Texas Commerce Bank National Association) (filed as Exhibit 4(a) to WRI's Registration Statement on Form S-3 (No. 33-57659) and incorporated herein by reference).
 - 4.2 — Subordinated Indenture dated as of May 1, 1995 between WRI and Chase Bank of Texas, National Association (formerly, Texas Commerce Bank National Association) (filed as Exhibit 4(b) to WRI's Registration Statement on Form S-3 (No. 33-57659) and incorporated herein by reference).
 - 4.3 — Form of Fixed Rate Senior Medium Term Note (filed as Exhibit 4.19 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
 - 4.4 — Form of Floating Rate Senior Medium Term Note (filed as Exhibit 4.20 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
 - 4.5 — Form of Fixed Rate Subordinated Medium Term Note (filed as Exhibit 4.21 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
 - 4.6 — Form of Floating Rate Subordinated Medium Term Note (filed as Exhibit 4.22 to WRI's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
 - 4.7 — Statement of Designation of 6.75% Series D Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 to WRI's Registration Statement on Form 8-A dated April 17, 2003 and incorporated herein by reference).
 - 4.8 — Statement of Designation of 6.95% Series E Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 to WRI's Registration Statement on Form 8-A dated July 8, 2004 and incorporated herein by reference).
 - 4.9 — 6.75% Series D Cumulative Redeemable Preferred Share Certificate (filed as Exhibit 4.2 to WRI's Registration Statement on Form 8-A dated April 17, 2003 and incorporated herein by reference).
 - 4.10 — 6.95% Series E Cumulative Redeemable Preferred Share Certificate (filed as Exhibit 4.2 to WRI's Registration Statement on Form 8-A dated July 8, 2004 and incorporated herein by reference).

- 4.11 — Form of Receipt for Depositary Shares, each representing 1/30 of a share of 6.75% Series D Cumulative Redeemable Preferred Shares, par value \$.03 per share (filed as Exhibit 4.3 to WRI's Registration Statement on Form 8-A dated April 17, 2003 and incorporated herein by reference).
- 4.12 — Form of Receipt for Depositary Shares, each representing 1/100 of a share of 6.95% Series E Cumulative Redeemable Preferred Shares, par value \$.03 per share (filed as Exhibit 4.3 to WRI's Registration Statement on Form 8-A dated July 8, 2004 and incorporated herein by reference).
- 4.13 — Form of 7% Notes due 2011 (filed as Exhibit 4.17 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 10.1 — 1988 Share Option Plan of WRI, as amended (filed as Exhibit 10.1 to WRI's Annual Report on Form 10-K for the year ended December 31, 1990 and incorporated herein by reference).
- 10.2 — The Savings and Investment Plan for Employees of Weingarten Realty Investors dated December 17, 2003 (filed as Exhibit 10.34 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.3 — The Savings and Investment Plan for Employees of WRI, as amended (filed as Exhibit 4.1 to WRI's Registration Statement on Form S-8 (No. 33-25581) and incorporated herein by reference).
- 10.4 — First Amendment to the Savings and Investment Plan for Employees of Weingarten Realty Investors dated August 1, 2005 (filed as Exhibit 10.25 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.5 — The Fifth Amendment to Savings and Investment Plan for Employees of WRI (filed as Exhibit 4.1.1 to WRI's Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (No. 33-25581) and incorporated herein by reference).
- 10.6 — Mandatory Distribution Amendment for the Savings and Investment Plan for Employees of Weingarten Realty Investors dated August 1, 2005 (filed as Exhibit 10.26 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.7 — The 1993 Incentive Share Plan of WRI (filed as Exhibit 4.1 to WRI's Registration Statement on Form S-8 (No. 33-52473) and incorporated herein by reference).
- 10.8 — 1999 WRI Employee Share Purchase Plan (filed as Exhibit 10.6 to WRI's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.9 — 2001 Long Term Incentive Plan (filed as Exhibit 10.7 to WRI's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 10.10 — Master Promissory Note in the amount of \$20,000,000 between WRI, as payee, and Chase Bank of Texas, National Association (formerly, Texas Commerce Bank National Association), as maker, effective December 30, 1998 (filed as Exhibit 4.15 to WRI's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.11 — Weingarten Realty Retirement Plan restated effective April 1, 2002 (filed as Exhibit 10.29 on WRI's Annual Report on Form 10-K for the year ended

December 31, 2005 and incorporated herein by reference).

- 10.12 — First Amendment to the Weingarten Realty Retirement Plan, dated December 31, 2003 (filed as Exhibit 10.33 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.13 — First Amendment to the Weingarten Realty Pension Plan, dated August 1, 2005 (filed as Exhibit 10.27 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).
- 10.14 — Mandatory Distribution Amendment for the Weingarten Realty Retirement Plan dated August 1, 2005 (filed as Exhibit 10.28 on WRI's Form 10-Q for the quarter ended September 30, 2005 and incorporated herein by reference).

- 10.15 — Weingarten Realty Investors Supplemental Executive Retirement Plan amended and restated effective September 1, 2002 (filed as Exhibit 10.10 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.16 — First Amendment to the Weingarten Realty Investors Supplemental Executive Retirement Plan amended on November 3, 2003 (filed as Exhibit 10.11 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.17 — Second Amendment to the Weingarten Realty Investors Supplemental Executive Retirement Plan amended October 22, 2004 (filed as Exhibit 10.12 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.18 — Third Amendment to the Weingarten Realty Investors Supplemental Executive Retirement Plan amended October 22, 2004 (filed as Exhibit 10.13 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.19 — Weingarten Realty Investors Retirement Benefit Restoration Plan adopted effective September 1, 2002 (filed as Exhibit 10.14 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.20 — First Amendment to the Weingarten Realty Investors Retirement Benefit Restoration Plan amended on November 3, 2003 (filed as Exhibit 10.15 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.21 — Second Amendment to the Weingarten Realty Investors Retirement Benefit Restoration Plan amended October 22, 2004 (filed as Exhibit 10.16 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.22 — Third Amendment to the Weingarten Realty Pension Plan dated December 23, 2005 (filed as Exhibit 10.30 on WRI's Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
- 10.23 — Weingarten Realty Investors Deferred Compensation Plan amended and restated as a separate and independent plan effective September 1, 2002 (filed as Exhibit 10.17 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
- 10.24 — Supplement to the Weingarten Realty Investors Deferred Compensation Plan amended on April 25, 2003 (filed as Exhibit 10.18 on WRI's Form 10-Q for the quarter ended June 30, 2005 and incorporated herein by reference).
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